

Deadline Approaches for National Securities Exchanges to Propose Listing Standards for New SEC Clawback Rules

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National securities exchanges have 30 days from today, until February 27, 2023, to propose listing standards implementing the Securities and Exchange Commission's (the "SEC") new "clawback" rules. The SEC recently adopted a new rule (the "New Rule") and rule amendments to implement Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") aimed at issuers recovering, or "clawing back", erroneously awarded incentive-based compensation paid to current and former executive officers as a result of an accounting restatement. In a surprise to issuers and market participants, the SEC included not only "Big R" restatements but also "little r" restatements as items that require a recovery analysis.

Specifically, the New Rule directs the national securities exchanges to establish listing standards requiring issuers to develop and implement a policy providing for the recovery of incentive-based compensation received by current or former executive officers of the issuer in the event of a required accounting restatement, where compensation is based on the erroneously reported financial information. This broad-ranging rule has a three-year look-back period and applies to issuers listed on a national securities exchange, which will be required to adopt clawback policies (or update existing policies) and make certain disclosures in the event that a required accounting restatement triggers recovery analysis under the New Rule.

Issuers will have 60 days from the effectiveness of their national securities exchange's listing standards to adopt a recovery policy. Therefore, issuers could be required to adopt policies as soon as June 2023.

[Read the full article here.](#)

The New Rule release adopting the amendments can be found [here](#). For further information, please contact a member of the Haynes Boone [Capital Markets and Securities Practice Group](#).