Delisting

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What is Delisting

Delisting is the removal of a listed security from a stock exchange. The delisting of a security can be voluntary or involuntary and usually results when a company ceases operations, declares bankruptcy, merges, does not meet listing requirements, or seeks to become private.

BREAKING DOWN Delisting

Companies must meet specific guidelines, called "listing standards," before it can be listed on an exchange. Each exchange, such as the New York Stock Exchange (NYSE), establishes its own set of rules and regulations for listings. Companies that fail to meet the minimum standards set by an exchange will be involuntarily delisted. Alternatively, a company can voluntarily request to be delisted.

Some companies choose to become privately traded when they identify, using a cost-benefit analysis, that the costs of being publicly listed exceed the benefits. Requests to delist often occur when companies are purchased by private equity firms and will be reorganized by new shareholders. These companies can apply for delisting to become privately traded. Also, when listed companies merge and trade as a new entity, the formerly separate companies voluntarily request delisting.

Involuntary Delisting of a Company