SEC Proposes Amendments to Proxy Rules Requiring TARP Recipients to Seek Advisory Shareholder Votes on Compensation

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On July 1, 2009, the Securities and Exchange Commission (the "SEC") released proposed amendments to the proxy rules under the Securities Exchange Act of 1934 (the "Exchange Act") (the "Proposed Amendments"). The Proposed Amendments set forth requirements for U.S. registrants subject to Section 111(e) of the Emergency Economic Stabilization Act of 2008 (the "EESA"). Section 111(e) requires companies that have received financial assistance under the Troubled Asset Relief Program ("TARP") to permit a separate shareholder advisory vote to approve the compensation of executives, as disclosed pursuant to the compensation disclosure rules of the SEC, during the period in which any obligation arising from financial assistance provided under the TARP remains outstanding. The Proposed Amendments are intended to help implement this separate shareholder vote requirement by specifying and clarifying it in the context of the SEC's proxy rules.