

Publications

# Federal Agencies Propose Rules on Dodd-Frank Financial Institution Incentive Compensation Requirements

**ATTORNEYS & PROFESSIONALS**

**Jeffrey W. Kroh**

[jkroh@groom.com](mailto:jkroh@groom.com)

202-861-5428

**Louis T. Mazawey**

[lmazawey@groom.com](mailto:lmazawey@groom.com)

202-861-6608

**Brigen Winters**

[bwinters@groom.com](mailto:bwinters@groom.com)

202-861-6618

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On February 7, the FDIC approved a joint proposed regulation to implement section 956 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”) regarding the incentive-based compensation arrangements of certain financial institutions. On March 2, the SEC also approved the joint proposed regulation on this provision. In addition to the FDIC and SEC, five other federal banking agencies also are involved in the joint rulemaking on the provision.

Section 956 of Dodd-Frank directs the Agencies to jointly prescribe regulations (by April 21, 2011) requiring covered financial institutions to disclose the structures of incentive-based compensation arrangements offered by the institution, and prohibiting any incentive-based compensation arrangement that encourages inappropriate risks by providing an executive officer, employee, director or principal shareholder with excessive compensation, fees or benefits, or that could lead to material financial loss to the institution.

The attached memo contains a brief summary of the key provisions in the proposed regulation.

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