RESCINDED

Transmittal – See OCC 2020-11

OCC Bulletin 2016-23| June 23, 2016

Incentive-Based Compensation Arrangements: Joint Notice of Proposed Rulemaking

Summary

The Office of the Comptroller of the Currency (OCC), jointly with the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Securities and Exchange Commission, and the Federal Housing Finance Agency (collectively, the agencies), published a notice of proposed rulemaking in the *Federal Register* on June 10, 2016, to implement the incentive-based compensation provisions of section 956 of the 2010 Dodd–Frank Wall Street Reform and Consumer Protection Act. The proposal would establish new requirements for incentive-based compensation at certain covered institutions regulated by the agencies. OCC-supervised institutions that would be subject to the proposed rule include national banks, federal savings associations, and federal branches and agencies, as well as these institutions' subsidiaries (other than brokers, dealers, insurance providers, investment companies, and investment advisers), that offer incentive-based compensation and have average total consolidated assets of at least $1 billion.

The proposed rule would prohibit incentive-based compensation arrangements that encourage inappropriate risks by a covered institution (1) by providing an executive officer, employee, director, or principal shareholder of the covered institution with excessive compensation, fees, or benefits; or (2) that could lead to material financial loss to the covered financial institution.

Comments on the proposed rule are due July 22, 2016.

Note for Community Banks

The proposed rule would not apply to OCC-supervised institutions with less than $1 billion in total consolidated assets..

To

Chief Executive Officers of All National Banks, Federal Savings Associations, and Federal Branches and Agencies; Department and Division Heads; All Examining Personnel; and Other Interested Parties

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Highlights

- Covered institutions would be prohibited from awarding excessive incentive-based compensation.
- Certain individuals at covered institutions that have at least $50 billion in total consolidated assets or are subsidiaries of covered institutions (including bank holding companies and savings and loan holding companies) with at least $50 billion in total consolidated assets would have additional restrictions on their incentive-based compensation. These individuals would have certain portions of their

incentive-based compensation mandatorily deferred and subject to forfeiture and would be at risk of having their incentive-based compensation clawed back if certain triggers occur.

- Covered institutions that have at least $50 billion in total consolidated assets or are subsidiaries of covered institutions with at least $50 billion in total consolidated assets would be subject to additional prohibitions on hedging, the maximum incentive-based compensation they could award relative to established incentive-based compensation targets, the use of relative performance measures, and volume-based incentive-based compensation.
- The proposed rule includes requirements for recordkeeping, policies and procedures, risk management, and governance.

Further Information

Please contact Patrick Tierney, Assistant Director, Alison MacDonald, Senior Attorney, or Melissa Lisenbee, Attorney, Legislative and Regulatory Activities Division, at (202) 649-5490; or Judi McCormick, Analyst, Operational Risk Policy, at (202) 649-6415.

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Related Link

- Incentive-Based Compensation Arrangements, 81 Fed. Reg. 81fr112, June 10, 2016