

U.S. Sen. Baldwin: Leads colleagues to call for public review of SEC's outdated stock buyback rules

Posted on Friday, Jun 29, 2018

>> **WisPolitics is now on the State Affairs network. Get custom keyword notifications, bill tracking and all WisPolitics content. [Get the app or access via desktop.](#)**

Contact: press@baldwin.senate.gov

202-224-6225

WASHINGTON, D.C. – Amid concerns surrounding the accelerating pace of stock buybacks in U.S. capital markets, U.S. Senators Tammy Baldwin (D-WI), Chris Van Hollen (D-MD) and Minority Leader Chuck Schumer (D-NY) are leading their colleagues to call on U.S. Securities and Exchange Commission (SEC) Chairman Jay Clayton to open a public comment period to review the SEC's current rules around stock buybacks, which haven't been updated in over a decade.

In 1982, the SEC finalized rule 10b-18, which, for the first time, allowed public companies to buy back their stock without fear of being charged with stock market manipulation. Since that time, there has been a 40,000% increase in stock buybacks. In a recent CNBC interview, SEC Commissioner Robert Jackson discussed the dramatic increase in stock buybacks after the Republican tax bill passed Congress and was signed into law by President Trump. So far this year, corporations have announced more than \$480 billion in stock buybacks, overwhelmingly benefiting top executives and leaving the middle class behind.

In the letter to Chairman Clayton, the Senators stated, "We write with concerns about the accelerating pace of stock buybacks in U.S. capital markets. The Securities and Exchange Commission ("SEC" or "the Commission") last updated Rule 10b-18, which governs stock buybacks, in 2003. Since that time, there have been significant changes in executive compensation practices, shareholder

activism, and investing technology. Therefore, we respectfully request that the Commission begin a process to review how companies are conducting buybacks under Rule 10b-18 and whether corporate insiders are exploiting buybacks to sell shares received as executive pay at inflated prices.”

“While we are troubled by the magnitude of stock buybacks and the consequences for employees and communities, we are even more disturbed by the dramatic increase in stock sales by corporate insiders following the announcement of a buyback. This phenomena means it is imperative that the SEC revisit the evolution of Rule 10b-18 to ensure that corporate executives are not using the rule inappropriately to enable advantageous sales of their own stock while ignoring the needs of their companies’ workers,” the Senators continued.

U.S. Senators Sherrod Brown (D-OH), Cory Booker (D-NJ), Elizabeth Warren (D-MA), Ron Wyden (D-OR), Mark Warner (D-VA), Sheldon Whitehouse (D-RI), Kirsten Gillibrand (D-NY), Jack Reed (D-RI), Richard Blumenthal (D-CT), Edward Markey (D-MA), Mazie Hirono (D-HI), Ben Cardin (D-MD), Dianne Feinstein (D-CA), Angus King (I-ME), Brian Schatz (D-HI), Jeff Merkley (D-OR), Joe Donnelly (D-IN) and Maggie Hassan (D-NH) also signed the letter. The full letter is available [here](#).

In March, Senator Baldwin introduced the Reward Work Act to rein in corporate stock buybacks by giving workers a say in how their company’s profits are spent.

Earlier this year, Senator Baldwin sent a letter to the Board of Directors of Kimberly-Clark questioning the company’s recent announcement to use corporate tax cuts for its plan to close facilities in Neenah and Fox Crossing, lay off over 600 workers and spend up to \$900 million on stock buybacks for executives and shareholders this year. In addition, Walmart pocketed a massive tax break, gave executives \$20 billion in stock buybacks in 2017 and then in January they closed Sam’s Club stores across the country, including in Madison and in West Allis. Nearly 300 jobs were eliminated and workers were laid off. More recently, Wells Fargo announced their decision to close a Menomonee Falls call center and lay off 46 workers. Wells Fargo received a huge and permanent corporate tax cut from the Republican tax bill that boosted big banks’ profits by more than \$3 billion. Wells Fargo has also announced that they would spend more than \$22 billion on stock buybacks this year.