



# PRESS RELEASE

Federal Deposit Insurance Corporation

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## **FDIC PROPOSES LIMITS ON "GOLDEN PARACHUTES" AND INDEMNIFICATION PAYMENTS**

FOR IMMEDIATE RELEASE

The FDIC Board of Directors today issued for public comment a proposal that, with certain exceptions, would prohibit troubled holding companies, banks and thrifts from making "golden parachute" payments -- typically large cash amounts to executives who resign just before an institution is closed or sold. The agency also proposed limits on the ability of any holding company or FDIC-insured institution to pay an employee's or director's liabilities or legal expenses when that person is the subject of an enforcement proceeding.

The proposed regulation would implement anti-fraud legislation enacted in 1990 that permits the FDIC to "prohibit or limit, by regulation or order, any golden parachute or indemnification payment." The agency first issued proposed rule changes in this area in 1991 but never voted on final rules, initially because of a government-wide moratorium on rulemaking.

Given the passage of time and the many changes being considered in the current plan, the FDIC has decided to issue a second proposal for additional public comment. The new proposal differs from the 1991 plan in several respects, including its designation of unfunded "bona fide" deferred compensation plans and severance payments of up to 12 months' salary as permissible.

The FDIC recognizes that certain golden parachute and indemnification payments have reasonable business purposes. The proposed regulation would provide guidance to the industry on which payments would be considered legitimate and which would be considered abusive or improper.

Written comments on the proposed regulation will be accepted for 60 days after it appears in the Federal Register.

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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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