

Statement

Statement on Issuer Share Repurchase Disclosure Modernization



Commissioner Caroline A. Crenshaw

Dec. 15, 2021

To start, as with all the items on the agenda today, thank you to the staff across the multiple divisions and offices who have worked on this rulemaking. It is an incredibly busy time at the Commission that has required a strong and sustained push from the dedicated civil servants here. So I will reiterate my sincere thanks and appreciation to each of you.

Improving the manner in which share repurchases, or stock buybacks, are reported to investors is an important goal. Beyond the enhanced disclosures contemplated in this rule that Director Jones and Steven Hearne have just described, we have proposed structured data requirements that would ensure that the proposed disclosures are machine-readable. This is an important element of the rule that can meaningfully improve transparency. Data structuring can lower costs and increase the usefulness of our disclosures by enabling automatic processing and analysis, especially when it comes to granular data,^[1] like some of the disclosures in this proposal.^[2] I look forward to exploring the best application of data structuring as it relates to this proposal, but also throughout our disclosure regime.^[3]

One concern I want to highlight as we open the comment file is possible opportunistic trading by insiders around the announcement of an issuer's stock buyback program. Typically, a jump in the share price follows that announcement, creating a window for an advantageous trade. And evidence suggests that insiders can personally benefit from this window and sell shares in the days after an announcement.^[4] We have proposed specific disclosures to help address this,^[5] and I look forward to hearing feedback from the public on how best to calibrate the relevant disclosures and whether they appropriately address this concern.

I would also note that, to some extent, this rule should be read in conjunction with the proposal on Rule 10b5-1 and Insider Trading. Specifically, an issuer's use of 10b5-1 plans to conduct share repurchases and whether issuer 10b5-1 plans should be subject to the same cooling-off period as such plans for individuals.^[6]

Thank you again to the staff across the Commission for their work. I support this proposal, I look forward to reviewing the comment file and engaging with the public.

^[1] See Caroline Crenshaw, Commissioner, Sec. & Exch. Comm'n, The Lessons of Structured Data (Nov. 10, 2021) ("It allows the automation of all manner of disclosure analysis – identifying what is and is not reported,

identifying data quality errors, comparing results across data sets, performing other analytics, generating time series charting and benchmarking, and much more.”).

[2] See Share Repurchase Disclosure Modernization, Release No. [] at 11-22 (proposed Dec. 15, 2021) [hereinafter *the Release*]

[3] The Commission has an office dedicated to designing structured approaches for required disclosures. Office of Structured Disclosures, [What Is Structured Data?](#) (last visited Dec. 15, 2021).

[4] See Robert J. Jackson, Jr., Commissioner, Sec. & Exch. Comm’n, [Stock Buybacks and Corporate Cashouts](#) (June 11, 2018) (finding that a buyback announcement leads to a jump in stock price 30 days after the announcement and that in half of the 385 buybacks studied “at least one executive sold shares in the month following the buyback announcement. In fact, *twice as many companies* have insiders selling in the eight days after a buyback announcement as sell on an ordinary day so right after the company tells the market that the stock is cheap, executives overwhelmingly decide to sell”).

[5] The Release at 22-23 (specifically, the proposed disclosure of policies and procedures relating to purchases and sales of the issuer’s securities by its officers and directors during a repurchase program, including any restriction on such transactions and a proposed requirement that issuers disclose if any of their officers or directors subject to the reporting requirements under Section 16(a) of the Exchange Act (15 U.S.C. 78p(a)) purchased or sold shares within 10 business days before or after the announcement of an issuer purchase plan or program by checking a box before the tabular disclosure of issuer purchases of equity securities,

[6] See Rule 10b5-1 and Insider Trading, Release No. [] at 16 (proposed Dec. 15, 2021) (proposing a minimum 120-day cooling-off period after adoption of a 10b5-1 trading plan by any director or officer and then a minimum 30-day cooling off period after adoption of a 10b5-1 trading plan by an issuer).