NYSE Trading Suspension: Implications for Issuer Equity Derivatives

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At 11:32 a.m. on July 8, 2015, the New York Stock Exchange (NYSE) announced that NYSE/NYSE MKT had temporarily suspended trading in all symbols. While the suspension appears to have had little impact on overall trading volumes, it may impact equity-linked instruments that various entities, including publicly listed companies, have issued or are party to, such as convertible or exchangeable notes, accelerated share repurchase programs and call spread transactions.

Equity-linked instruments typically include provisions that reference the trading price of a security's common stock. For example, the price of the underlying stock may determine whether a particular option is exercisable on an exercise date, how many shares are deliverable at the maturity of an accelerated share repurchase program or how much cash and/or shares will be owed by a particular issuer following conversion of its convertible notes. These determinations typically are made by reference to the price of the stock during the course of (or end of) a trading day, or the average of such prices over a specified period of trading days.

Depending on how such term is defined in the relevant instrument, the suspension of trading on the NYSE that occurred on July 8, 2015, may have triggered a "market disruption event" (or a term having a similar effect). The consequences of a market disruption event can differ, but many instruments often provide that the day on which the event occurred will not be included for purposes of certain calculations, such as the ones mentioned above, and that valuation or calculation periods may be extended as a result. In addition, in some cases the dealer counterparty (acting as calculation agent) may deem the relevant day to be disrupted only in part and adjust the price and/or weighting of the relevant shares on the disrupted day to reflect the disruption, and possibly make other adjustments to the terms of the transactions.

Issuers that have issued or that are a party to these instruments, particularly where July 8, 2015, would have been used for purposes of determining a stock price under the relevant instrument, may wish to contact counsel to determine whether a market disruption event under their instrument occurred, and what actions, if any, they should consider taking.