

SEC Adopts Hedging Disclosure Rule

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On December 18, 2018, the SEC adopted a final rule implementing Section 955 of the Dodd-Frank Act, which requires U.S. public companies to disclose whether they permit their employees, officers or directors to hedge the value of equity securities granted as compensation or held directly or indirectly. The new rule, Item 407(i) of Regulation S-K, requires a company to describe any practices or policies regarding the ability of its employees, officers or directors to purchase securities or other financial instruments or engage in transactions intended to hedge or offset a decrease in the market value of its equity securities. Companies may summarize their practices or policies for these types of hedging activities or disclose their practices or policies in full. The new rule will apply to most U.S. public companies beginning in 2020.

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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