



PRESS RELEASE

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FDIC Board Seeks Comment on Incorporating Employee Compensation Structures Into the Risk Assessment System

Board Approves Advance Notice of Proposed Rulemaking

The Board of Directors of the Federal Deposit Insurance Corporation (FDIC) today approved an Advance Notice of Proposed Rulemaking (ANPR) seeking input on whether certain employee compensation structures pose risks that should be captured in the deposit insurance assessment program.

"A broad consensus of academic studies agrees that poorly designed compensation structures can misalign incentives and induce risk taking. I share those concerns. The recent crisis has shown that compensation practices that encourage excessive risk can create significant losses in the financial system and the deposit insurance fund," FDIC Chairman Sheila Bair said.

The ANPR includes a broad set of questions designed to solicit information on the types of structures that should be encouraged and on whether and how employee compensation should be factored into the risk-based pricing system. The ANPR will go out for public comment for 30 days after publication in the *Federal Register*.

"I believe this ANPR suggests a good approach by targeting compensation structures, rather than levels of compensation. It contains no features which would limit the amount of compensation paid to employees. And I feel that the supervisory efforts underway can be strengthened by the FDIC's effort to provide incentives for banks to achieve higher standards," Chairman Sheila Bair said.

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Attachment: [Advance Notice of Proposed Rulemaking - PDF](#) ([PDF Help](#))



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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