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## SEC Adopts Final Rules for Disclosure of Hedging Policies

### Related Materials

- [Final Rule](#)

**FOR IMMEDIATE RELEASE**

**2018-291**

*Washington D.C., Dec. 18, 2018* — The Securities and Exchange Commission today approved final rules to require companies to disclose in proxy or information statements for the election of directors any practices or policies regarding the ability of employees or directors to engage in certain hedging transactions with respect to company equity securities.

"The new rules will provide for clear and straightforward disclosure of company policies regarding hedging," said Chairman Jay Clayton. "These 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."

The final rules, which implement a mandate from the Dodd-Frank Act, will require disclosure of practices or policies in full, or, alternatively, a summary of those practices or policies that includes a description of any categories of hedging transactions that are specifically permitted or disallowed. If the registrant does not have any such practices or policies, it will disclose that fact or state that hedging is generally permitted.

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**FACT SHEET**

**Dec. 18, 2018**

**Action**

The Securities and Exchange Commission adopted final rules that require disclosure of hedging practices or policies in any proxy statement or information statement relating to the election of directors. The final rules implement Section 14(j) of the Securities Exchange Act of 1934, which was enacted by Section 955 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

**Highlights of the Final Rules**

- New Item 407(i) of Regulation S-K will require a company to describe any practices or policies it has adopted regarding the ability of its employees (including officers) or directors to purchase securities or other financial instruments, or otherwise engage in transactions, that hedge or offset, or are designed to hedge or offset, any decrease in the market value of equity securities granted as compensation, or held directly or indirectly by the employee or director.
- A company could satisfy this requirement by either providing a fair and accurate summary of the practices or policies that apply, including the categories of persons they affect and any categories of hedging transactions that are specifically permitted or specifically disallowed, or, alternatively, by disclosing the practices or policies in full.
- If the company does not have any such practices or policies, the rule will require the company to disclose that fact or state that hedging transactions are generally permitted.
- In addition, Item 407(i) specifies that the equity securities for which disclosure is required are equity securities of the company, any parent of the company, any subsidiary of the company, or any subsidiary of any parent of the company.

**What's Next?**

Companies generally must comply with the new disclosure requirements in proxy and information statements for the election of directors during fiscal years beginning on or after July 1, 2019. However, companies that qualify as "smaller reporting companies" or "emerging growth companies" (each as defined in Securities Exchange Act Rule 12b-2) must comply with the new disclosure requirements in proxy and information statements for the election of directors during fiscal years beginning on or after July 1, 2020. Listed closed-end funds and foreign private issuers will not be subject to the new disclosure requirements.

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