

111TH CONGRESS
1ST SESSION

H. R. 1664

To amend the executive compensation provisions of the Emergency Economic Stabilization Act of 2008 to prohibit unreasonable and excessive compensation and compensation not based on performance standards.

IN THE HOUSE OF REPRESENTATIVES

MARCH 23, 2009

Mr. GRAYSON (for himself, Mr. HIMES, Ms. LEE of California, Mr. WELCH, Mr. ELLISON, Mr. ORTIZ, Mr. PERRIELLO, Ms. JACKSON-LEE of Texas, and Mr. CONNOLLY of Virginia) introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To amend the executive compensation provisions of the Emergency Economic Stabilization Act of 2008 to prohibit unreasonable and excessive compensation and compensation not based on performance standards.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. PROHIBITION ON EXECUTIVE COMPENSATION**

4 **NOT BASED ON PERFORMANCE STANDARDS.**

5 (a) PROHIBITION ON EXECUTIVE COMPENSATION

6 NOT BASED ON PERFORMANCE STANDARDS.—Section

7 111 of the Emergency Economic Stabilization Act of 2008

1 (12 U.S.C. 5221) is amended by redesignating subsections
2 (e) through (h) as subsections (f) through (g), and insert-
3 ing after subsection (d) the following:

4 “(e) PROHIBITION ON EXECUTIVE COMPENSATION
5 NOT BASED ON PERFORMANCE STANDARDS.—

6 “(1) PROHIBITION.—No financial institution
7 that has received or receives a capital investment
8 under this title, or with respect to the Federal Na-
9 tional Mortgage Association, the Federal Home
10 Loan Montage Corporation, or a Federal home loan
11 bank, under the amendments made by section 1117
12 of the Housing and Economic Recovery Act of 2008,
13 may, while that capital investment remains out-
14 standing, make a compensation payment to any ex-
15 ecutive or employee under any pre-existing com-
16 pensation arrangement, or enter into a new com-
17 pensation payment arrangement, if such compensa-
18 tion payment or compensation payment arrange-
19 ment—

20 “(A) provides for compensation that is un-
21 reasonable or excessive, as defined in standards
22 established by the Secretary in accordance with
23 paragraph (2); or

24 “(B) includes any bonus, retention pay-
25 ment, or other supplemental payment that is

1 not directly based on performance-based meas-
2 ures set forth in standards established by the
3 Secretary in accordance with paragraph (2).

4 “(2) STANDARDS.—Not later than 30 days
5 after the date of enactment of this subsection, the
6 Secretary shall establish the following:

7 “(A) UNREASONABLE AND EXCESSIVE
8 COMPENSATION STANDARDS.—Standards that
9 define ‘unreasonable or excessive’ for purposes
10 of subparagraph (1)(A).

11 “(B) PERFORMANCE-BASED STANDARDS.—
12 Standards for performance-based measures that
13 a financial institution must apply when deter-
14 mining whether it may provide a bonus or re-
15 tention payment under paragraph (1)(B). Such
16 performance measures shall include—

17 “(i) the stability of the financial insti-
18 tution and its ability to repay or begin re-
19 paying the United States for any capital
20 investment received under this title;

21 “(ii) the performance of the individual
22 executive or employee to whom the pay-
23 ment relates;

1 “(iii) adherence by executives and em-
2 ployees to appropriate risk management
3 requirements; and

4 “(iv) other standards which provide
5 greater accountability to shareholders and
6 taxpayers.”.

7 (b) REVISION TO RULE OF CONSTRUCTION.—Section
8 111(b)(3)(D)(iii) of the Emergency Economic Stabiliza-
9 tion Act of 2008 (12 U.S.C. 5221(b)(3)(D)(iii)) is amend-
10 ed by inserting before the period the following: “, except
11 that no entity subject to subsection (e) may pay a bonus
12 to any of its employees or executives, without regard to
13 when the arrangement to pay such a bonus was entered
14 into.”.

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