OFFICE OF SPEAKER NANCY PELOSI
FACT SHEET

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H.R. 3269, Executive Compensation Reform

Key Points:

- **This bill is designed to address the perverse incentives in compensation plans that encourage executives in large financial firms to take excessive risk at the expense of their companies, shareholders, employees, and ultimately the American taxpayer – risks that contributed to the recent financial collapse.**

- **The bill also includes another section requiring publicly-traded companies to allow shareholders to take non-binding votes during annual meetings on the top five executive compensation packages.**

- **The bill is the first step towards enacting comprehensive financial regulatory reform to make sure we never face another historic financial crisis that depletes the retirement savings of millions, locks businesses out of much-needed credit, and threatens the entire economy.**

Today, the House will consider H.R. 3269, Corporate and Financial Institution Compensation Fairness Act. It provides shareholders of public companies with an annual, non-binding vote on the executive compensation plans of companies' top five executives. It also authorizes federal regulators to proscribe inappropriate or risky compensation practices of financial firms with at least $1 billion in assets. The bill was reported by the Financial Services Committee by a vote of 40-28. Following are highlights of the bill's provisions.

"Say-on-Pay" (Applies to Public Companies)

- Requires publicly-traded corporations to allow shareholders to take non-binding votes during annual meetings on the top five executive compensation packages.

- Also requires shareholder non-binding votes on golden parachutes.

- Allows SEC to exempt small companies from the non-binding vote requirement if it finds such an exemption necessary.

Incentive-Based Compensation (Applies Only to Regulated Financial Firms)

- Authorizes the SEC, along with the federal financial regulatory agencies, to develop regulations for financial firms with at least $1 billion in assets that proscribe the use of employee compensation structures that pose a risk to financial institutions and the broader economy.

- Specifically, authorizes the regulations to restrict or prohibit "inappropriate or imprudently risky compensation practices" at these large financial firms.

- Requires financial firms with at least $1 billion in assets to disclose to the federal regulators any compensation structures that include incentive-based elements.

- Does NOT require disclosure of any individuals' compensation information.

- Does NOT address compensation levels (only structures).

- Does NOT allow government pre-approval of anyone's compensation.

Independent Compensation Committees (Applies to Public Companies)

- Requires the compensation committees of the Boards of Directors of public companies to be made up of independent directors.

- Requires that compensation consultants satisfy independence criteria established by the SEC.

- Makes provision for smaller companies whose boards may not have a separate compensation committee.