



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C.

Financial Institution Letter
FIL-66-2010
October 14, 2010

GUIDANCE ON GOLDEN PARACHUTE APPLICATIONS

Summary: As part of supervisory efforts to address executive compensation in the financial services industry, the FDIC is issuing the attached guidance on handling applications to make permissible golden parachute payments. This guidance clarifies the golden parachute application process for troubled institutions, specifies the type of information necessary to satisfy the certification requirements, and highlights factors considered by supervisory staff when determining whether to approve a golden parachute payment.

Distribution:

FDIC-Insured Banks (Commercial and Savings)

Suggested Routing:

Chief Executive Officer
Compliance Officer

Related Topics:

- Part 359 – Golden Parachute and Indemnification Payments
- Part 303 – Filing Procedures for Golden Parachute and Severance Plan Payments (12 CFR 303.244)
- Interagency [Guidance on Sound Incentive Compensation Policies](#)

Attachment:

[Guidance on Golden Parachute Applications](#)

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Note:

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Highlights:

- Golden parachute payments refer to amounts paid by “troubled” entities to an institution-affiliated party (IAP) that are contingent on the IAP’s termination.
- The FDI Act and its implementing rules preclude “troubled” institutions (those rated composite “4” or “5” or meeting other criteria) from making a golden parachute payment, except as provided by the rules. Exceptions are permitted, by application, in identified circumstances and provided specific certifications are made.
- Applications made on behalf of senior management will be subject to heightened scrutiny that will include an evaluation of the individual’s performance as well as his or her influence and involvement over major corporate initiatives and policy decisions, especially any actions that may have facilitated high-risk banking strategies.
- The FIL provides more detailed guidance on the type of information required and the factors considered by supervisory staff when evaluating the application and any proposed payment amount.
- To simplify and reduce the number of applications required, the guidance establishes a *de minimis* golden parachute payment for lower-level employees of up to \$5,000 per individual without a supervisory application in most cases. The bank is required to maintain a record of the individuals receiving the payments together with a signed and dated certification of the amounts received.
- Combined applications are also permitted in situations where an institution seeks to pay relatively small amounts to lower-level employees with similar responsibilities and salary levels or implement a reduction-in-force or reorganization.
- When approving an application for a golden parachute payment, the FDIC may either require a staged dispersal of payments or a claw back provision.
- This is new guidance and does not supersede any outstanding guidance.