

Federal Agencies Propose Interagency Rule on Incentive-Based Compensation for Financial Institutions

March 3, 2011 | Client Update

A proposed rule issued under Section 956 of the Dodd-Frank Wall Street Reform and Consumer Protection Act would subject financial institutions with \$1 billion of assets to substantive and procedural requirements relating to incentive-based compensation. Financial institutions with \$50 billion of assets would be subject to additional substantive requirements, including mandatory deferral of such compensation. These requirements would apply to a wide array of financial institutions, including banks, broker-dealers and investment advisers. Other institutions also may be affected. The prescriptive nature and broad scope of the proposed rule cannot be overemphasized, given the significant oversight, approval, monitoring and documentation requirements imposed on financial institutions, including many that previously have never had their compensation subject to governmental requirements. If the requirements are implemented in their current form, we expect that many financial institutions would be required to modify their compensation policies and practices. Therefore, after discussing the proposed rule, we suggest a number of action items to help financial institutions comment on the rule and anticipate the new requirements.

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.

Beverly Fanger Chase

+1 212 450 4383
beverly.chase@davispolk.com

Luigi L. De Ghenghi

+1 212 450 4296
luigi.deghenghi@davispolk.com

Edmond T. FitzGerald

+1 212 450 4644
edmond.fitzgerald@davispolk.com

Nora M. Jordan

+1 212 450 4684
nora.jordan@davispolk.com

Kyoko Takahashi Lin

+1 212 450 4706
kyoko.lin@davispolk.com

Annette L. Nazareth

+1 202 962 7075
annette.nazareth@davispolk.com

Barbara Nims

+1 212 450 4591

Margaret E. Tahyar

+1 212 450 4379
margaret.tahyar@davispolk.com

This communication, which we believe may be of interest to our clients and friends of the firm, is for general information only. It is not a full analysis of the matters presented and should not be relied upon as legal advice. This may be considered attorney advertising in some jurisdictions. Please refer to the firm's privacy notice for further details.

Related materials

[030311_incentive_comp_regs.pdf](#)