Joint Release	**Federal Deposit Insurance Corporation** **Federal Housing Finance Agency** **Federal Reserve Board of Governors** **National Credit Union Administration** **Office of the Comptroller of the Currency** **Securities and Exchange Commission**

For immediate release May 16, 2016

Agencies Invite Comment on Proposed Rule to Prohibit Incentive-Based Pay that Encourages Inappropriate Risk-Taking in Financial Institutions

Six federal agencies are inviting public comment on a proposed rule to prohibit incentive-based compensation arrangements that encourage inappropriate risks at covered financial institutions. The deadline for comments on the proposed rule, which was submitted for publication in the Federal Register, is July 22, 2016.

Section 956 of the Dodd-Frank Wall Street Reform and Consumer Protection Act requires the agencies to jointly prescribe such regulations or guidelines. There is evidence that flawed incentive-based compensation packages in the financial industry were one of the contributing factors in the financial crisis that began in 2007.

The proposed rules would apply to covered financial institutions with total assets of $1 billion or more. The requirements are tailored based on assets, and covered institutions would be divided into three categories:

- Level 1: institutions with assets of $250 billion and above;
- Level 2: institutions with assets of $50 billion to $250 billion; and
- Level 3: institutions with assets of $1 billion to $50 billion.

Much of the proposed rules would address requirements for senior executive officers and employees who are significant risk-takers at Level 1 and Level 2 institutions. All institutions that would be covered by the proposed rules would be required to annually document the structure of incentive-based compensation arrangements and retain those records for seven years. Boards of directors of covered institutions would be required to conduct oversight of the arrangements. All covered institutions would be subject to general prohibitions on incentive-based compensation arrangements that could encourage inappropriate risk-taking by providing excessive compensation or that could lead to a material financial loss.

Interested parties may find a copy of the proposed rule at:
https://fdic.gov/news/board/2016/2016-04-26_notice_dis_a_fr.pdf

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