



Lockdown

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DEFINITION of Lockdown

A lockdown, also referred to as a lockup, is a specified period when an employee of a [public company](#) is barred from selling, and occasionally buying, his company's stock. These types of equity transaction restrictions can be imposed by securities regulators or [underwriting](#) firms if a company has recently issued public securities. They can also be self-imposed by a corporation as an impetus for employees to keep company stock.

BREAKING DOWN Lockdown

One common situation that may involve an employee experiencing a lockdown is regarding the company-sponsored retirement plan. The lockdown may prevent any changes from being made to the composition of the plan, including the inability to buy or sell any company stock provided as an employment benefit.

Situations Leading to a Lockdown and IPO Lockup

A company may institute a lockdown of any employee stock-related benefits during two primary scenarios. The first involves a time when major changes may take place in the structure of the retirement or stock benefit. This allows the transition to take place without the complication of employee cash-outs or trades. The second involves preventing employees from selling shares during a time of internal corporate upheaval.