Governance *in Brief*

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SEC adopts new rule on executive compensation clawbacks

The U.S. SEC has adopted new rules requiring publicly traded companies to recover incentive-based executive compensation if that pay was awarded based on a misstated financial performance measure. The SEC had originally proposed a clawback rule in 2015, but it remained dormant until 2021. The new rules apply to all listed issuers and to any incentive-based compensation received by current or former executive officers, including stock options, thus expanding the regulator's clawback powers which were originally instituted in 2002. In addition, the plan applies to compensation paid during the three-year period preceding an accounting restatement, regardless of whether the executive was at fault. Under the new rules, stock exchanges will have to incorporate the requirement as part of their listing standards. The regulations will become effective 60 days after the final rule is published in the Federal Register, and exchanges have 90 days to propose compliant listing standards.

Reuters | SEC | Nasdaq | Market Watch |

Musk acquires Twitter and ousts top executives

Elon Musk has completed his USD 44 billion acquisition of Twitter, appointing himself as CEO, dissolving the board, and reportedly firing four top executives including former CEO Parag Agrawal. Musk has previously accused the former leadership of providing misleading figures on the presence of fake and spam accounts on the platform and of later concealing these misstatements as the two parties moved to trial. Musk terminated the executives "for cause" to avoid hefty severance payouts and unvested stock awards.

Euronews | Yahoo | Business Insider | Reuters | Elon Musk |

Nasdaq halts Chinese IPOs after price spikes

The Nasdaq exchange has reportedly stopped the IPOs of at least four small Chinese companies, following multiple instances of short-lived price spikes following comparable companies' market debuts. This whiplashing price action was allegedly caused by a small contingent of anonymous foreign shareholders inflating trade volume, and by extension, misrepresenting demand. In mid-September, Nasdaq began questioning the advisers of these IPO candidates regarding the identity of existing shareholders and whether these were, inter alia, offered interest-free debt to participate in listings.

Reuters | Nasdaq | Benzinga |

FCA unveils new measures to intercept greenwashing

The UK Financial Reporting Council ("FCA") has proposed new rules aimed at tackling greenwashing amid an uptick of sustainability claims in the marketing of financial products. The rules support the FCA's "ESG Strategy" and "Business Plan" policies in building trust in ESG-labelled instruments. Among the proposals put forward include restrictions on how terms like "ESG," "green" and "sustainable" can be used in investment product sustainability labels. A public consultation on the recommendations is open until January 2023, with the FCA seeking to finalize the new rules by mid-2023.

FCA | ESG Today | Lexology | FN London |

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