

Proposed Pay Ratio Disclosure Rule Released by the SEC

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On September 18, 2013, in a 3-2 vote, the SEC proposed a rule implementing the provision of the Dodd-Frank Act that requires U.S. public companies to disclose a ratio of their CEO's compensation to that of their median employee.

The proposed rule, announced a full three years after the enactment of the Dodd-Frank Act, reflects the SEC's struggle with a statutory mandate that many view to be motivated by political interests, rather than shareholder benefit. While the proposal provides helpful flexibility in some areas, such as identifying the "median employee", it still leaves companies with the prospect that, starting with proxy statements as early as the 2016 season, they will be disclosing a ratio that will arguably form the basis for misleading comparisons.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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