

Jensen Embodied in Proposed Dodd-Frank Rule

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The possibility that a C-level executive might have his or her compensation “clawed back” after engineering a financial fraud is not new. Many corporate officers, however, may not realize that they could be required to disgorge incentive compensation paid two to three years ago whenever someone else in their organization engages in conduct that triggers a restatement. A number of developments continue to weaken executives’ ability to hold onto compensation in these circumstances, effectively subjecting them to a strict liability standard for other employees’ behavior.

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