



A compensation consultant or other similar adviser to the compensation committee will be required to meet independence standards, to be established by the SEC, that are competitively neutral among categories of consultants and preserve the ability of compensation committees to retain the services of members of any such category. Note that the final House bill appears to have eliminated this independence requirement as to lawyers advising the compensation committee. The compensation committee will be required to disclose in its proxy whether it obtained the advice of an independent compensation consultant; however, the compensation committee is not required to take the advice or recommendations of any compensation consultant or other similar advisor. Note, the final House bill eliminated the requirement to specify why an independent consultant was not retained.

### **Financial Institution Provisions**

Financial institutions with assets in excess of \$1 billion would be required to disclose to federal regulators the details of incentive-based compensation arrangements for officers and employees and would be limited in providing incentives that could result in unreasonable incentives for officers and employees to take undue risks that could threaten the soundness of the financial institutions or that could have serious adverse effects on economic conditions or financial stability.

We will keep you apprised of developments in this legislation. For more information on this, or related matters, you may wish to contact any attorney in the Executive Compensation and Employee Benefits Group:

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