

SEC Proposes Rules for Hedging Disclosure

Amendments Would Enhance Corporate Disclosure of Hedging Policies for Officers, Directors and Employees

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The Securities and Exchange Commission today announced it has approved the issuance of proposed rules that would enhance corporate disclosure of company hedging policies for directors and employees, as mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act.

The proposal would require disclosure about whether directors, officers and other employees are permitted to hedge or offset any decrease in the market value of equity securities granted by the company as compensation or held, directly or indirectly, by employees or directors.

"The proposed rules would provide investors with additional information about the governance practices of the companies in which they invest," said SEC Chair Mary Jo White. "Increasing transparency into hedging policies will help investors better understand the alignment of the interests of employees and directors with their own."

The proposed rules would require disclosure in proxy and information statements for the election of directors and apply to companies subject to the federal proxy rules, including smaller reporting companies, emerging growth companies, business development companies, and registered closed-end investment companies with shares listed and registered on a national securities exchange.

The proposal specifies that disclosure would apply to equity securities of the company, its parent, subsidiary, or any subsidiary of any parent of the company that is registered under Section 12 of the Exchange Act.

Section 955 of the Dodd-Frank Act amended Exchange Act Section 14 to add paragraph (j), which requires annual meeting proxy statement disclosure of whether employees or members of the board of directors are permitted to purchase financial instruments, including prepaid variable forward contracts, equity swaps, collars, and exchange funds that are designed to hedge or offset any decrease in the market value of company equity securities.

The SEC will seek public comment on the proposed rule amendments for 60 days following their publication in the Federal Register.

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