



# Share Buybacks for US Corporations: Practitioner's Guide

Share buybacks (also known as share repurchases) have become a cornerstone of corporate capital management for large U.S. companies. In recent years, U.S. companies have spent on the order of \$800 billion to \$1 trillion annually repurchasing their own stock. This primer provides a practical guide to share buybacks, covering the regulatory framework (SEC rules and the new 1% excise tax), the various types of buyback programs (open market repurchases, accelerated share repurchases, etc.), execution best practices (such as Rule 10b-18 safe harbor conditions), reporting and disclosure requirements, operational mechanics (settlement of repurchased shares), and current market trends.

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## Executive Summary

Share buybacks (also known as share repurchases) have become a cornerstone of corporate capital management for large U.S. companies, including banks. In recent years, U.S. companies have spent on the order of \$800 billion to \$1 trillion annually repurchasing their own stock. This primer provides a practical guide to share buybacks, covering the regulatory framework (SEC rules and the new 1% excise tax), the various types of buyback programs (open market repurchases, accelerated share repurchases, etc.), execution best practices (such as Rule 10b-18 safe harbor conditions), reporting and disclosure requirements, operational mechanics (settlement of repurchased shares), and current market trends. Key takeaways include:

- *Regulations and Tax:* Companies must navigate SEC regulations – notably Rule 10b-18, which provides a safe harbor if buybacks meet certain manner, timing, price, and volume conditions – and comply with insider trading laws (often using Rule 10b5-1 plans) to avoid liability. A new 1% federal excise tax on net share repurchases (effective 2023) adds a modest cost to buybacks, though it has not materially slowed repurchase activity so far. Banks face additional oversight, as regulators (the Federal Reserve) restrict buybacks during times of stress and require adequate capital levels before distributions.
- *Types of Buyback Programs:* U.S. issuers predominantly conduct open-market repurchases (OMRs) under Rule 10b-18's safe harbor. Variations include algorithmic or "enhanced" OMRs (eOMRs) that use predefined algorithms to opportunistically buy stock (often under a Rule 10b5-1 plan), and Accelerated Share Repurchases (ASRs), where a company repurchases a large block of shares upfront through an investment bank and settles the remainder over time. Companies occasionally use tender offers (fixed-price or Dutch auction) to buy back large quantities in a short window, typically at a premium price to shareholders. Each method has different speed, cost, and disclosure implications.
- *Execution Rules and Best Practices:* To minimize market impact and legal risk, companies adhere to Rule 10b-18's safe-harbor limits. These include using one broker per day, avoiding trades at the open or in the last 10–30 minutes of trading, not bidding above the last independent price (no "upticks" to drive the price), and limiting daily volume to 25% of ADTV (average daily trading volume). Following these guidelines helps ensure the repurchases are not deemed manipulative. Firms often implement buyback trading plans under Rule 10b5-1 during blackout periods – these pre-arranged plans allow continuous repurchases even when the company may possess material non-public information, and new SEC rules require disclosure of such plans' adoption or termination. Best practices also include avoiding repurchases during sensitive corporate events and maintaining flexibility to pause the program if market conditions or insider knowledge warrant.
- *Disclosure and Reporting:* U.S. companies historically reported aggregate share repurchases in quarterly and annual filings. New SEC rules (effective late 2023) mandate more granular disclosure: firms must report daily share repurchase data in quarterly 10-Q/10-K exhibits (showing dates, volumes, prices, etc.), provide narrative discussion of buyback rationales, and indicate whether any officers or directors traded around the buyback announcement. Companies also typically announce new share buyback authorizations or material changes via press releases and sometimes Form 8-K, to inform investors. These reporting enhancements aim to increase transparency around buybacks' purpose and execution.
- *Operational Considerations:* From an operations perspective, share repurchases involve coordination between the company's treasury team, brokers, and transfer agents. Open-market purchases settle on the regular securities settlement cycle (T+1 as of 2024) on a Delivery-vs-Payment (DVP) basis (cash is paid in exchange for share delivery). Repurchased shares are usually held as treasury stock or retired/cancelled. Moving shares into treasury often requires a DWAC (Deposit/Withdrawal at Custodian) transfer, an

electronic process to transfer shares from the broker's custody to the company's transfer agent for holding or cancellation. In an ASR, the company pays the investment bank upfront and receives an initial block of shares; the bank then buys shares in the market over a defined period to unwind its short position, with a final true-up delivery (or payment) based on the volume-weighted average price (VWAP) over the period. Proper controls and reconciliation are needed to ensure all repurchased shares are accounted for and retired or held appropriately (e.g. to avoid accidentally reissuing or selling without proper authorization).

- *Recent Buyback Trends:* Share repurchases have remained robust. After a pandemic-induced dip in 2020 (S&P 500 buybacks fell to ~\$525 billion), buybacks surged to record levels in 2021–2022 – S&P 500 firms spent \$930 billion in 2022, an all-time high. In 2023, activity moderated by roughly 14% amid economic uncertainty (S&P 500 buybacks totaled ~\$782–795 billion), partly due to higher interest rates making debt-funded buybacks less attractive and a new excise tax. Nonetheless, 2023 still saw over \$1 trillion in buybacks across all U.S. companies, and momentum picked up again heading into 2024. In fact, Q1 2025 set a new quarterly record with S&P 500 companies repurchasing \$293.5 billion (up ~24% year-on-year). Market leaders like technology firms and banks continue to deploy large buyback programs, and the 1% buyback tax has so far had minimal impact on volume. However, policymakers have floated raising this tax, which if increased significantly (e.g. to 2–3%) could prompt some shift from buybacks to dividends. Overall, investors have rewarded companies that execute buybacks responsibly, as they can boost earnings per share and signal confidence in the stock.

Each of the above points is elaborated in the following chapters of this report. This primer is intended to give corporate finance professionals an up-to-date, practical understanding of how share buybacks are executed and regulated, and how current market conditions are influencing buyback strategies.

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## Introduction

Share buybacks are transactions in which a company repurchases its own outstanding shares from the marketplace, thereby reducing the number of shares available in the open market. This corporate finance tool has grown in popularity as a flexible way to return capital to shareholders alongside (or in lieu of) dividends. When a company buys back shares, it invests in itself – often a signal that management believes the stock is undervalued or that the firm has excess cash with no higher-return opportunities. By reducing share count, buybacks can immediately boost metrics like earnings per share (EPS) and return on equity, benefiting remaining shareholders (all else equal). For example, repurchases directly reduce the denominator of the EPS calculation; indeed, large buyback programs in recent years have contributed to sizable EPS increases for many S&P 500 companies. Buybacks can also provide downside support for the stock price (the company becomes a consistent bidder for its shares), which can help stabilize value during market volatility.

From a capital allocation perspective, share repurchases offer discretion and timing flexibility. A company's board of directors typically authorizes a buyback program up to a certain dollar amount or number of shares, but management retains discretion over if and when to execute those purchases. Unlike dividend commitments, buybacks are not contractual obligations – they can be scaled up or down according to cash flow and market conditions. Many large issuers use this flexibility to offset dilution from employee stock compensation by buying back shares issued under stock option or equity incentive plans. Others use buybacks opportunistically: repurchasing more shares when the stock price is weak (and presumably undervalued) and holding back when the price is high. However, buybacks also attract scrutiny and debate. Critics argue that excessive repurchases may come at the expense of reinvestment in the business or employee wages, and some policymakers worry that buybacks can inflate stock prices artificially. These concerns have led to recent regulatory responses (described below), including a new federal excise tax on buybacks and enhanced disclosure requirements so investors can better gauge a repurchase program's purpose and impact. Despite the debates, buybacks remain a prevalent practice. In 2022 U.S. buybacks hit record levels – nearly \$1.25 trillion was spent on share repurchases by U.S. companies – highlighting how integral this tool has become for corporate capital strategy.

This primer will guide corporate treasury and finance teams through all practical aspects of share buybacks in the U.S. context. We begin with the legal and regulatory framework governing buybacks (including safe harbor rules and the new excise tax), then discuss the various methods companies use to repurchase shares. We outline execution rules and best practices to ensure compliance and minimize market disruption. We then detail reporting obligations and the operational mechanics of executing and settling repurchases. Finally, we review current market trends in buyback activity – both overall and specifically within the financial sector (banks) – to provide context on how peers are using share repurchases in the present environment. Throughout, the focus is on practical interpretation and current developments, equipping practitioners with up-to-date knowledge to design and execute buyback programs effectively in 2025 and beyond.

## Regulatory Landscape and Tax Considerations

Share repurchases in the U.S. are legal and common, but they are subject to securities laws and regulations designed to prevent market manipulation and insider trading. The key regulatory provisions include Rule 10b-18 under the Securities Exchange Act (governing how issuers execute buybacks) and Rule 10b5-1 (affecting how issuers can plan trades when in possession of inside information). Additionally, corporate law (state law) generally permits buybacks as long as certain solvency tests are met, and boards must authorize repurchase programs. For banks and other regulated financial institutions, federal banking regulators impose further constraints to ensure capital adequacy. As of 2023, companies must also factor in a new 1% excise tax on stock buybacks introduced by Congress.

**SEC Rule 10b-18 (Safe Harbor for Buybacks):** Enacted in 1982, Rule 10b-18 provides a “safe harbor” that protects companies and their affiliates from liability for stock manipulation during buybacks, as long as they adhere to four key conditions on manner, timing, price, and volume of repurchases. Compliance with Rule 10b-18 is voluntary (not legally mandatory), but most companies follow it closely to mitigate the risk of manipulation claims. The safe harbor conditions can be summarized as follows:

- **Manner of purchase:** The issuer (and any affiliated purchasers) must use only one broker or dealer per day to execute purchases in the open market. Concentrating purchases through one broker prevents the appearance of widespread buying interest from multiple sources (which could artificially boost demand).
- **Timing:** Buybacks cannot be done at certain sensitive times of the trading day. An issuer may not make its first repurchase before the market’s official open (to avoid influencing the opening price). Also, an issuer must avoid trading near the market close: if the stock’s average daily trading volume (ADTV) is under \$1 million or public float below \$150 million, repurchases are prohibited in the last 30 minutes of trading; for more actively traded stocks, the cutoff is the last 10 minutes of the session. This timing rule prevents companies from aggressively pushing the closing price (which is often a reference price for valuations).
- **Price:** The company’s repurchase bid or purchase price cannot exceed the highest independent bid or the last independent transaction price at the time of the trade. In other words, the company must not bid up its own stock price – it can only buy at a price equal to or below the prevailing market price. This is sometimes informally called an “uptick rule” for buybacks, echoing the concept that the firm shouldn’t be the one causing an uptick in price. This restriction ensures the issuer is not driving the price higher through its own purchases.
- **Volume:** On any single trading day, the issuer must limit its total repurchases to no more than 25% of the stock’s ADTV (average daily trading volume over the prior four weeks). This prevents the company from dominating the trading activity. There was historically an exception allowing a once-per-week block purchase that could exceed this volume limit without safe harbor exclusion; however, current rules include block trades in the 25% volume cap, so the limit generally applies to all buybacks in aggregate each day. In practice, many companies stay well under the 25% threshold to avoid undue market impact.

If a company fails to meet any one of these conditions on a given day, it loses the safe harbor for that day’s purchases. Falling outside the safe harbor doesn’t automatically mean a violation occurred, but the company could be exposed to claims of manipulation if its trading was deemed to have artificially affected the stock price. Therefore, issuers and their brokers carefully design repurchase programs to consistently satisfy Rule 10b-18 conditions (e.g. setting daily volume limits in trading plans and price limits on repurchase orders). It’s worth noting Rule 10b-18 applies to open-market purchases; other forms like tender offers are covered by different rules (tender offers have their own SEC regulations, such as minimum offering periods, etc.).

**Rule 10b5-1 Plans (Insider Trading Safe Harbor):** Another regulatory consideration is how companies continue buybacks during periods when they might possess material non-public information (MNPI). U.S. insider trading law (Rule 10b-5) would generally prohibit a company from repurchasing shares while aware of MNPI (since the company could be seen as trading on inside information to its advantage). To navigate this, companies often implement Rule 10b5-1 trading plans for their buybacks. Under Rule 10b5-1(c), if a company (or insider) establishes a written trading plan for buying or selling stock at a time when they do not possess MNPI, subsequent trades under that plan are shielded from liability even if the company later comes into possession of MNPI. In the share buyback context, a Rule 10b5-1 plan is typically an agreement with the broker specifying a schedule or algorithm for repurchases (e.g. “buy X shares per day when price is below \$Y” or other objective criteria), which once in place operates automatically. This

allows buybacks to continue during blackout periods (such as just before earnings releases) without raising insider trading concerns, since the decision to trade was pre-arranged.

New SEC rules effective 2023 have tightened 10b5-1 usage (imposing cooling-off periods, among other things) and now require quarterly disclosure of any adoption or termination of 10b5-1 plans by the issuer. Companies must also flag in their new repurchase disclosure how many shares were repurchased under a 10b5-1 plan vs. under Rule 10b-18's non-exclusive safe harbor. These changes aim to increase transparency around how companies execute repurchases and whether insiders might benefit. Practically, a corporate treasurer should work closely with legal counsel when setting up a 10b5-1 buyback plan, ensuring it's adopted during an open trading window and meets the updated regulatory requirements (such as a mandatory cooling-off period before trades commence, which for issuers is generally 30 days under the new rules).

*Other Antifraud and Market Abuse Rules:* Even outside of Rule 10b-18, general anti-fraud provisions (SEC Rule 10b-5) and stock exchange rules prohibit manipulative trading. A company must avoid using buybacks to distort the market (for example, attempting to prop up the stock ahead of a securities offering or M&A transaction). Doing so can invite enforcement action. Safe harbor compliance goes a long way to demonstrate good-faith conduct. Companies should also be mindful of Regulation M, which can restrict issuer bids during certain periods (like immediately before a new securities issuance), though Rule 10b-18 provides an exemption in many cases. In short, an issuer's repurchase program should have the primary intent of returning capital, not of artificially boosting the stock price in the short term – this intent is usually evidenced by adherence to the safe harbor limits and by corporate records documenting the business rationale for the buyback.

*Regulatory Capital Constraints for Banks:* In addition to SEC rules, banks and other financial institutions must consider regulatory capital requirements when planning buybacks. Bank regulators (Federal Reserve, OCC, FDIC) view dividends and buybacks as capital distributions. After the 2008 financial crisis, the Federal Reserve instituted annual stress tests (CCAR – Comprehensive Capital Analysis and Review) and must approve capital plans for large banks. While the process has evolved (now using the Stress Capital Buffer framework), the net effect is that banks can only execute buybacks if they remain above required capital minimums under stress scenarios. During crises or uncertainty, regulators can and have restricted bank buybacks: for example, in 2020 the Fed temporarily banned large-bank stock repurchases to conserve capital in the COVID-19 shock. Banks resumed buybacks in 2021 once the Fed lifted restrictions, and since then, most banks seek to distribute excess capital via repurchases provided they pass stress test hurdles. Corporate treasurers at banks must therefore align buyback plans with regulatory approval cycles – typically announcing new buyback programs right after the Fed releases stress test results each year. As noted later, recent stress tests have shown strong results, enabling major banks to boost buybacks again (e.g. JPMorgan's \$50 billion authorization in 2025).

*1% Excise Tax on Stock Repurchases:* A major recent development is the Inflation Reduction Act of 2022, which imposed a 1% excise tax on net corporate stock buybacks by U.S. publicly traded companies, effective for repurchases after January 1, 2023. The tax is 1% of the fair market value of the shares repurchased, and it is calculated on a net basis: the tax applies to the dollar value of shares repurchased minus the value of any new stock issuances by the company in the same fiscal year. In other words, if a company both buys back and issues stock (for example, issuing shares to employees or in an acquisition), the issuances offset the repurchases for tax purposes. There is a de minimis exception excluding companies that repurchase less than \$1 million in a given tax year. Certain transactions are also exempt from this tax – notably, repurchases as part of a tax-free reorganization (mergers where shareholders exchange stock) are exempt, as are repurchases that are effectively treated as dividends (for example, some leveraged ESOP transactions), and buybacks by regulated investment companies (mutual funds) or REITs are exempt. Additionally, contributions of stock to employee pension or stock ownership plans are not counted as repurchases for the tax.



The excise tax is paid by the company (not shareholders) via quarterly IRS filings (Form 7208). Notably, this 1% tax is not deductible for income tax purposes, making it a direct after-tax cost. For planning, treasurers should incorporate this cost into the effective price of repurchases. For example, buying back \$100 million in stock will incur a \$1 million excise tax (if not offset by issuances), so the true cost to the company is \$101 million.

So far, the 1% tax appears to be only a minor deterrent to buybacks – many companies proceeded with planned repurchases in 2023 despite the tax. S&P 500 operating earnings were reduced by only about 0.5% in Q1 2024 due to the buyback tax, indicating companies largely absorbed the cost. Market analysts have noted that this level of tax (1%) is relatively small compared to typical cost of capital considerations, but warned that if the rate were increased (some U.S. legislators have proposed raising it to 2% or 4%), it could begin to meaningfully shift behavior, potentially making dividends more attractive on the margin. Treasury teams should keep an eye on Washington: the current 1% tax had bipartisan support and raises government revenue, so future increases are possible. In the meantime, one practical response by companies has been to slightly favor issuances over buybacks where possible to offset the tax (for instance, funding more compensation via equity that gets netted against repurchases). But for most large issuers, the strategic rationale for buybacks – flexibility and EPS accretion – still outweighs the modest excise cost at present.

In summary, U.S. companies undertaking share buybacks must operate within an established legal framework. By following Rule 10b-18's safe harbor conditions and using 10b5-1 plans appropriately, companies can execute repurchases with reduced risk of regulatory trouble. They must also budget for the new excise tax and, for banks, coordinate with regulatory capital requirements. With these constraints in mind, we turn next to the various methods of buybacks and how a company can choose the approach that best fits its objectives.

### Types of Share Buyback Programs

Companies have several methods available to repurchase shares, each with different speed, cost, and market impact profiles. The most common approaches are open-market repurchases, including recent innovations like algorithmic “enhanced” buybacks, and accelerated share repurchase agreements. Less frequent methods include tender offers to shareholders or privately negotiated block purchases. Often, a comprehensive share repurchase program may involve more than one method over time (for example, a company might execute an ASR for an immediate buyback boost, then follow with open-market purchases for the remainder of the authorization).

*Open-Market Repurchase (OMR):* This is the standard approach, where a company buys its own shares by placing orders in the open market (on exchanges) over an extended period. The company typically appoints a broker or dealer to execute the trades on its behalf. Open-market buybacks are highly flexible – the company can choose to repurchase at any time (subject to the trading windows and safe harbor rules discussed earlier) and in amounts that make sense relative to market liquidity. OMRs are usually done at prevailing market prices (there's no premium paid to shareholders; sellers in the market likely won't even know they sold to the issuer as opposed to any other buyer). Most large U.S. companies conduct their share repurchases through open-market programs because of this flexibility and because it tends to have the lowest transaction costs (aside from standard brokerage commissions and the 1% excise tax).

When executing an open-market program, companies may either repurchase opportunistically (buy more when price dips, pause when price rises) or steadily (e.g. purchasing a set dollar amount or number of shares per day/week). Many firms use a 10b5-1 plan to ensure continuity through blackout periods – effectively pre-scheduling the OMR trades. In fact, it's common to see language in companies' disclosures like “repurchases may be made pursuant to Rule 10b5-1 plans.” If done under a 10b5-1 plan, the OMR can continue even if the company enters an earnings blackout or comes into possession of MNPI, since the plan was set up beforehand.



Open-market repurchases are generally subject to Rule 10b-18 safe harbor conditions (one broker, 25% volume limit, etc., as detailed in the previous section). Companies can (and occasionally do) buy outside the safe harbor (for instance, exceeding the 25% volume on a particular day if there is a compelling reason), but this is rare and typically avoided by public companies due to legal risk. OMRs can span long periods – some authorizations last for a year or multiple years. There is no obligation to complete an authorized OMR program; if market conditions change, the company can slow or halt purchases at any time (unlike a tender offer, which once launched has to be completed). This flexibility is a key advantage of open-market buybacks. The main disadvantage of OMRs is that they take time to have an effect – if a company wants to repurchase a very large quantity of shares, doing so bit by bit in the open market could take months or more, during which the stock price might move unfavorably.

*Accelerated Share Repurchase (ASR):* An ASR is a method for a company to buy back a large block of shares immediately (or very quickly) by contracting with an investment bank intermediary. In an ASR, the company pays a fixed amount of cash upfront to an investment bank and in return receives an initial block of its shares right away. The bank delivers these shares by borrowing them (often from institutional investors like mutual funds) and short-selling them to the company. The company and bank simultaneously enter into a forward contract: over a specified period (usually a few months), the bank will purchase shares in the open market to cover its short, and at the end of the period, the bank will deliver any additional shares (or sometimes cash) to the company based on the volume-weighted average price (VWAP) of the stock during that period, subject to an agreed pricing formula. Essentially, the final number of shares the company ultimately repurchases via the ASR equals the cash it paid divided by the average market price over the program (with possibly a predetermined discount). If the stock price goes down during the ASR period, the bank can buy more shares with the cash, so the company ends up getting more shares in total (good for the company); if the price goes up, the bank buys fewer shares, and the company gets slightly fewer shares (the bank typically protects itself with a collar or by setting a minimum share delivery).

The benefit of an ASR is that the company can immediately retire a sizable portion of shares, which provides an instant EPS boost and signals confidence. For example, a company might announce “we are doing a \$5 billion ASR and will retire ~X% of our shares right away.” Investors often react positively to the upfront commitment. Additionally, by using an ASR, the company outsources the execution risk to the bank – the bank takes on the task of buying the shares in the market (and bears the risk of price fluctuations in the interim). The drawbacks include a potentially higher cost: the bank charges a fee (often an implied discount on the forward price). Also, ASRs usually prohibit the company from doing other buybacks during the period the bank is executing (to avoid interference). ASRs are also less flexible – once you’ve committed to an ASR, the cash is paid and cannot be adjusted midway. From an accounting perspective, the company typically reduces outstanding shares for EPS calculation immediately by the initial shares received, and the remaining shares delivered at conclusion adjust the share count then.

ASRs became popular in the 2000s as a way for companies to deploy large repurchase authorizations quickly. Many S&P 500 firms (especially those with ample cash like tech firms or those following mergers) have done ASRs. For instance, Intel entered a \$10 billion ASR in 2020 to retire stock it viewed as undervalued. It’s common to see ASRs announced alongside earnings or after major transactions as a show of confidence. Corporate treasurers contemplating an ASR should negotiate terms with banks (often multiple banks bid for the ASR business) and ensure the agreement addresses scenarios like stock-price volatility. Note that ASRs, being essentially private contracts, are not executed under Rule 10b-18’s safe harbor (the bank’s market purchases are technically the bank’s activity, though the SEC would scrutinize if an issuer tried to use a bank to do what it couldn’t do directly). However, the bank will usually still adhere to safe-harbor-like practices in its purchasing to avoid disrupting the market. Companies must disclose ASR agreements in their 8-Ks or 10-Qs when material, including the amount and expected completion date.

*Enhanced Open-Market Repurchase (eOMR):* In recent years, an innovation in open-market programs is the use of algorithmic trading strategies to optimize buyback execution. Sometimes termed enhanced OMR or

“algorithmic repurchase”, this approach involves the company setting certain parameters (total amount to spend, timeframe, price limits) and using an algorithm (often via a third-party provider or the broker’s trading system) to dynamically adjust daily buy orders. The goal is typically to achieve a better average purchase price than a simple averaging strategy. For example, an algorithm might buy more shares on days of price weakness and hold fire on stronger days, aiming to buy at a discount to the overall average price (thus saving the company money). Studies have shown that in volatile markets, such strategies can meaningfully improve the average buyback price – one analysis noted an expected VWAP discount improvement on the order of 2–3% versus passive equal purchases, which was five times better than a basic dollar-cost-averaging approach.

An enhanced OMR (eOMR) is still an open-market repurchase at its core – the trades occur under Rule 10b-18 conditions and often under a Rule 10b5-1 plan. The “enhanced” part refers to the execution algorithm. These programs are attractive to companies that want to maximize the efficiency of their buyback without committing to an ASR. They are “open market” in that the company can cancel or amend the program with no penalty (unlike an ASR), offering flexibility if conditions change. On the other hand, some algorithms may charge performance-based fees (certain brokers have an “outperformance fee” if they beat the VWAP by a certain amount). Independent advisors have emerged that license algorithms for a flat fee instead, allowing issuers to use multiple brokers and avoid high fees. For treasury practitioners, an eOMR might be an appealing middle ground: the company retains control and can incorporate its own stock price view into the parameters (e.g. pause if price goes above a threshold), and the algorithm takes over day-to-day trading within safe harbor limits. It’s worth noting that from a disclosure perspective, an eOMR doesn’t need separate announcement – it’s just the technique by which the open-market program is executed.

*Tender Offer (Fixed-Price or Dutch Auction):* A tender offer is a more formal method to repurchase shares directly from shareholders by offering to buy a certain number of shares at a specific price (or a price range in the case of a Dutch auction) for a limited time. In a fixed-price tender offer, the company might say, “We will buy up to X million shares at \$Y per share, which is a Z% premium to the current market price, from shareholders who tender.” Shareholders then have, say, 20 business days to accept the offer and tender their shares. If more shares are tendered than the company wants to buy, typically the company will accept tenders on a pro rata basis (each tendering shareholder gets to sell only a portion of their tendered shares, so that total equals the buyback target). A Dutch auction tender is slightly different: the company specifies a price range instead of a single price (e.g. \$50–\$55 per share) and shareholders submit bids indicating how many shares they’re willing to sell and at what price in that range. After the offer period, the company chooses the lowest price within the range that will allow it to buy the desired number of shares – that price becomes the uniform price everyone is paid, and all shares tendered below or at that price are bought (with proration if oversubscribed). Dutch auctions let the market set the clearing price, potentially minimizing the premium paid.

Tender offers are less common than open-market buybacks for routine capital return, but companies use them in specific situations: for example, if a company wants to retire a large percentage of shares quickly (perhaps to optimize capital structure after a big asset sale), or if it believes the stock is significantly undervalued and wants to send a strong signal by offering a premium. They’re also used when a company has a concentrated shareholder who wants to exit – a tender can provide an opportunity for all shareholders to sell, avoiding favoritism. The downsides are tenders are publicly announced and highly visible, possibly interpreted as the company thinking the stock is cheap (which could be positive) or that it has no better use of cash (could be a negative signal if overdone). They also often require a premium to entice shareholders, making it a more expensive way to buy shares. From a regulatory standpoint, tender offers are governed by SEC Rules 13e-4 and Regulation 14E, which require equal treatment of shareholders, prompt payment, and various disclosures (including offering documents and filing a Schedule TO). There is also a 20-business-day minimum offer period for issuer tenders, meaning even though the decision is quick once closed, you can’t do a tender stealthily or faster than that timeline.

In summary, large public issuers typically rely on open-market repurchases as the workhorse, possibly augmented by occasional ASRs or tender offers for special purposes. A practical approach is to maintain an open-market program throughout the year (to regularly return cash and manage dilution) and consider an ASR or tender if a rapid, sizeable buyback is desirable (such as after a big earnings surprise, a one-time cash influx, or a market downturn that makes the stock especially attractive). Also, as mentioned, the use of Rule 10b5-1 plans can overlay any of these methods (except tender offers) to allow continuous execution regardless of blackout windows.

### Comparative Matrix of Share Repurchase Methodologies

Feature	Open Market Repurchase (OMR)	Fixed-Price Tender Offer	Dutch Auction Tender Offer	Accelerated Share Repurchase (ASR)	Enhanced Open Market Repurchase (eOMR)
<b>Execution Speed</b>	Slow (months to years)	Fast (approx. 20 business days)	Fast (approx. 20 business days)	Very Fast (Immediate share retirement)	Moderate to Fast
<b>Pricing</b>	Prevailing Market Price	Fixed Premium to Market	Discovered Clearing Premium	Guaranteed Discount to VWAP	Variable Discount to VWAP
<b>Flexibility</b>	High (fully discretionary)	Low (committed once launched)	Low (committed once launched)	Very Low (binding contract)	High (fully discretionary)
<b>Signaling Effect</b>	Low to Moderate	Very Strong	Strong	Strong	Low to Moderate
<b>Upfront Cash</b>	No	Yes	Yes	Yes	No
<b>Complexity</b>	Low	Moderate	High	Very High	Moderate
<b>Ideal Use Case</b>	Ongoing, flexible capital return; offsetting dilution.	Rapid purchase of a large, specific number of shares; strong undervaluation signal.	Rapid purchase where optimal price is unknown; price discovery.	Rapid, large-scale EPS impact; high certainty of execution.	Flexible program seeking to capture value from volatility; best-of-both-worlds approach.

## Execution Rules and Best Practices

Executing a share repurchase program requires balancing compliance with regulations (to avoid legal pitfalls) and minimization of market impact (to buy efficiently without unduly driving up the share price). We've covered the core SEC Rule 10b-18 conditions in the regulatory section; here we drill down into practical execution guidelines and best practices that corporate traders and their brokers typically follow:

- *Stick to the Safe Harbor Daily:* As a best practice, companies operate well within Rule 10b-18 limits to maintain the safe harbor each day. For example, even though 25% of ADTV is allowed, many firms might set an internal cap like 15-20% of ADTV per day to be conservative. This reduces the likelihood that the company's buying significantly moves the price. It also leaves room in case of an opportunity to do a block trade – e.g., if a large shareholder wants to sell a block and the company can negotiate to buy it, that might be done through the broker within the safe harbor (as long as total volume that day including the block doesn't exceed 25% ADTV). Prior to 2020 amendments, companies could do one block outside the 25% limit and still be in safe harbor, but as noted, now all purchases count, so careful planning of block trades is needed (they might require using up that day's volume capacity).
- *Avoid Market Distortion:* The price condition ("no buying above the last independent trade/bid") essentially prevents obvious price pushing. Traders executing buybacks will typically use limit orders or algorithms that passively buy on downticks or when liquidity is offered, rather than aggressively taking out ask prices. The company's broker often uses strategies similar to VWAP (Volume Weighted Average Price) execution or schedule-based execution to spread the purchases through the day. This avoids clumping all buys in a short interval, which could spike the price. It's a best practice not only for compliance but for cost efficiency – a gentler footprint in the market results in a lower average purchase price for the company.
- *No Open or Close Participation:* Adhering to the timing rule means the company won't trade right at the open or in the final part of the session. Not trading at the open auction and closing auction is wise because those are moments of price discovery; an issuer's presence could be deemed influential. Best practice is to commence repurchases a few minutes after the open (once the opening price is set by the market) and to stop well before the last 10-minute window (or 30 for less liquid stocks). In fact, many buyback programs finish for the day even earlier than required – for instance, stopping 15-30 minutes before the cutoff – to err on the side of caution.
- *Use of Algorithms and VWAP Targets:* If not already using an eOMR as described, companies often instruct brokers to aim for VWAP or better for the day's purchases, or to not exceed a certain price. By doing so, the broker will work the order patiently. Some companies explicitly prohibit their brokers from participating in the closing auction with buy orders, even though the last 10 minutes rule for actively traded stocks would technically allow trading up until the final 10 minutes (closing auction typically is within last 5 minutes). Avoiding the close ensures they don't inadvertently become a large part of the closing print.
- *Coordination and One Broker Rule:* Internally, it's important that the treasury or finance team coordinates all buyback activity through a single broker per day (or a single trading desk if using an algo that aggregates through one broker). Violating the one-broker-per-day rule (e.g. two different banks buying on the same day unaware of each other) could lose safe harbor protection. Companies with multi-bank programs manage this by either rotating days among brokers or allocating discrete pools of an authorization to different brokers with instructions not to overlap dates. Clear communication is key.

- *Avoiding Insider Issues:* If the company is not under a 10b5-1 plan and is doing discretionary repurchases, best practice is to only repurchase during open trading windows (when insiders are allowed to trade). That typically means avoiding the days just before earnings and other material news. If an unexpected development arises (say the company is in confidential merger talks), pause the buyback program immediately – buying stock while knowing material non-public info (like an upcoming takeover or major product news) could be seen as illegal insider trading by the company. Thus, many companies include in their buyback policy that any MNPI emergence triggers a suspension of repurchases (unless a 10b5-1 plan is in place to cover those periods).
- *Documentation and Controls:* From a governance standpoint, the treasury team should maintain daily records of repurchases: shares bought, times, prices, and confirmation that conditions were met. These records are useful now that daily detail must be reported in filings. They also serve as evidence of compliance if ever questioned. Boards usually require periodic updates on buyback execution (e.g. quarterly summaries of how many shares bought and average price vs. market benchmarks).
- *Volume Adjustments around Earnings:* A subtle execution point – many companies avoid or limit repurchases in the immediate aftermath of an earnings release even if legally allowed, to sidestep any perception of price support right after announcing results. Conversely, some will ramp up right after earnings if they see it as an opportune time (since any MNPI is now public). These decisions come down to corporate governance preferences and guidance from counsel.
- *Be Mindful of Other Corporate Activities:* Regulation M can restrict buybacks when certain other activities are happening, such as a pending secondary offering by the company or certain M&A transactions where stock is being used. It's a best practice to consult legal counsel about any overlap between buybacks and major corporate actions. If, for example, the company is about to issue new shares (in a capital raise or to finance an acquisition), continuing buybacks right up to that event might be restricted or, at least, optically negative (why buy and sell shares simultaneously?). Many corporations pause repurchases during such times.
- *Share Count and EPS Impact:* From a strategic view, best practice is to track the share count reduction achieved by the buybacks and communicate it to stakeholders. Under new disclosures, companies will have to discuss the objectives and criteria of their repurchases. Often, a target might be to reduce share count by a certain percent or to return a certain yield to investors. Ensuring that buybacks are actually reducing the share count (rather than just offsetting equity issuance) is something analysts watch – for example, in recent years, a portion of buybacks merely offset dilution from stock compensation for many companies. In Q1 2024, about 13.3% of S&P 500 companies managed to shrink their year-over-year share count by at least 4% (meaning buybacks had a material EPS boost). Companies should align their repurchase volume with their share count reduction goals (taking into account new issuance).
- *Communication and Market Perception:* While execution happens quietly in the market, the company's investor relations strategy should consider how buybacks are perceived. Announcing an authorization is the first step; beyond that, some companies give updates (e.g. "to date we have repurchased X million shares under the program"). The new SEC daily reporting (which will be public in 10-Q/Ks) means the market can scrutinize the timing of buybacks relative to stock price moves. Best practice: avoid even the appearance of trying to boost the stock short-term – e.g. don't concentrate repurchases right before a CEO sells shares or around option grant dates (that could raise eyebrows). Indeed, the SEC now requires a checkbox if insiders traded within 4 business days of a buyback program announcement. Thus, companies have incentive to keep a clean separation between buyback activity and insider trades or option grants timing.

By following these execution best practices – safe harbor compliance, prudent trading tactics, careful scheduling, and transparent communication – a company can conduct its share repurchases in a manner that is both effective in the market and above reproach under the law. The result should be achieving the buyback’s financial objectives (EPS accretion, return of capital) while maintaining the trust of regulators, investors, and other stakeholders.

### SEC Rule 10b-18 Safe Harbor Conditions at a Glance

Condition	Requirement	Specifics for Actively Traded Stocks	Specifics for Less-Liquid Stocks	Key Nuance/Exception
<b>Manner</b>	Use a single broker or dealer per day for all solicited purchases.	N/A	N/A	Does not apply to unsolicited transactions.
<b>Timing</b>	Cannot be the opening transaction.	No purchases in the last 10 minutes of trading.	No purchases in the last 30 minutes of trading.	Limited safe harbor available for certain after-hours trading.
<b>Price</b>	Purchase price cannot exceed the higher of the highest independent bid or the last independent sale price.	N/A	N/A	Prevents the issuer from creating an upward price trend.
<b>Volume</b>	Total daily purchases cannot exceed 25% of the stock's 4-week ADTV.	N/A	N/A	A single "block" purchase per week may exceed the 25% limit, provided no other purchases are made that day.

### Reporting and Disclosure Requirements

Disclosure is a critical aspect of share buybacks, as investors and regulators want to know how much stock a company is repurchasing, at what price, and for what reason. U.S. companies have several layers of reporting obligations for buybacks, which have recently been enhanced by new SEC rules aimed at greater transparency. Corporate treasurers should ensure they understand these requirements to avoid compliance issues.

**Quarterly and Annual Report Disclosure (Item 703 of Reg S-K):** For years, the SEC has required companies to include a table of repurchase activity in their 10-Q quarterly reports and 10-K annual reports. Under the old rules (prior to 2023 amendments), this table showed, for each month of the quarter: the total number of shares repurchased, the average price paid, and how many of those shares were part of a publicly announced program (versus other repurchases, like forfeited shares from employees), and the remaining authorized amount under the program. This disclosure was aggregated by month.



However, in May 2023 the SEC adopted new share repurchase disclosure rules that significantly expand the detail. Now, companies must file daily repurchase data on a quarterly basis. Specifically, starting with the first fiscal quarter beginning on or after October 1, 2023 (for domestic companies), the monthly Item 703 table is replaced by a “new repurchase table” that lists each calendar day’s buyback activity. This table is provided as an exhibit (Ex. 26) to Form 10-Q or 10-K. For each day on which the issuer repurchased shares, the table must disclose:

- Date of the repurchase.
- Class of shares.
- Total number of shares purchased on that date (and of that, how many were under a publicly announced program).
- Average price paid per share (excluding any commissions).
- Number of shares purchased on the open market (this helps distinguish open-market buys from, say, privately negotiated transactions or employee-related share withholding).
- Number of shares purchased under a Rule 10b5-1 plan (affirmative defense) and number of shares that qualify for Rule 10b-18 safe harbor (these two items let investors see if the company was using the safe harbor or 10b5-1 on those days).
- The aggregate maximum number (or dollar value) of shares that still could be purchased under existing authorizations, after that day’s purchases.

This table is accompanied by a checkbox in the report where the company must indicate whether any of its executives or directors bought or sold shares within 4 business days before or after the announcement of a buyback plan or increase. This is designed to call out potential opportunistic insider trades around buyback news, which could be a red flag.

Additionally, the new rules require a brief narrative disclosure discussing the company’s objectives and rationale for repurchases and the factors driving the amount of repurchases. Companies should explain, in substance, why they are buying back shares – e.g. “to offset dilution from employee stock plans and return excess cash to shareholders because we believe our stock is undervalued” – and how they decide on the timing/amount (e.g. based on capital levels, comparative investment opportunities, etc.). Boilerplate is discouraged; the SEC wants a meaningful discussion tailored to the company’s circumstances.

The narrative must also include any policies regarding officers/directors trading during buybacks (for instance, some companies might prohibit insiders from selling stock while a buyback is in progress). This is to shed light on whether insiders might be benefiting from the company’s repurchases (which could prop up the price).

Foreign filers and certain funds have slightly different timelines (foreign issuers file a new Form F-SR quarterly starting in 2024, and listed closed-end funds use Form N-CSR semi-annually). But the essence is the same: greater frequency and detail of buyback reporting.

For corporate treasury teams, this means more rigorous record-keeping (daily data) and being prepared to articulate buyback reasoning publicly. Importantly, these disclosures are filed (or furnished) with the SEC, meaning false or misleading information could trigger liability. It also means investors will scrutinize buyback timing more



closely – for example, seeing if a company bought heavily right before bad news, which could look suspicious as a support mechanism. So transparency is higher, and companies may adjust behavior knowing activity will be visible in hindsight.

*Event-Driven Disclosure (Authorizations and ASRs):* While not explicitly mandated by a specific form in all cases, companies generally announce share repurchase authorizations or increases via press release and often with an SEC Form 8-K filing (under Reg FD or Item 7.01 or 8.01 for material company information). A typical disclosure might be: “The Board of Directors has authorized the repurchase of up to \$X million of common stock, to be executed over the next Y months.” If a company adopts a large ASR contract, that is usually disclosed in an 8-K as a material definitive agreement or at least in MD&A of the 10-Q. Failing to disclose a major buyback plan could be seen as material omission, since buybacks can signal management’s view of the stock value and can absorb significant cash resources.

In terms of internal approvals and record, boards usually set the repurchase authorization size and duration. Management then has discretion to execute – but if management decides to suspend or terminate a buyback program early (especially if not using the full authorization), it’s good practice to inform investors, typically by disclosing it in the next quarterly report’s discussion of share repurchases.

*Financial Statement Impact:* In the financial statements, repurchased shares are either held as treasury stock (a contra-equity account) or formally retired (in which case common stock and APIC accounts are adjusted). U.S. GAAP doesn’t require detailing repurchases in the financial statements beyond showing the effect on equity, but the equity statement will reflect the cost of shares repurchased. EPS calculations must use the reduced share count. The new daily disclosure is outside the financials, but accountants will likely cross-check that the outlay in cash flow statement (for buybacks) matches the data reported.

*Proxy and Other Disclosures:* Sometimes, buybacks intersect with executive compensation (EPS targets, etc.), so companies might mention in proxy statements if buybacks affected performance metrics for bonuses (this is an area of governance interest – some investors want to know that executives aren’t solely using buybacks to hit EPS-linked comp targets). There have been discussions about requiring disclosure of that interaction, though not a formal rule yet.

*Buybacks and Market Abuse:* The enhanced disclosure regime can help authorities monitor possible market abuse. For example, if a company repurchased heavily right before a positive announcement that drove the stock up, the SEC might question if that was based on MNPI. The requirement to disclose any 10b5-1 plan adoption (with date) in the footnote of the new table also means investors can see if the company set up a trading plan just ahead of a blackout etc. All this pushes companies toward best practices (i.e. adopt plans when totally clean, avoid “opportunistic” patterns).

In practical terms, corporate treasurers should prepare to gather daily trading data from brokers in a format ready to plug into the SEC exhibit. Coordination with legal and accounting is important to craft the narrative explanation each quarter. This is new as of 2024 filings, so many companies will be fine-tuning their disclosure style.

*Investor Relations Messaging:* Beyond mandated reporting, companies often discuss buybacks on earnings calls. Analysts frequently ask “How much of the authorization is left?” or “Did you pause buybacks this quarter for any reason?” It’s wise to be prepared with clear answers, which align with the official disclosures. For example, if the company halted buybacks to conserve cash for an acquisition, management should explain that rationale, as it provides context and reassurance that the pause was deliberate and not due to, say, lack of cash or loss of confidence.

In summary, the current reporting regime for buybacks is more demanding than ever: daily-level transparency, a stated rationale, and insight into plan usage and insider trades. Companies that execute buybacks must invest time in compliance and disclosure, treating the process almost like they would a significant financing transaction. When done correctly, clear disclosure can enhance credibility – investors appreciate consistency (e.g. a company said it would buy back \$500 million, and indeed it did over the quarter, at prices near what it considers fair). On the flip side, poor disclosure or unexpected patterns might raise questions. Thus, treasurers should work closely with legal/IR teams to ensure that the story of the company's buyback program – why it's done, how it's done, and what it signals – is effectively communicated and in line with regulatory requirements.

### **Operational and Settlement Considerations**

Behind the scenes, executing a share repurchase program involves various operational steps – from placing trade orders, to settling the trades in the clearing system, to accounting for and holding the repurchased shares. While much of this process is handled by brokers and custodians, a corporate treasurer should be familiar with the workflow to coordinate effectively and ensure a smooth buyback operation.

*Engaging Brokers and Trading:* Typically, the company will mandate one or more brokers (investment banks or brokerage firms) to execute the buyback. Often a single broker is primary for an open-market program (to satisfy the one-broker-per-day rule), though companies might switch brokers from time to time or use multiple brokers on different days. The company and broker agree on a trading arrangement: if it's a discretionary program, the company might give a daily or weekly target (e.g. "buy up to \$10 million worth this week, but not above \$X price"); if under a 10b5-1 plan, the instructions are set in the plan (and the company steps back).

The broker's trading desk will then place orders on the exchange or alternative venues. They may use algorithms to work the order gradually. The company may receive trading reports intraday or at day's end showing progress (shares bought, average price, etc.). It's important to have a confirmation process – e.g. each day the broker confirms how many shares were bought and the total cost including commissions and taxes. These numbers feed into the company's records and the disclosure table.

*Settlement Cycle:* The U.S. stock market operates on a T+1 settlement cycle as of May 2024 (previously T+2). That means if the company's broker executes buy orders today, the settlement date (when cash and shares actually exchange) is the next business day. Settlement occurs via the Depository Trust Company (DTC), the central securities depository. The trade is essentially a purchase like any other: on settlement, the broker will receive the shares into its DTC account and the broker will pay the counterparty (via DTC's net settlement). The broker then delivers those shares to the company's custody.

*Cash Movement (DVP):* The term Delivery versus Payment (DVP) refers to the mechanism ensuring that the delivery of shares and payment of cash occur simultaneously – one only happens if the other does. The company likely has a settlement account with the broker or a custodian. If the company provided the broker with an upfront deposit or has a line of credit, that will be used to pay for the trades at settlement. Otherwise, the company needs to fund the purchases by the morning of settlement (T+1). Many companies transfer cash to a designated brokerage account as buybacks occur.

For example, if on Monday the broker buys \$5 million worth of stock, by Tuesday the company's account will be debited ~\$5 million (plus commission) and the shares will be credited to the account.

*Holding Repurchased Shares (Treasury or Retirement):* Once the shares are repurchased, the company has to decide whether to hold them as treasury stock or retire them. Treasury stock means the shares are kept in the company's own name but not considered outstanding for voting or EPS purposes. They can be re-issued later (for example, to fulfill employee stock grants or for use as acquisition currency). Retiring shares means the shares are cancelled – effectively reducing the company's issued shares. Many companies formally retire shares periodically, even if initially held as treasury. There might be state corporate law considerations: some states (like California) don't recognize the concept of treasury stock – repurchased shares are automatically retired. Other states (like Delaware) allow treasury shares but often limit them to the total authorized shares.

Operationally, holding as treasury vs retiring is mostly an accounting distinction – either way, those shares are not counted as “outstanding” after repurchase. But how do the shares get from the broker's account to the company? This is where custody and transfer agents come in.

*DWAC Transfers:* If shares are to be held in treasury, the company's transfer agent (which maintains the shareholder register) may need to take custody of those shares. Often, companies use the DWAC (Deposit/Withdrawal at Custodian) service provided by DTC to move shares into the transfer agent's account electronically. DWAC stands for Deposit/Withdrawal At Custodian – it is a method by which brokers and transfer agents can transfer shares electronically through DTC without physical certificates. For instance, the broker can “withdraw” the repurchased shares via DWAC to the transfer agent's account, where the shares will be registered in the company's name (or in the name of the transfer agent as custodian for the company). This avoids issuing any paper stock certificates and is efficient and secure.

The company's transfer agent, once it receives those shares, can either hold them as treasury stock or retire/cancel them in the system (if instructed by the company). If retired, the transfer agent updates the outstanding shares count in the register.

Some companies choose to accumulate repurchased shares in a brokerage account for a while and do a larger periodic DWAC transfer to the transfer agent for ease of administration, especially if doing frequent small buybacks.

*Settlement Example:* Suppose Company XYZ repurchases shares daily. Each day, the broker settles the trades DVP, and by end of week, the broker might initiate a DWAC to move the week's total shares to the transfer agent. The timing of when shares are considered out of circulation is usually trade date for EPS (since the company has legally purchased them, even if settlement is next day), but practically, once they settle the shares are off the market.

*One nuance:* the 1% excise tax calculation happens on a gross basis per year netted by issuances. Companies will track the total fair value of shares repurchased each quarter (likely by using the transaction values reported) to prepare the excise tax filing (which, as per IRS guidance, is due after year-end by the following October for 2023, aligning with final regulations).

*Accelerated Share Repurchase Operations:* In an ASR, operations differ a bit. On day one of an ASR, the company pays cash to the bank (this cash transfer can be quite large, so it may involve coordinating credit lines or commercial paper for funding if needed). The bank delivers the initial shares (often by borrowing them). Those borrowed shares typically come from the DTC system – e.g. the bank borrows from clients' custodians and then uses a DWAC or similar book-entry transfer to the company's transfer agent. The shares show up as directly registered or treasury-held in the company's name right away. Over the ASR period, the bank buys shares in the market – those settle in the bank's own accounts as normal trades. At final settlement, the bank will either deliver additional shares or, if it already delivered too many initially, sometimes the company will return some shares or receive cash back.

(though usually ASRs are structured so the company gets at least the number of initial shares, and possibly more at settlement). These adjustments are done via additional DTC book entries at the end. The operational complexity is mostly on the bank's side; for the company, after the initial payment and share receipt, it's just waiting for the final delivery and true-up calculation.

***Tender Offer Settlement:*** If the company does a tender offer, shareholders who participated will have their shares debited from their accounts (if in street name) and after the proration and final pricing, the company will pay cash to those shareholders. This is typically handled by an exchange agent (often the transfer agent or a bank's corporate actions department) and can involve DTC's ATOP system for tenders. From the company's perspective, it wires the aggregate cash to the exchange agent on closing, and the agent distributes funds to participants and transfers the acquired shares to the company's treasury account. This usually all happens on the first business day after the tender expires (once results are finalized).

***Record-Keeping and Cancellation:*** Corporate treasury or the stock administration team should maintain detailed logs of repurchases: trade dates, settlement dates, number of shares, price, broker, and how shares were handled post-settlement (treasury or retired). This log will feed the disclosure reporting and is also needed for the excise tax form. When retiring shares, a board resolution or officer's action might be required to formally cancel the shares and reduce the count of issued shares, depending on the jurisdiction. Many companies do this periodically (e.g. retire all shares bought back in a quarter in one go).

***Impact on Voting and Dividends:*** Shares held as treasury are typically not voted and do not receive dividends. If a record date for a dividend or vote occurs when the company holds some treasury shares, those shares are essentially idle (not counted in vote totals, and no dividend paid on them – saving the company that money).

***IT and Controls:*** Operationally, companies often integrate their treasury management systems with broker feeds. Some may use specialized software to monitor buyback activity and ensure compliance (for instance, alerting if approaching 25% ADTV or if trying to trade at disallowed times – though the broker's systems usually prevent that).

***Coordination with Finance/Accounting:*** The treasury team should work with accounting to ensure the cash outlay for buybacks is properly captured in the statement of cash flows (as financing outflow) and that share count updates are communicated for EPS calculation. Typically, the weighted average shares outstanding for EPS is reduced from the trade date of repurchases (since that's when the company is considered to have effectively removed the shares from public float).

In sum, while the broker handles the heavy lifting of trading and DTC settlement, the company's role is to manage the cash, receive the shares, and update its records appropriately. Key operational checkpoints include: funding the purchases on time, instructing transfer agents on share handling, filing necessary tax forms for the excise tax, and reconciling shares bought to authorizations. Smooth operations require clear communication lines between the company, its broker, transfer agent, and internal departments (cash management, accounting, legal). With these processes in place, a share buyback program can run routinely in the background, almost like paying a recurring dividend – but with more moving parts to monitor.

## **Recent Buyback Market Trends**

The landscape of share buybacks has evolved significantly in the last few years, influenced by macroeconomic factors, tax law changes, and investor attitudes. For practitioners, understanding these trends provides context for how aggressive or cautious to be with repurchase strategies and how the company's activity compares to peers.

*Record Highs and a Brief Pullback:* Corporate buybacks hit all-time highs in 2021–2022. After the COVID-19 shock in 2020 (when many companies temporarily suspended repurchases to preserve cash), there was a massive rebound. In 2021, share repurchases by S&P 500 companies reached a record \$881.7 billion (up 70% from 2020's \$519.8 billion). This surpassed the pre-pandemic peak of ~\$806 billion in 2018. Then 2022 set another record – S&P 500 firms bought back about \$922.7 billion worth of stock, and total U.S. buybacks were estimated around \$1.25 trillion. Driving this surge were strong corporate profits, cash stockpiles from earlier in the pandemic, and relatively low interest rates (making even debt-funded buybacks attractive). Companies like Apple, Alphabet, Meta, Microsoft and others led with enormous programs (Apple alone often contributes tens of billions per quarter).

Entering 2023, there was a slight tempering: high inflation and rising interest rates, plus fears of a potential recession, led some companies to be more conservative. 2023 saw buyback volumes moderate from the prior peak – S&P 500 repurchases totaled roughly \$795 billion in 2023, down ~14% from 2022's level. Part of the reason was that fewer companies were actively buying: the breadth of participants fell. Some companies chose to hold onto cash given more expensive borrowing costs (since issuing debt to fund buybacks became less enticing with interest rates up). Also, 2022's frenzy might have front-loaded some repurchases (recall that the 1% tax was looming, and there were reports some firms accelerated buybacks in late 2022 to beat the tax's start date).

Despite the year-over-year dip, 2023 was still one of the highest buyback years historically – nearly \$800 billion for S&P 500 is second only to 2021–22. Many firms maintained substantial programs, and in fact fewer companies accounted for a larger share of the total (concentration increased). The top 20 buyback spenders typically make up around half of total S&P 500 buybacks, and that remained true.

*Reacceleration in 2024–2025:* As 2024 unfolded, signs emerged that buybacks were picking up steam again. With the economy proving resilient (avoiding a deep recession) and some expectations that interest rates may eventually ease, companies grew more confident in returning cash. In Q1 2024, S&P 500 buybacks were about \$236.8 billion, up ~10% from Q1 2023. By Q4 2024, quarterly repurchases reached ~\$243 billion (per some reports) – and then Q1 2025 hit a new all-time quarterly record at \$293.5 billion. That Q1 2025 figure even exceeded the prior record quarter (Q1 2022's \$281 billion). It suggests that many companies ramped up repurchases at the start of 2025, perhaps due to strong earnings and the absence of better uses for cash amid uncertain growth opportunities.

For the trailing 12 months through Q1 2025, S&P 500 buybacks summed to \$999 billion – essentially back to the ~\$1 trillion annual pace. If economic conditions stay favorable, 2025 could set a new annual record.

What's interesting is that this happened despite the introduction of the 1% excise tax in 2023. As noted earlier, the tax's impact was modest – for instance, it reduced S&P 500 operating earnings by only ~0.4–0.5%, and companies did not significantly curtail buybacks because of it. The political pressure to discourage buybacks with a tax has, so far, not achieved a major change in corporate behavior at the 1% level.

*Sector Trends:* Buyback activity tends to vary by industry. The Technology sector has often led in total dollars – giant cash-generative tech firms (Apple, Alphabet, Oracle, etc.) return a lot via repurchases. In early 2024, for example, Information Technology was about 24–25% of all S&P 500 buybacks (the largest of any sector). Tech companies often favor buybacks over dividends for flexibility and because some have high stock-based compensation (which they offset with buybacks).

The Financials sector (banks, insurance, etc.) is typically another big contributor – often the second-largest. In Q1 2024, financial companies accounted for ~18% of S&P buybacks, and as we saw, that jumped to 20% by Q1 2025. Banks in particular had navigated a tricky 2023 (some held off on buybacks due to turmoil with a few regional bank failures and pending regulatory changes), but by late 2024 and 2025, many resumed strongly as their capital levels



allowed. For instance, Morgan Stanley, Goldman Sachs, and others which paused in parts of 2023 came back with multi-billion programs after stress tests.

*Other sectors:* Healthcare had a notable rise in Q1 2024 (jumping 93% vs prior quarter) – possibly due to large pharma companies buying back shares using cash from strong earnings or after closing mergers. Energy firms ramped up buybacks in 2022–23 when they experienced windfall profits (several oil & gas companies initiated or expanded repurchases, though some also prioritized variable dividends). Consumer Discretionary in early 2024 actually pulled back some (down 44% in Q1 2024 vs prior year), maybe because some retailers and consumer firms faced margin pressures and became cautious.

A general trend is that buyback programs are increasingly a common tool across most sectors, whereas 20 years ago they were more concentrated. In 2023, Schroders noted that ~38% of large U.S. companies bought back at least 1% of their shares (net) – a bit lower than 2022's proportion, but still significant. It indicates broad participation, though not universal. Some sectors like Utilities or Telecom (now part of Comm Services) have lower buyback activity due to their higher debt loads or preference for dividends.

*Investor Reception:* Investors have generally been supportive of buybacks, seeing them as a sign of a healthy company that is returning cash. There's even an S&P 500 Buyback Index comprised of the 100 companies with highest buyback ratios, and historically that index has often outperformed the broader market (indicating that companies doing large buybacks tend to deliver good shareholder returns). However, the narrative is nuanced: buybacks provide a tailwind to EPS and stock demand, but if done for the wrong reasons (such as to offset a lack of growth investment or to prop up share price for insiders), they can be criticized. That's why transparency and demonstrating a clear capital allocation logic is important.

*EPS Impact and Share Count Reduction:* One trend to note is that the effective EPS boost from buybacks was muted in 2022–2023 compared to prior years, because a lot of repurchase dollars went to simply counteract dilution from stock issuances (especially in tech, where stock comp is heavy, or in sectors where companies issued equity in 2020 and later bought it back). In 2022–early 2023, many companies saw their share count actually increase or stay flat year-over-year despite spending on buybacks, due to new issuance. By late 2023 and 2024, this started to reverse – more companies managed to reduce share count as buyback volume remained high and new equity issuance slowed (fewer secondary offerings in a down market, and some moderation in equity comp). As S&P's Howard Silverblatt pointed out, Q1 2024 was the first quarter in a while where the percentage of companies with >4% share count reduction ticked up again. This suggests buybacks are once more contributing to meaningful EPS growth for a subset of firms. If the market remains stable and buybacks continue near record levels, we may see further aggregate share count shrinkage in the market indices (which supports index EPS growth even if aggregate earnings are flat).

*Effect of Rising Interest Rates:* The rise in interest rates (2022–2023) made debt relatively costly, so the era of borrowing cheaply to finance buybacks (common in 2017–2019) has faded. Companies now mostly use operating cash flows to fund repurchases. This is generally healthier, but it means companies whose cash flows are under pressure might trim buybacks. We saw some of that in interest-rate sensitive sectors like real estate or utilities.

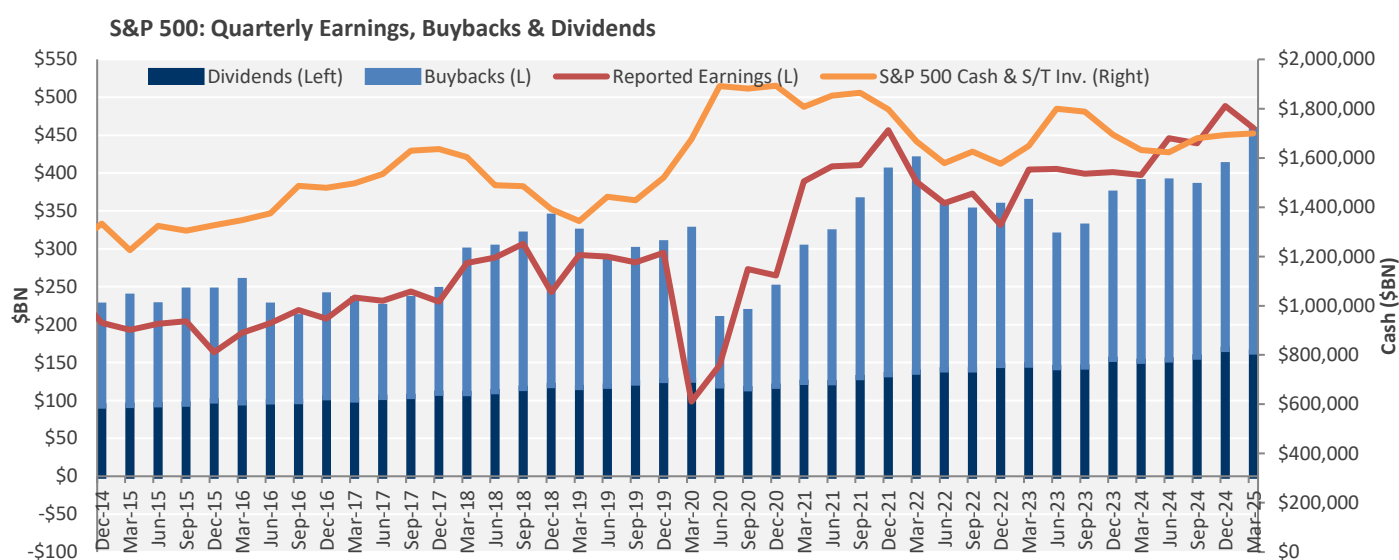
*Impact of Economic Uncertainty:* Buybacks are somewhat cyclical – they tend to fall in recessions and rise in expansions. The mild slowdown of 2023 illustrated that if CEOs are uncertain, they'll slow repurchases (they're the easiest lever to pull back, since dividend cuts are seen negatively but pausing buybacks is usually fine). However, the quick rebound in late 2023/2024 shows how dynamic it can be; once fears ease, repurchases resume quickly.

*Political and Social Views:* Public debate about buybacks intensified, with prominent figures arguing companies should invest in employees or growth instead of repurchasing shares. In early 2023, the U.S. President

even suggested raising the tax to 4% to encourage reinvestment. While that hasn't happened (and may not given political gridlock), companies are aware of the optics. We've seen some firms explicitly state in press releases that their capex and R&D priorities come first, and buybacks are "excess cash" only – signaling responsibility. Some companies, particularly those receiving government support or scrutiny (like in certain industries), might refrain from buybacks to avoid backlash. For example, in 2021–2022, there was criticism of oil companies using high profits for buybacks during a period of high gasoline prices.

In contrast, shareholder pressure often pushes for buybacks. Activist investors frequently urge companies to initiate or expand repurchase programs if they believe a stock is undervalued or the balance sheet too inefficient. So companies sometimes find themselves balancing these views.

The chart below illustrates the recent trajectory of S&P 500 share buybacks, highlighting the surge to record levels in 2021–2022, the pullback in 2023, and the renewed strength going into 2024:



S&P 500 Annual Share Repurchases (2014–2025). Data shows the dollar value of stock buybacks by S&P 500 companies each quarter (in billions USD), peaking in 2022 and dipping in 2023. The trend reflects macroeconomic influences and corporate cash deployment strategies.

As the chart depicts, even the “slower” 2023 was well above pre-2020 norms, underscoring that buybacks are here to stay as a significant use of corporate funds, albeit with some year-to-year variation.



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