



CLIENT ALERT
Navigating Compensation
Governance in Uncertain Times

U.S. Chamber of Commerce Sues SEC to Stop Implementation of New Disclosure Rules on Corporate Share Buybacks

Through a recently filed lawsuit, the U.S. Chamber of Commerce¹ seeks to block the Securities and Exchange Commission from implementing new disclosure rules on share repurchases.

On May 3, 2023, the SEC approved new rules that require public companies to make certain disclosures on share repurchases (including the business rationale) “to help investors assess the efficiency, purposes and impacts of a company’s share repurchases.”² Shortly thereafter, the U.S. Chamber of Commerce (“Chamber”) sued to stop the SEC from implementing the new disclosure rules.

The Chamber’s lawsuit claims that the new disclosure rule was improperly adopted by the SEC and would compel speech in violation of the First Amendment by requiring the public disclosure of “important managerial decisions” on share buybacks. The Chamber further claims that the new disclosure rules would “hurt investors including millions of retirement savers”.

In support of the lawsuit, the Chamber’s Executive Vice President and Chief Policy Officer Neil Bradley publicly noted that “stock buybacks play an important role in the functioning of healthy and efficient capital markets. The SEC’s stock buyback rule doesn’t protect investors. Instead, it puts the thumb on the scale to discourage buybacks despite the fact that the repurchasing of shares improves returns for savers and investors across the economy. The Chamber’s lawsuit seeks to protect returns for investors as well as the ability of companies to make decisions free from government micromanagement.”

Meridian will continue to monitor the status of the litigation and provide updates as appropriate.

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¹ The Texas Association of Business and Longview Chamber of Commerce are also parties to the lawsuit against the SEC.

² See Meridian Client Update Volume 15, Issue 10 “SEC Issues New Disclosure Rules on Corporate Share Buybacks” for an overview of the new disclosure requirements. <https://www.meridiancp.com/insights/sec-issues-new-disclosure-rules-on-corporate-share-buybacks/>