

What Does the Future Hold for Dodd Frank and Executive Compensation Regulation?

With a Republican-controlled Congress and a Republican in the White House, work has already begun to repeal or amend numerous pieces of legislation, including Dodd-Frank. In fact, in late 2016, Rep. Jeb Hensarling, R-Texas, introduced the Financial CHOICE Act (FCA) which could repeal or amend some of the executive compensation provisions of Dodd-Frank if passed into law.

While the FCA does not completely rewrite Dodd-Frank, Hensarling's bill would make significant changes to Dodd-Frank regulations involving executive compensation. For example, the FCA proposes the repeal of the Pay Ratio rule under Dodd-Frank Act, in which public companies are required to disclose the ratio of the total compensation of the CEO to the median of the annual total compensation of all its employees, except the CEO. Another provision the FCA would repeal is the Incentive Based Compensation rule which regulates and limits incentive-based compensation for executives that would be considered excessive.

There are also several Dodd-Frank provisions that would be amended under the FCA. These include an amendment to the Say on Pay/Say on Frequency provision, amending the frequency of shareholder advisory votes on executive compensation to only those years in which there is material change to the compensation. The current rule under Dodd-Frank requires a vote at least once every three years. The proposed legislation would also amend and limit the scope of the Clawback rule.

At this point, there is no clear future for the FCA or for Dodd-Frank; however, President Trump has made many promises to "dismantle Dodd-Frank," and it is said to be one of his first year priorities. As this legislation and efforts to repeal Dodd-Frank continue to make their way through Congress, we will be tracking and reporting any developments.