



# PRESS RELEASE

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## **FDIC ISSUES FINAL RULE ON "GOLDEN PARACHUTES" AND INDEMNIFICATION PAYMENTS**

### FOR IMMEDIATE RELEASE

The FDIC Board of Directors today issued a final rule that, with certain exceptions, prohibits troubled holding companies, banks and thrifts from making "golden parachute" payments. These are typically large cash payments to executives who resign just before an institution is closed or sold. The regulation was issued under authority granted by the Crime Control Act of 1990.

The new rule also limits the ability of any holding company or FDIC-insured institution to pay the liabilities or legal expenses of an employee or director who is subject to an enforcement proceeding.

The statute permits the FDIC to prohibit or limit golden parachute and indemnification payments, but provides several exceptions, such as for qualified pension and retirement plans. Other exceptions have been added by the FDIC with the recognition that such payments have reasonable business purposes. The rule provides guidance to the industry on which payments are considered legitimate and which are considered abusive or improper.

The agency first proposed rules in this area in 1990, and then issued a second proposal for additional comment in March of last year. The final rule, which is similar to the 1995 proposal, becomes effective on April 1, 1996.

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Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars — insured financial institutions fund its operations.

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