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SEC Announces Open Meeting to Consider Clawback Rule Proposal

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The SEC has **announced** that it will hold an open meeting on Wednesday, July 1, 2015, at 10:00 a.m. to consider whether to propose rules under Section 954 of the Dodd-Frank Act.

Section 954 is titled “Recovery of Erroneously Awarded Compensation.” It would add Section 10D of the Exchange Act and require the listing exchanges to prohibit the listing of any security of an issuer that is not in compliance. Each issuer would need to develop, disclose and implement a clawback policy as follows:

- In the event that the issuer is required to prepare an accounting restatement due to the material noncompliance of the issuer with any financial reporting requirement under the securities laws,
- The issuer will recover from any current or former executive officer who received incentive-based compensation (including stock options awarded as compensation),
- During the 3-year period preceding the date on which the issuer is required to prepare an accounting restatement, based on the erroneous data, in excess of what would have been paid to the executive officer under the accounting restatement.

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.

Ning Chiu
+1 212 450 4908
ning.chiu@davispolk.com