

Chairman Clayton's Roadmap to Finishing the Dodd-Frank Mandates, Including the Executive Compensation Disclosures

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In [a recent speech](#), Chairman Clayton discussed completing the rulemaking mandates under Dodd-Frank, in light of his mission to allocate the SEC's resources to both fulfilling statutory requirements and meeting day-to-day needs. The complexity of the mandates coupled with "mission-critical demands" are key variables that influence the objective of finishing the rules.

In terms of how the SEC should proceed on the remaining Dodd-Frank rules, Clayton declared that the executive compensation rules were particularly challenging, in part because "we are writing on an already very colorful canvas and different constituencies see the rules as serving different, and sometimes inconsistent, goals." He favors a "serial approach" and pointed out that the recent interpretative guidance on the pay ratio rules managed to comply with the statute, reduce compliance costs and remain practical. With those "themes" in mind, Clayton is actively trying to determine how to address the remaining executive compensation rules.

He indicated that market developments may, or should, play a role. For example, developments from shareholder engagement "have, at least in part, mitigated some of the concerns" that led to the statutory mandate in the first place. He cited to the clawback rule as an example, noting that several companies are already making their clawback policies public and some of them "go beyond what would be required" under Dodd-Frank. Some companies have actively clawed back compensation from their executives. Clayton believes that the SEC's rulemaking priorities, as well as the rules, "should reflect these observable developments." He also stated that the SEC intends to be flexible "in timing, in sequence, and in content" as they finalize the rules.

While that may suggest that the clawback rule, which is arguably the most complicated of the remaining three (the others being pay-for-performance and pledging disclosure), may not be an key agenda item at the SEC, Clayton pointedly concluded that "it is the SEC's obligation to complete the rules mandated by Congress in Dodd-Frank, and I intend to do so."

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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