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Amendments to H.R. 3269—Corporate and Financial Institution Compensation Fairness Act

The House is scheduled to consider H.R. 3269, the Corporate and Financial Institution Compensation Fairness Act on Friday, July 31, 2009 under a structured rule ([H.Res. 697](#)). The rule waives all points of order against consideration of the bill except for Clause 9 (earmark disclosure) and 10 (PAYGO) of Rule XXI, and provides one hour of debate. The rule makes in order 2 amendments—the Frank Amendment is debatable for 10 minutes, and the Garrett Amendment is debatable for 30 minutes.

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AMENDMENTS MADE IN ORDER UNDER THE RULE

1. **Frank (D-MA).** Manager’s Amendment. The amendment strikes the prohibition in the underlying bill (added the bill in committee by an amendment offered by RSC Chairman Tom Price) on clawbacks of executive compensation approved by shareholders. The bill adds to the underlying bill a prohibition on any regulation from being promulgated that would require the recovery of incentive-based compensation under compensation arrangements in effect on the date of enactment of this bill, if the compensation agreement is for a period of no more than 24 months.
2. **Garrett (R-NJ).** Amendment in the Nature of a Substitute. The amendment does *not* contain any provision similar to Section 4 of the underlying bill, which requires federal regulators to review compensation practices, and also to issue regulations prohibiting certain compensation practices. The amendment would change the requirement in the underlying bill that shareholders conduct an *annual* non-binding vote on executive compensation to a *triennial* requirement. Highlights of the amendment, which would replace the underlying bill, are as follows:

Triennial Advisory Shareholder Vote on Executive Compensation: The legislation requires a non-binding, shareholder vote to approve the compensation of executives. This vote would be required once every three years (as opposed to annually in the underlying bill). In contrast to the underlying bill, the amendment allows an opt-out if more than two-thirds of votes cast at a meeting vote to opt out of

the triennial shareholder advisory vote. If such a vote occurs, then a shareholder advisory group is not required again for another 5 years. The amendment also requires a similar nonbinding vote for compensation that an individual would receive if a company is acquired or merged with another company (what the bill refers to as “golden parachute compensation”).

Standards for Compensation Committee: Within 9 months of enactment, the legislation requires the SEC to prohibit the listing of any class of security that is not in compliance with a requirement that each member of the public company’s compensation committee *not* receive consulting, advisory, or compensatory fees from the company (other than compensation for being a member of the committee). In contrast to the underlying bill, the amendment prevents this provision from preempting state law.

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