What does it mean to be a public company?

Many later-stage companies choose to "go public," which may, among other things, provide a greater pool of capital, enhanced liquidity, and reputational benefit. There are a number of ways to become a public company, but, once public, there are several considerations to keep in mind.

Why does a company go public?

Companies may seek to go public for many reasons, but each company should consider the potential benefits and costs, which may include:

Benefits

- more opportunities for capital raising
- liquidity for existing shareholders
- reputational prestige, media attention, and market awareness
- workforce incentives, such as public company stock-based compensation

Cons

- disclosure requirements, increased liability risk, and competitive risks
- offering and compliance costs
- increased market and media scrutiny
- loss of founder control

There may be other factors a company should consider before choosing to go public, and the reasons may be different for each company.

What is a reporting company?

"Public companies," often referred to as reporting companies, are subject to reporting requirements and must file certain reports, including annual, quarterly, and current reports, with the SEC on an ongoing basis.

A company can become a reporting company in one of two ways:

- by issuing securities in an **offering** that is registered with the SEC, like an IPO, or
- by registering a class of **securities** with the SEC.

A company must register its securities if it:

- lists its securities on a securities exchange or
- has more than $10 million in total assets and a class of securities held by either (1) 2,000 or more persons or (2) 500 or more persons who are not accredited investors, unless the exceptions for Regulation Crowdfunding or Regulation A apply.

Not all reporting companies have to provide the same level of information. Certain smaller reporting companies and emerging growth companies have lower or scaled disclosure requirements or are allowed to comply with certain disclosure requirements later in time.

continued on back page

U.S. Securities and Exchange Commission
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What does it mean to be a public company? *(continued)*

What does it mean to register an offering?

Federal securities laws require any offer or sale of securities in the United States to be registered with the SEC unless it qualifies for an exemption from this requirement.

To register its offering, a company must file a registration statement with the SEC that provides business and financial information, including:

- a description of the company's business,
- a description of the security offered,
- information about the management of the company, and
- financial statements audited by an independent public accountant.

Find more information about registration statements.

What does it mean to list securities?

Companies can choose to "list" their securities for trading on a national securities exchange, such as the Nasdaq Stock Market or the New York Stock Exchange. Find a list of national securities exchanges that have been registered with the SEC.

Listing securities may provide increased liquidity for a company's shareholders by making it easier for shareholders to sell their securities to other investors in the public market, sometimes called secondary trading.

Before a company's stock can begin trading on an exchange, the company must meet that exchange's minimum financial and non-financial requirements, or listing standards. The company also must file an Exchange Act registration statement and become a reporting company. Once listed on an exchange, a company must continue to meet that exchange's continued listing standards and SEC reporting requirements. If a company fails to meet the continued listing standards, the exchange may remove or "delist" that company's securities from the exchange.

How can an investor trade securities that are not listed on a national securities exchange?

Securities that are not listed on an exchange may be traded "over-the-counter." These securities are sometimes called OTC securities. OTC securities generally trade or are quoted on SEC-regulated electronic trading systems called alternative trading systems or ATSs, which, for example, can match orders for buyers and sellers of securities. Find a list of ATSs.

Each ATS has its own eligibility requirements for displaying and accessing quotes on its system. For example, ATSs may require issuers to meet certain minimum standards or comply with established reporting standards, such as the reporting requirements under Regulation A, the Exchange Act, U.S. Bank reporting standards, or international reporting standards. Whether information about the issuer of a security is current and publicly available can affect an OTC security's liquidity.

Have suggestions on additional educational resources? Email smallbusiness@sec.gov.