

## **Section-By-Section Analysis of Title IX, Subtitle D**

### **Executive Compensation**

#### **Section 901. Short Title.**

#### **Section 941. Shareholder Vote on Executive Compensation Disclosures.**

This section adds a new subsection to Section 14 of the Securities Exchange Act of 1934 requiring that any proxy statement for an annual shareholder meeting occurring after December 15, 2009 provide for a nonbinding vote to approve executive compensation as disclosed pursuant to the Commission's proxy rules. The new subsection also requires that any proxy statement for a shareholder meeting occurring after December 15, 2009 concerning a merger or acquisition include disclosure, in a simple tabular form in accordance with regulations to be promulgated by the Commission, of any understandings with executive officers concerning compensation that relates to the merger and the aggregate total of such compensation, and that the proxy statement provide for a nonbinding vote to approve such agreements and compensation as disclosed.

#### **Section 942. Compensation Committee Independence.**

This section adds a new section to the Securities Exchange Act of 1934 requiring the Commission to direct, by rule, the national securities exchanges to prohibit the listing of any security of an issuer that does not comply with the requirements of this section. The section requires that each member of the compensation committee of an issuer be independent, and that to be considered independent an individual may not, other than in his or her capacity as a member of the board of directors, accept any consulting, advisory, or other fee from the issuer.

The section also requires the Commission promulgate independence standards for compensation consultants, legal counsel, and other advisers. The compensation committee is required to have the authority, in its sole discretion, to obtain the advice of a compensation consultant, legal counsel, or other adviser meeting those standards, and each issuer is required to provide funding for payment of compensation for those services.

Each issuer is also required to disclose, in any proxy statement for an annual meeting occurring more than one year following the enactment of the Investor Protection Act of 2009, whether the compensation committee retained a consultant meeting the Commission's standards for independence; and, if the committee did not retain such a consultant, the basis for the committee's determination that retaining an independent consultant was not in the interests of shareholders. The section also requires the Commission to study the use of independent compensation consultants and report its findings to the Congress no later than two years following the enactment of the Investor Protection Act of 2009.