

## [Securities Regulation Daily Wrap Up, PROXIES—New rules will require disclosure of policies for hedging company equity securities, \(Dec. 19, 2018\)](#)

Securities Regulation Daily Wrap Up

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The SEC has approved rules requiring that companies disclose hedging policies in proxy or information statements for the election of directors. New Item 407(i) of Regulation S-K will require companies to disclose practices or policies with respect to hedging transactions in the companies' equity securities granted as compensation. The new disclosure requirements will be effective for proxy and information statements for the election of directors during fiscal years beginning on or after July 1, 2019. Smaller reporting or emerging growth companies, however, must comply with the new requirements on or after July 1, 2020.

**Disclosure required.** Proposed in [2015](#), the final rules implement a mandate from Section 955 of the Dodd-Frank Act, enacting Exchange Act Section 14(j) and requiring rulemaking to require disclosure of employee and director hedging. To that end, new Item 407(i) of Regulation S-K requires companies to describe any practices or policies regarding the ability of employees (included officers) or directors to engage in hedging transactions with respect to any decrease in the market value of equity securities granted as compensation or held directly or indirectly by the employee or director. Under the rule, "equity securities" includes equity securities of the company, any parent of the company, any subsidiary, or any subsidiary of any parent.

**Summary or full disclosure.** The requirement can be satisfied by providing a fair and accurate summary of the practices or policies that apply or by disclosing the practices or policies in full. The summary would include the categories of persons affected by the practices or policies and any categories of hedging transactions that are specifically permitted or disallowed. If the company has no applicable practices or policies, it will be required to either disclose that fact or state that hedging transactions are generally permitted.

Chairman Jay Clayton [said](#): "The new rules will provide for clear and straightforward disclosure of company policies regarding hedging." He added that the "disclosures in themselves, and in combination with our officer and director purchase and sale disclosure requirements, should bring increased clarity to share ownership and incentives that will benefit our investors, registrants, and our markets."

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