

FDIC Approves Rules to Implement Dodd-Frank Limits on Incentive Pay Risk at Financial Institutions



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The Federal Deposit Insurance Corporation issued new regulations that would create a framework for implementing and enforcing Section 956 of the *Dodd-Frank Wall Street Reform and Consumer Protection Act*. The intent is to control risk related to the use of incentive compensation arrangements (ICAs) for executives at covered financial institutions with consolidated assets of at least \$1 billion.

Among the new requirements and restrictions:

- Prohibition of ICAs to covered individuals that are considered to encourage inappropriate risk
- Mandatory deferral and enhanced oversight for institutions with assets greater than \$50 billion
- Annual disclosure of the structure of ICAs
- Policies and procedures to enforce Section 956

About the Author

Deborah Lifshey is a managing director at Pearl Meyer, where she specializes in advising clients on compensation matters from a legal perspective including securities disclosure, taxation and corporate governance issues, negotiation contracts, and reasonableness opinion letters.

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