



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Investor Bulletin: Trading Suspensions

The SEC's Office of Investor Education and Advocacy is issuing this Investor Bulletin to help educate investors about the SEC's rules and regulations related to trading suspensions. The federal securities laws generally allow the SEC to suspend trading in any stock for up to ten business days. This bulletin answers some of the typical questions we receive from investors about trading suspensions. A list of companies whose stock is currently subject to an SEC trading suspension, or which previously has been subject to an SEC trading suspension, may be found [here](#).

Why would the SEC suspend trading in a stock?

The SEC may suspend trading in a stock when the Commission is of the opinion that a suspension is required to protect investors and the public interest. Circumstances that might lead the Commission to suspend trading include:

- A lack of current, accurate, or adequate information about the company, for example, when a company is not current in its filings of periodic reports;
- Questions about the accuracy of publicly available information, including in company press

releases and reports, about the company's current operational status, financial condition, or business transactions;

- Questions about trading in the stock, including trading by insiders, potential market manipulation, and the ability to clear and settle transactions in the stock.

Why couldn't the SEC forewarn investors that it was about to suspend trading in a stock?

The SEC cannot announce that it's working on a suspension. We conduct this work confidentially to maintain the effectiveness of any related investigation we may be conducting. Confidentiality also protects a company and its shareholders if the SEC ultimately decides not to issue a trading suspension. The SEC is mindful of the seriousness of suspensions, and carefully considers whether it is in the public interest and for the protection of investors to order a trading suspension.

What happens when the ten-day suspension period ends?

The SEC will not comment publicly on the status of a company when the ten-day suspension period ends because the company may still have serious legal problems. For instance, the SEC may continue to investigate a company to determine whether it has defrauded investors. The public would not know if the SEC is continuing its investigation unless the SEC publicly announces an enforcement action against the company.

Furthermore, when an SEC trading suspension ends, a broker-dealer generally may not solicit investors to buy or sell the previously-suspended over-the-counter (“OTC”) stock until certain requirements are met. Before soliciting quotations or resuming quotations in an OTC stock that has been subject to a trading suspension, a broker-dealer must file a [Form 211](#) with the Financial Industry Regulatory Authority (“FINRA”) representing that it has satisfied all applicable requirements, including those of [Rule 15c2-11](#) and [FINRA Rule 6432](#).

Among other things, Rule 15c2-11 requires broker-dealers to review and maintain certain documents and information about the company, including in certain cases:

1. the company’s state of organization, business line, and names of certain control affiliates;
2. the title and class of the securities outstanding; and
3. the company’s most recent balance sheet and its profit and loss and retained earnings statement.

No broker-dealer may solicit or recommend that an investor buy an OTC stock that has been subject to a trading suspension unless and until FINRA has approved a Form 211 relating to the stock. If there are continuing regulatory concerns about the company, its disclosures, or other factors, such as a pending regulatory investigation, a Form 211 application may not be approved.

However, limited or “unsolicited” trading can occur in an OTC stock that has been subject to a trading suspension after the suspension ends but before a Form 211 is approved. This may allow investors to trade the stock when a broker or adviser has not solicited or recommended such a transaction. *Even though such trading is allowed, it can be very risky for investors without current and reliable information about the company.*

Will trading automatically resume after ten days?

It depends on the market where the stock trades. Different rules apply in different markets.

For stocks that quote in the OTC market (which includes stocks quoted on the Bulletin Board and OTC Link (f/k/a Pink Sheets)), quoting does not automatically resume when a ten-day suspension ends. Before OTC stock quoting can resume after a suspension period, SEC regulations require a broker-dealer to review specific information about the company in accordance with Exchange Act Rule 15c2-11 and FINRA Rule 6432. If a broker-dealer does not have confidence that a company’s financial statements are reasonably current and accurate in all material respects, especially in light of the questions that may have been raised by the SEC suspension action, then a broker-dealer may not publish a quote for the company’s stock. The OTC markets function through dealer systems where only broker-dealers may quote and facilitate trading in OTC stocks.

In contrast to stocks that trade in the OTC market, stocks that trade on an exchange resume trading as soon as an SEC suspension ends.

If the suspended stock resumes trading, why is it trading at a much lower price?

The trading suspension may raise serious questions and cast doubts about the company in the minds of investors. While some investors may be willing to buy the company's stock, they will do so only at significantly lower prices.

Take precautions following an SEC trading suspension: Check for reliable information.

Investors should be very cautious in considering an investment in a stock following a trading suspension. At the very least, investors should assure themselves that they have current and reliable information about a company before investing.

- **Research the Company:** Always research a company before buying its stock, especially following a trading suspension. Consider the company's finances, organization, and business prospects. This type of information often is included in filings that a company makes with the SEC.
- **Review the Company's SEC Filings:** This information is free and can be found on the Commission's [EDGAR filing system](#). Some companies are not required to file reports with the SEC. These are known as "non-reporting" companies. Investors should be aware of the risks of trading the stock of such companies, as there may not be current and accurate information that would allow investors to make an informed investment decision.
- **Be Skeptical:** Investors should always ask why someone provides them a "hot" tip. Investors should also do their own research and be aware that information from online blogs, social networking sites, and even a company's own website may be inaccurate and sometimes intentionally misleading.

If current, reliable information about a company and its stock is not available, investors should consider seriously whether this may be a good investment.

Why would the SEC suspend trading of a stock when it knows that such action will hurt current shareholders?

The SEC suspends trading in a security when it is of the opinion that the suspension is required in the public interest and to protect investors. Because a suspension often causes a dramatic decline in the price of the security, the SEC suspends trading only when it believes that the public may be making investment decisions based on a lack of information, or false or misleading information. A suspension may prevent potential investors from being victimized by a fraud.

How can investors find out if the stock will trade again after a suspension?

Investors can contact the broker-dealer who sold you the stock or a broker-dealer who quoted the stock before the suspension. Ask the broker-dealer if it intends to resume publishing a quote in the company's stock.

If there is no market to sell my security, what can investors do with their shares?

If there is no market to trade the shares, they may be worthless. Investors may want to contact their financial or tax advisers to determine how to treat such a loss on their tax returns.

What can investors do if the company acted wrongfully and they have lost money?

If investors want to get their money back, they will need to consider taking legal action on their own. The SEC cannot act as their lawyer. Investors must pursue all of their legal remedies themselves or with the assistance of legal counsel they engage themselves. For more information about how to protect your legal rights, including finding a lawyer who specializes in securities law, read our flyer, [How the SEC Handles Your Complaint or Inquiry](#).

To learn how to file an arbitration action against a broker-dealer, investors can contact the Director of Arbitration at [FINRA](#). FINRA also offers mediation as an option before going to arbitration.

Where can investors get information about trading suspensions?

Investors can find a [list](#) of companies whose stocks have been suspended by the SEC since October 1995 on our website.

How can investors learn more?

We offer educational materials so that investors can develop an understanding of the securities industry and learn how to avoid costly mistakes and fraud. Our educational materials also provide tips on how investors can invest wisely. Investors can order our free publications by calling (800) SEC-0330, or access them on the Internet through the SEC's [Investor.gov](#) website. For additional educational information for investors, see the SEC's [Investor.gov](#) website or the [Office of Investor Education and Advocacy's homepage](#). For additional information relating to trading suspensions and the risks of investing in low-priced stocks, see:

- Our publication, [Microcap Stock: A Guide for Investors](#)
- SEC Trading Suspensions: <http://www.sec.gov/litigation/suspensions.shtml>
- [Company filings with the SEC](#)
- [Section 12\(k\) of the Exchange Act](#)
- Exchange Act [Rule 15c2-11](#); [FINRA Rule 6432](#)
- [Form 211](#)

The Office of Investor Education and Advocacy has provided this information as a service to investors. It is neither a legal interpretation nor a statement of SEC policy. If you have questions concerning the meaning or application of a particular law or rule, please consult with an attorney who specializes in securities law.

