

**[DISCUSSION DRAFT]**

111<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

**H. R.** \_\_\_\_\_

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.

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IN THE HOUSE OF REPRESENTATIVES

M. \_\_\_\_\_ introduced the following bill; which was referred to the  
Committee on \_\_\_\_\_

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**A BILL**

To amend the executive compensation provisions of the  
Emergency Economic Stabilization Act of 2008 to pro-  
hibit unreasonable and excessive compensation and com-  
pensation 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.”.