

SEC Urged to Delay Pay Ratio Rule Adoption by Some Members of House Financial Services Committee

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Last week, House Financial Services Committee Chairman Jeb Hensarling (R-TX), Representative Scott Garrett (R-NJ) and Representative Bill Huizenga (R-MI) sent a [letter](#) to SEC Chair White urging her to delay finalizing the pay ratio rule. The Congressmen indicated that they were “troubled” by recent comments suggesting that the SEC has made it a priority to complete the pay ratio rule, which we previously [discussed](#).

The letter expresses concern that the Commission is “misallocating its limited resources to non-essential projects” by completing a final pay ratio rule ahead of other rules that are more central to the SEC’s mission to protect investors and ensure orderly capital formation, such as the requirement to remove references to credit ratings in SEC rules. While they recognize that the ultimate goal is to complete all of the rulemaking under Dodd-Frank, since this provision does not have a deadline, it should not be near the top.

They also criticize the proposed pay ratio rule as requiring immaterial, or otherwise confusing, disclosure that will entail significant costs and burdens, which the Chamber of Commerce estimates at \$710 million annually. The authors request that the SEC provide a detailed description of the “funds and man-hours” spent to date on pay ratio rulemaking by December 5. The House Financial Services Committee had previously passed legislation to repeal the pay ratio.

The [Fall 2014 regulatory agenda](#) shows that the SEC has scheduled the adoption of the pay ratio rules, along with the proposal of rulemaking related to hedging, clawback and pay for performance, by October 2015. However, the SEC has previously not met the dates specified in prior regulatory agendas, so this date may not prove to be predictive.

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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