

SEC Proposes Hedging Disclosure Rule

February 11, 2015 | Client Update

On February 9, 2015, the [SEC proposed a long-awaited rule](#) on disclosure of company equity hedging policies, as required by Section 955 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The proposed rule would require companies to disclose whether they permit any employees, officers or directors, or any of their “designees,” to purchase financial instruments or otherwise engage in transactions that are designed to have the effect of hedging or offsetting any decrease in the market value of company equity securities:

- granted as part of compensation; or
- held by them, “directly or indirectly.”

The disclosure would be required in any proxy statement or information statement relating to an election of directors. Although the rule does not specify when it will go into effect, given the comment period, it cannot go into effect until late April 2015, at the earliest. This means that, for most calendar-year companies, this disclosure should *not* be required during this current proxy season.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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