



March 28, 2011

**TO:** The Executive Secretary's Section  
FDIC Legal Division

**FROM:** Daniel Lonergan, Counsel  
Legal Division

**SUBJECT:** Meeting with Public Citizen, AFL-CIO, and other interested parties to discuss Incentive-based Compensation Arrangements NPR, RIN 3064-AD56

On February 7, 2011, the FDIC approved proposed rules (“NPR”) to implement section 956 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The proposed rule would require the reporting of incentive-based compensation by a covered financial institution and prohibit incentive-based compensation arrangements that provide excessive compensation or that could expose the institution to inappropriate risks. This interagency document was subsequently formally approved by the six other agency-participants and is expected to be published in the Federal Register for public comment shortly.

On March 23, representatives from Public Citizen, the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO), the American Federation of State, County and Municipal Employees (AFSCME), the International Brotherhood of Teamsters, and Will Will Win, Inc., met for approximately one hour with members of FDIC staff. Generally, these representatives, who were aware of the Board’s February 7 approval of the NPR, sought information on when staff anticipated the NPR would be published for public comment in the Federal Register, and asked whether comments were solicited by staff on any issues in particular. Participants were informed that, while comment is invited on any and all aspects of the proposal, there are several specific questions that are posed to the public throughout the “Supplementary Information” that will accompany the proposed rule in the Federal Register.

Staff encouraged participants to address, in their comment letters, all aspects of the proposal. Staff indicated that comments could be submitted to all agencies or a single agency, stated that the comments would be shared and considered by all interagency participants, and indicated that the NPR would have a 45-day comment period that would not begin until the date of publication in the Federal Register.

Generally, participants commented favorably on the overall need to have incentive compensation arrangements that promote long-term value and stability. Participants favorably noted the fact that the agencies were addressing the issue of incentive compensation as a general matter, and in particular the reporting and other requirements under Dodd-Frank section 956. Participants generally commented on the importance of addressing not only “cash” incentive compensation, but “equity” compensation as well. Some participants stated an intention to submit comments

specifically addressing the awarding of equity incentives to executives, along with the use of hedging in the context of incentive compensation.

Some participants also expressed support for the deferral of incentive compensation awards. Meeting participants stated an intention to submit comments, and possibly submit supplementary materials and articles with their comments.

Participants:

Lisa Gilbert	Public Citizen
Bartlett Naylor	Public Citizen
Louis Malizia	Teamsters
John Keenan	AFSCME
Brandon Rees	AFL-CIO
Vineeta Anand	AFL-CIO
Deborah Butler	Will Will Win, Inc.
Mindy West	FDIC, DSC
Kymberly Copa	FDIC, Legal
Daniel Lonergan	FDIC, Legal
Rodney Ray	FDIC, Legal
Paul Nash (portion of meeting)	FDIC, Dep. External Affairs