

What Foreign Issuers Should Know About SEC Trading Suspensions

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As of April 27, 2026, the Securities and Exchange Commission (SEC) has suspended the trading of 14 Asia-based companies that conducted their initial public offering (IPO) on Nasdaq or the New York Stock Exchange (NYSE) within the last two years due to potential market manipulation. The SEC's focus on foreign issuers is consistent with the Trump administration's "America First" policy. On February 12, 2026, [SEC Chairman Paul Atkins highlighted the trading suspensions in his testimony](#) before the Senate Committee on Banking, Housing and Urban Affairs, noting: "I am working within the securities laws to protect investors from those who seek to use international borders to evade and undermine U.S. investor protections. Markets are global. Investor protection must be as well."

These trading suspensions raise significant concerns for foreign issuers, particularly because most of the SEC's orders state that the potential manipulation was "effectuated through recommendations made to investors by **unknown persons** via social media." Thus, companies that may themselves be victims of third-party manipulation now face the compounding harm of being treated as suspected wrongdoers and having their trading halted, along with potential collateral consequences, such as reputational damage, SEC inquiries and shareholder lawsuits. In addition, [Nasdaq recently proposed a new rule](#) that would allow it to delist stocks where the SEC has imposed trading suspensions, effectively cutting off a company's access to the US capital markets.

Foreign issuers – particularly those based in Asia – should consider evaluating their vulnerability to third-party market manipulation and developing a response plan in the event of a stock price rally that potentially triggers regulatory scrutiny. Likewise, foreign private companies seeking access to the US capital markets should be mindful of the risk of potential market manipulation for microcap companies.

Characteristics of companies subject to trading suspensions

The 14 companies affected by the trading suspensions conduct a range of business operations, from beauty products and food catering to online travel services, digital advertising and traditional Chinese medicine therapies. Most of the companies were founded more than 10 years ago.

These companies also share some common characteristics:

- **Asia-headquartered and offshore-incorporated:** As noted above, all 14 companies are headquartered in Asia, including six in mainland China or Hong Kong, five in Singapore, and one each in Indonesia, Malaysia and Japan. All but two are incorporated in offshore jurisdictions, such as the Cayman Islands and the British Virgin Islands.
- **Recent IPOs with modest IPO proceeds:** Twelve of the 14 companies went public in 2025, while the other two went public in 2024. Their IPO proceeds ranged from \$5 million to \$15 million, and all 14 companies were considered "microcap" at the time of their IPOs (i.e., with market capitalization of less than \$300 million). Thirteen of the companies priced their IPOs at \$4 per share, the minimum bid price required by Nasdaq and the NYSE.
- **Significant stock price fluctuations leading to trading suspensions:** For some companies, trading was suspended while the stock price was surging; for others, the suspension occurred as the price declined from a spike. Several of the 14 companies experienced a dramatic stock price increase shortly after the IPO. For example, the stock price of Charming Medical surged from \$4 to \$29.36 within 10 days of the IPO. Other companies saw their stock prices remain steady for an extended period before experiencing sudden volatility. QMMM's stock price stayed between \$1 and \$4 for a year after its IPO, when it suddenly spiked to \$207 before plummeting to \$71 within the span of a week. These abnormal trading patterns prompted the SEC to suspend trading, in some cases within weeks of the companies' IPOs.

SEC's trading suspensions extended by stock exchanges

The SEC's orders suspending trading in the securities of these 14 companies are nearly identical. In each order, [the SEC stated](#) that there was "potential manipulation" in the company's securities "through recommendations made to investors by unknown persons via social media," which "appear to be designed to artificially inflate the price and trading volume" of the company's securities. The SEC further stated that "the public interest and the protection of investors" required it to suspend trading in the securities of the company.

As noted in our [November 2025 Law360 article](#), although the SEC is only authorized to suspend trading for up to 10 business days, the stock exchanges (Nasdaq and NYSE) continued to halt trading for these companies after that period expired. [Nasdaq announced](#) that "trading will remain halted" until the issuer "has fully satisfied Nasdaq's request for additional information."

To date, trading remains halted for all 14 companies, and it is unclear if they will ultimately persuade the SEC and the stock exchange to lift the trading halt. All 14 companies publicly stated that they were cooperating with the investigations and denied any involvement in market manipulation. Many of the 14 companies also stated in their public filings that there were no material changes to their business operations, although several companies disclosed changes to their directors, executive officers and/or auditors since the SEC suspended trading in their stocks. Two companies disclosed in their public filings after the trading suspensions that they moved their headquarters.

In addition, on February 20, 2026, Nasdaq filed a proposed rule change with the SEC that would allow Nasdaq to delist companies whose stocks are subject to trading suspension by the SEC. Nasdaq "believes that the ability for third parties to manipulate a security's price can indicate that the security does not have sufficient liquidity, and the issuing company does not have sufficient market interest, for listing to be appropriate." As such, Nasdaq proposed it should have discretion to delist companies under trading suspensions based on a set of factors, including whether any of the company's advisors (such as auditors, underwriters and law firms) "were involved in prior transactions where the securities became subject to a pattern of concerning or volatile trading." If adopted, Nasdaq intends to use this new rule to suspend companies "even where the problematic or unusual trading appears to be driven by third parties with no known connection to the company, and even where Nasdaq Staff cannot determine whether the company or any associated individual was involved." The SEC is currently soliciting comments on the proposed rule change and is expected to either approve or disapprove it within the coming months.

Shareholder lawsuits

Two companies – Charming Medical and Smart Digital Group – were sued for securities fraud in connection with the trading suspensions. In both cases, the plaintiffs named the companies' directors, officers, auditors and underwriters as defendants.

The complaint against Charming Medical alleges that the company's "IPO and its extremely small public float" made the company's stock susceptible to manipulation. The plaintiff further alleges that the company's offering documents failed to warn investors of the "substantial market manipulation risk," and that the company failed to dispel false rumors circulated by scammers.

Similarly, the complaint against Smart Digital Group alleges the company violated securities laws by failing to disclose it was the subject of a pump-and-dump scheme and at risk of a trading suspension.

Takeaways

Asia-based companies trading in the US face the risk of having their trading suspended by the SEC based solely on unusual trading patterns or market activity, even when they were not involved with the potential manipulation. The consequences of trading suspensions, followed by indefinite trading halts by stock exchanges, can include loss of access to the US capital markets, prolonged investigations and significant reputational damage.

Moreover, if Nasdaq's proposed rule change is approved, companies subject to SEC trading suspensions may face delisting proceedings, even where the unusual trading activity appears to have been driven entirely by unaffiliated third parties. Plaintiffs' law firms appear to be focused on this issue, and it is possible they will file more copycat complaints against companies that have fallen victim to stock manipulation.

To mitigate the risk of falling victim to market manipulation activity, companies based in Asia that are considering going public in the US should be mindful of the distribution of their shares while they remain private. And companies that recently went public in the US should consider monitoring rumors on social media and developing a response plan for an unexpected stock price rally. For example, a targeted company may consider publicly denying any rumors circulating on

social media that are designed to drive up a company's stock price. If they are subject to a trading suspension, companies should be prepared to respond quickly by engaging with the SEC and publicly denying involvement with the market manipulation.

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