

Texas Stock Exchange Announces Approval by SEC

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On September 30, 2025, the new Texas Stock Exchange (TXSE) announced that the SEC approved its Form 1 registration statement, officially approving the exchange. Accordingly, the TXSE is now officially a recognized national securities exchange, similar to the Nasdaq Stock Market and the New York Stock Exchange, both of which the TXSE has expressly targeted as its main competitors in past public statements. In the TXSE's own words, this makes it the "first fully integrated national securities exchange to receive SEC approval in decades" offering, within a single platform, a comprehensive suite of services, including listing standards, trading, clearing, settlement, and market data.

In its order approving the TXSE's Form 1 registration statement, the SEC noted that it had received a number of comment letters that it considered in making its decision, citing letters from political officeholders like Senator Ted Cruz and Senator John Cornyn, as well as representatives of significant market participants, like Fortress Investment Group, Citadel Securities and Summit Financial Group, and scholars at academic institutions like the University of Texas at Austin and Northwestern University, in their individual capacity. Some of the commenters expressed hope that added competition would potentially cause existing exchanges to lower their fees and generally enhance capital formation and increase efficiency, while another asserted that a new exchange would simply add to market fragmentation and complicate infrastructure. The SEC approved the TXSE's application stating that the TXSE's rules are consistent with the Securities Exchange Act of 1934, which requires, among other things, fair representation of the TXSE's exchange members on its board, that the rules be designed to prevent fraudulent and manipulative practices, and to perfect the mechanisms of a free and open market and a national market system.

Despite the much-publicized push by Texas to challenge Delaware's primacy as a corporate home jurisdiction, the SEC order notes that the TXSE is organized as a Delaware limited liability company that is wholly owned by its sole member, TXSE Group Inc., a Delaware corporation. The SEC summarized the TXSE's proposed governance structure and noted that, as a national securities exchange, it will be responsible for the operation and regulation of its trading system and the regulation of its members. Additionally, it noted that a condition to the TXSE's approval is that it enter into a regulatory services agreement with FINRA under which FINRA will perform regulatory functions on behalf of the exchange, including the performance of investigation, disciplinary, and hearing services. As expected, the SEC order confirms that the TXSE will operate a fully automated order book, similar to Nasdaq, and will not maintain or operate a physical trading floor, as the NYSE does. Orders may be placed by TXSE members or users who have access agreements with TXSE members.

As we previously reported, the TXSE closely modeled its proposed rules on the rules of existing exchanges. This may have helped ease the path for the TXSE's approval and, in fact, the SEC noted expressly in its order that "TXSE's proposed initial and continuing listing standards for securities to be listed and traded on the Exchange

are substantially similar to the current rules for the Nasdaq Global Select Market of Nasdaq, NYSE, or IEX.” The SEC also highlighted similarities with respect to the standards relating to the listing and delisting of companies and corporate governance. Because the SEC had previously found the rules of these other exchanges to be consistent with the securities laws, the SEC said that it was likewise finding the proposed TXSE rules to be similarly consistent with the law. Whether this substantial similarity in rulebooks is consistent with the TXSE’s public marketing, which boasts of reducing the burden on companies of going and staying public, is an open question.

In any event, the official regulatory approval of the TXSE marks an important and potentially significant event for the U.S. capital markets system and solidifies its timeline of launching in 2026.

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