

Corporate & Financial Weekly Digest

Posted at 1:04 PM on February 11, 2011 by [Jeffrey M. Werthan](#)

FDIC Board Releases Proposed Rule Regarding Executive Compensation

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On February 7, the Federal Deposit Insurance Corporation (FDIC) released a proposed joint rule that will also be released by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Office of Thrift Supervision, the National Credit Union Administration, the Securities and Exchange Commission and the Federal Housing Finance Agency (the Agencies) regarding incentive-based compensation arrangements (Proposal). The Proposal is required by the Dodd-Frank Wall Street Reform and Consumer Protection Act.

In summary, the Proposal would require the reporting of incentive-based compensation arrangements by a "covered financial institution" and prohibit incentive-based compensation arrangements at a covered financial institution that provide excessive compensation. In this regard, the Agencies have proposed standards to determine whether incentive-based compensation is "excessive" in a particular case. In addition, the Proposal prohibits arrangements that could expose the institution to inappropriate risks that threaten an institution's safety and soundness and could lead to a material financial loss. To accomplish this, the Proposal sets forth standards that are consistent with the principles set forth in the Interagency Guidance on Sound Incentive Compensation Policies (adopted June 2010) for determining whether an incentive-based compensation arrangement may encourage inappropriate risk-taking.

For purposes of this provision, a "covered financial institution" is a bank with total consolidated assets of more than \$1 billion. Additional restrictions would be imposed for institutions with \$50 billion or more in total consolidated assets.

Comments are due 45 days after publication in the *Federal Register*.

For more information, click [here](#).

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