



Executive Benefits

FIL-25-95
March 30, 1995

TO: CHIEF EXECUTIVE OFFICER

SUBJECT: *Proposed Limits on "Golden Parachutes," Indemnification Payments*

The FDIC Board of Directors has 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 FDIC also has 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. In general, the proposed regulation would provide guidance on which golden parachute and indemnification payments would be considered legitimate and which would be considered abusive or improper. A copy of the proposal is attached.

The proposed regulation would implement anti-fraud legislation enacted in 1990. The FDIC first issued proposed rules in this area in 1991 but never voted on final rules. 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.

Written comments on the proposed regulation will be accepted through May 30, 1995. For more information, please contact Michael D. Jenkins, an Examination Specialist in the Division of Supervision (202-898-6896), or Jeffrey M. Kopchik, a Counsel in the Legal Division (202-898-3872).

Stanley J. Poling
Director

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