

Corporate & Financial Weekly Digest

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SEC Schedules Open Meeting to Propose Rules on Financial Institution Incentive Compensation and Credit Ratings

On March 2, the Securities and Exchange Commission will hold an open meeting to discuss, among other matters, whether to propose rules to implement Section 956 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Section 956 requires that not later than nine months after enactment, the appropriate federal regulators jointly shall adopt regulations requiring "covered financial institutions" (as described below) with assets of \$1 billion or greater to disclose incentive compensation to their appropriate federal regulator. Disclosure is required of all incentive-based compensation arrangements in sufficient detail for the regulator to determine if the arrangement with the executive officer, employee, director or principal shareholder is excessive or could lead to a material financial loss. Within the same time frame, federal regulators are also required to jointly prescribe regulations to prohibit any type of incentive-based compensation by "covered financial institutions" with assets of \$1 billion or greater that is excessive or could lead to material financial loss. Covered financial institutions include depository institutions, depository institution holding companies, credit unions, registered broker-dealers and registered investment advisers.

The SEC will also consider whether to propose rule amendments that would implement Section 939A of the Dodd-Frank Act relating to references to credit ratings in filings under the Securities Act of 1933 and the Investment Company Act of 1940. Section 939A of the Dodd-Frank Act requires that the SEC: (1) review any regulation issued by it that requires the use of an assessment of the credit-worthiness of a security or money market instrument and any references to or requirements in its regulations regarding credit ratings, (2) modify any regulations to remove any reference to or requirement of reliance on credit ratings, and (3) substitute in its regulations a standard of credit-worthiness with alternative requirements.

See the February 11 edition of [Corporate and Financial Weekly Digest](#) for a discussion of currently proposed rules under Section 939A of the Dodd-Frank Act.

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