

**FINANCIAL REFORM CONFERENCE: HOUSE OFFER  
FOR SUBTITLE E OF TITLE IX**

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Page 1222, after line 6, insert the following:

1       “(b) SHAREHOLDER APPROVAL OF GOLDEN PARA-  
2 CHUTE COMPENSATION.—

3               “(1) DISCLOSURE.—In any proxy or consent  
4 solicitation material (the solicitation of which is sub-  
5 ject to the rules of the Commission pursuant to sub-  
6 section (a)) for a meeting of the shareholders occur-  
7 ring after the end of the 6-month period beginning  
8 on the date of enactment of this section, at which  
9 shareholders are asked to approve an acquisition,  
10 merger, consolidation, or proposed sale or other dis-  
11 position of all or substantially all the assets of an  
12 issuer, the person making such solicitation shall dis-  
13 close in the proxy or consent solicitation material, in  
14 a clear and simple form in accordance with regula-  
15 tions to be promulgated by the Commission, any  
16 agreements or understandings that such person has  
17 with any named executive officers of such issuer (or  
18 of the acquiring issuer, if such issuer is not the ac-  
19 quiring issuer) concerning any type of compensation

1 (whether present, deferred, or contingent) that is  
2 based on or otherwise relates to the acquisition,  
3 merger, consolidation, sale, or other disposition of all  
4 or substantially all of the assets of the issuer and  
5 the aggregate total of all such compensation that  
6 may (and the conditions upon which it may) be paid  
7 or become payable to or on behalf of such executive  
8 officer.

9 “(2) SHAREHOLDER APPROVAL.—Any proxy or  
10 consent or authorization relating to the proxy or  
11 consent solicitation material containing the disclo-  
12 sure required by paragraph (1) shall include a sepa-  
13 rate resolution subject to shareholder vote to ap-  
14 prove such agreements or understandings and com-  
15 pensation as disclosed, unless such agreements or  
16 understandings have been subject to a shareholder  
17 vote under subsection (a).”.

Page 1222, line 7, strike “(b)” and insert “(c)”.

Page 1222, after line 19, insert the following:

18 “(d) DISCLOSURE OF VOTES.—Every institutional in-  
19 vestment manager subject to section 13(f) shall report at  
20 least annually how it voted on any shareholder vote pursu-  
21 ant to subsection (a) and (b), unless such vote is otherwise

1 required to be reported publicly by rule or regulation of  
2 the Commission.”.

Page 1225, line 13, strike “issuer, including—” and insert “issuer. Such factors shall be competitively neutral among categories of consultants, legal counsel, or other advisers and preserve the ability of compensation committees to retain the services of members of any such category, and shall include—”.

Page 1222, line 21, strike “Section” and insert “(a) IN GENERAL.—Section”.

Page 1230, after line 23, insert the following:

3 (b) STUDY AND REPORT.—

4 (1) STUDY.—The Securities and Exchange  
5 Commission shall conduct a study and review of the  
6 use of compensation consultants and the effects of  
7 such use.

8 (2) REPORT.—Not later than 2 years after the  
9 date of the enactment of this Act, the Commission  
10 shall submit a report to Congress on the results of  
11 the study and review required by this subsection.

Page 1234, strike line 22 through page 1236, line  
12, and insert the following:

1 **SEC. 956. ENHANCED COMPENSATION STRUCTURE RE-**  
2 **PORTING.**

3 (a) ENHANCED DISCLOSURE AND REPORTING OF  
4 COMPENSATION ARRANGEMENTS.—

5 (1) IN GENERAL.—Not later than 9 months  
6 after the date of enactment of this title, the appro-  
7 priate Federal regulators jointly shall prescribe regu-  
8 lations to require each covered financial institution  
9 to disclose to the appropriate Federal regulator the  
10 structures of all incentive-based compensation ar-  
11 rangements offered by such covered financial institu-  
12 tions sufficient to determine whether the compensa-  
13 tion structure—

14 (A) is aligned with sound risk manage-  
15 ment;

16 (B) is structured to account for the time  
17 horizon of risks; and

18 (C) meets such other criteria as the appro-  
19 priate Federal regulators jointly may determine  
20 to be appropriate to reduce unreasonable incen-  
21 tives offered by such institutions for employees  
22 to take undue risks that—

23 (i) could threaten the safety and  
24 soundness of covered financial institutions;

25 or

1                   (ii) could have serious adverse effects  
2                   on economic conditions or financial sta-  
3                   bility.

4           (2) RULES OF CONSTRUCTION.—Nothing in  
5           this section shall be construed as requiring the re-  
6           porting of the actual compensation of particular in-  
7           dividuals. Nothing in this section shall be construed  
8           to require a covered financial institution that does  
9           not have an incentive-based payment arrangement to  
10          make the disclosures required under this subsection.

11       (b) PROHIBITION ON CERTAIN COMPENSATION AR-  
12       RANGEMENTS.— Not later than 9 months after the date  
13       of enactment of this title, and taking into account the fac-  
14       tors described in paragraph (1) of subsection (a), the ap-  
15       propriate Federal regulators shall jointly prescribe regula-  
16       tions that prohibit any incentive-based payment arrange-  
17       ment, or any feature of any such arrangement, that the  
18       regulators determine encourages inappropriate risks by  
19       covered financial institutions that—

20               (1) could threaten the safety and soundness of  
21               covered financial institutions; or

22               (2) could have serious adverse effects on eco-  
23               nomic conditions or financial stability.

24       (c) ENFORCEMENT.— The provisions of this section  
25       shall be enforced under section 505 of the Gramm-Leach-

1 Bliley Act and, for purposes of such section, a violation  
2 of this section shall be treated as a violation of subtitle  
3 A of title V of such Act.

4 (d) DEFINITIONS.— As used in this section—

5 (1) the term “appropriate Federal regulator”  
6 means the Board of Governors of the Federal Re-  
7 serve System, the Office of the Comptroller of the  
8 Currency, the Board of Directors of the Federal De-  
9 posit Insurance Corporation, the Director of the Of-  
10 fice of Thrift Supervision, the National Credit Union  
11 Administration Board, the Securities and Exchange  
12 Commission, the Federal Housing Finance Agency;  
13 and

14 (2) the term “covered financial institution”  
15 means—

16 (A) a depository institution or depository  
17 institution holding company, as such terms are  
18 defined in section 3 of the Federal Deposit In-  
19 surance Act (12 U.S.C. 1813);

20 (B) a broker-dealer registered under sec-  
21 tion 15 of the Securities Exchange Act of 1934  
22 (15 U.S.C. 78o);

23 (C) a credit union, as described in section  
24 19(b)(1)(A)(iv) of the Federal Reserve Act;

1 (D) an investment advisor, as such term is  
2 defined in section 202(a)(11) of the Investment  
3 Advisers Act of 1940 (15 U.S.C. 80b-2(a)(11));

4 (E) the Federal National Mortgage Asso-  
5 ciation;

6 (F) the Federal Home Loan Mortgage  
7 Corporation; and

8 (G) any other financial institution that the  
9 appropriate Federal regulators, jointly, by rule,  
10 determine should be treated as a covered finan-  
11 cial institution for purposes of this section.

12 (e) EXEMPTION FOR CERTAIN FINANCIAL INSTITU-  
13 TIONS.—The requirements of this section shall not apply  
14 to covered financial institutions with assets of less than  
15 \$1,000,000,000.

16 (f) LIMITATION.— No regulation promulgated pursu-  
17 ant to this section shall be allowed to require the recovery  
18 of incentive-based compensation under compensation ar-  
19 rangements in effect on the date of enactment of this title,  
20 provided such compensation agreements are for a period  
21 of no more than 24 months. Nothing in this title shall  
22 prevent or limit the recovery of incentive-based compensa-  
23 tion under any other applicable law.

Page 1237, line 19, strike the period and insert “,  
and does not include a vote with respect to the

uncontested election of a member of the board of directors of any investment company registered under the Investment Company Act of 1940 (15 U.S.C. 80b-1 et seq.).”.

