

Legislation Proposed Requiring Say-on-Pay, Independence Standards for Compensation Committees and Enhanced Federal Regulation of Incentive-Based Compensation Arrangements

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On July 21, 2009, Congressman Barney Frank, D-Mass., introduced a bill, the "Corporate and Financial Institution Compensation Fairness Act of 2009" (the "Compensation Fairness Act") for Congressional approval. The proposed legislation incorporates and adds an additional section to a proposal covering the same subject matter which the Treasury submitted to Congress on July 16, 2009. If adopted in its current form, the legislation, like the Treasury's proposal, would require publicly traded companies to provide for a non-binding, advisory "say-on-pay" shareholder vote on certain executive compensation arrangements at the companies' annual meetings and in the context of transactions that result in a change of corporate control, and impose more exacting independence standards upon publicly traded companies' compensation committees. The legislation goes beyond the Treasury's proposal, however, to also require enhanced Federal regulation of incentive-based compensation arrangements for officers and employees of certain financial institutions.