

## Press Release

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# SEC Staff Issues Accounting Guidance on "Spring-Loaded" Compensation Awards to Executives

### FOR IMMEDIATE RELEASE

2021-246

Washington D.C., Nov. 29, 2021 — Securities and Exchange Commission staff today released guidance for companies about how to properly recognize and disclose compensation cost for "spring-loaded awards" made to executives.

Spring-loaded awards are share-based compensation arrangements where a company grants stock options or other awards shortly before it announces market-moving information such as an earnings release with better-than-expected results or the disclosure of a significant transaction.

According to Staff Accounting Bulletin (SAB) No. 120 prepared by the SEC's Office of the Chief Accountant and the Division of Corporation Finance, non-routine spring-loaded grants merit particular scrutiny by those responsible for compensation and financial reporting governance at public companies.

SEC staff believes that as companies measure compensation actually paid to executives, they must consider the impact that the material nonpublic information will have upon release.

In other words, companies should not grant spring-loaded awards under any mistaken belief that they do not have to reflect any of the additional value conveyed to the recipients from the anticipated announcement of material information when recognizing compensation cost for the awards.

"It is important that companies' accounting and disclosures reflect the economics and terms of these compensation arrangements," SEC Chair Gary Gensler said. "This gets to the SEC's remit to protect investors."

The statements in SABs are not rules or interpretations of the Commission nor are they published bearing the Commission's official approval. They represent interpretations and practices followed by the Division of Corporation Finance and the Office of the Chief Accountant in administering the disclosure requirements of the federal securities laws.

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## Related Materials

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- [Staff Accounting Bulletin](#)