To amend the Bank Holding Company Act of 1956 to defer part of the compensation of senior employees of large bank holding companies (and their subsidiaries) for 10 years, to use such deferred amounts to pay any civil or criminal fines that may be levied on the bank holding company (or subsidiary), and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 23, 2019

Ms. GABBARD introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To amend the Bank Holding Company Act of 1956 to defer part of the compensation of senior employees of large bank holding companies (and their subsidiaries) for 10 years, to use such deferred amounts to pay any civil or criminal fines that may be levied on the bank holding company (or subsidiary), and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Wall Street Banker Accountability for Misconduct Act of 2019”.

1

2

3

4

5
SEC. 2. FINDINGS.

The Congress finds the following:

(1) Senior employees of major bank holding companies receive extraordinary pay packages, even when they oversee massive frauds and financial misconduct.

(2) Widespread financial misconduct by individual Wall Street bankers led to the 2008 financial crisis, which caused the Great Recession. The Department of Justice brought litigation against every major bank, resulting in more than $163,000,000,000 in fines.

(3) This misconduct resulted from the actions of individuals and was a direct result of a banking culture that rewards bad behavior.

(4) Despite the actions of individuals, Wall Street banks paid billions of dollars in fines out of monies that otherwise were owned and could be paid in dividends to shareholders. While culpable bankers continued to receive extraordinary pay, innocent shareholders paid the price for banker misconduct.

(5) In the aftermath of the Great Recession, and after further misconduct in the financial services industry, the Federal Reserve Bank of New York has urged financial firms to reevaluate and re-
form their compensation incentive structures to align
with shareholders and customers interests.

(6) Misaligned incentives within the banking in-
dustry continue to fail to hold Wall Street executives
and their senior employees accountable for their ac-
tions.

SEC. 3. DEFERMENT OF SENIOR EMPLOYEE COMPENSA-
TION.

1841 et seq.) is amended by inserting after section 5 the
following:

“SEC. 6. DEFERMENT OF SENIOR EMPLOYEE COMPENSA-
TION.

“(a) DEFERMENT FUND.—Each covered bank hold-
ing company and each subsidiary of a covered bank hold-
ing company shall establish a deferment fund, which
shall—

“(1) only contain compensation deferred under
subsection (b); and

“(2) only be used as permitted by this section.

“(b) DEFERMENT OF COMPENSATION.—Each cov-
ered bank holding company and each subsidiary of a cov-
ered bank holding company shall—

“(1) each year, defer the compensation of each
senior employee of the bank holding company or
subsidiary in an amount equal to at least 50 percent of the amount that the employee’s total compensation for the year exceeds 10 times the compensation of the median paid employee of the consolidated bank holding company for the year;

“(2) place all compensation deferred under paragraph (1) into the deferment fund of the bank holding company or subsidiary; and

“(3) after the end of the 10-year period beginning on the date the compensation was deferred, if sufficient funds remain in the deferment fund, pay the senior employee the amount of compensation deferred at the beginning of the 10-year period.

“(c) Use of Deferment Fund To Pay Fines.—If a covered bank holding company or subsidiary of a covered bank holding company is subject to a civil or criminal fine, the bank holding company or subsidiary shall first pay such fine out of amounts contained in the deferment fund of the bank holding company or subsidiary.

“(d) Cancellation of Compensation That Cannot Be Paid From Deferment Fund.—Each covered bank holding company and each subsidiary of a covered bank holding company shall have in place a policy that cancels any compensation deferred under subsection (b)
that cannot be repaid as described under subsection 
(b)(3), due to the deferment fund lacking sufficient funds.

“(e) Treatment of Deferred Compensation of 
Ex-Employees.—With respect to an individual that has 
compensation deferred pursuant to subsection (b), but is 
no longer employed by the applicable bank holding com-
pany or subsidiary, if the bank holding company or sub-
sidiary is required to pay a fine from its deferment fund 
for misconduct that occurred after the individual was no 
longer employed by the bank holding company or sub-
sidiary, the bank holding company or subsidiary shall seg-
regate the individual’s deferred compensation from other 
amounts in the deferment fund and shall not use such seg-
regated amounts for any purpose other than repaying the 
individual pursuant to subsection (b)(3) or for the pay-
ment of another fine for misconduct that occurred while 
the individual was still employed by the bank holding com-
pany or subsidiary.

“(f) Rulemaking.—The Board may issue such rules 
as the Board determines necessary to carry out this sec-
tion.

“(g) Definitions.—In this section:

“(1) Compensation.—With respect to an em-
pLOYEE, the term ‘compensation’ means any financial 
remuneration, including salary, bonuses, incentives,
benefits, severance, deferred compensation, or golden parachute benefits, and any profits that would be realized from the sale of the securities of the company employing the employee.

“(2) CONSOLIDATED BANK HOLDING COMPANY.—With respect to a bank holding company, the term ‘consolidated bank holding company’ means the bank holding company and all subsidiaries of the bank holding company.

“(3) COVERED BANK HOLDING COMPANY.—The term ‘covered bank holding company’ means a consolidated bank holding company with more than $250,000,000,000 in consolidated assets.

“(4) SENIOR EMPLOYEE.—The term ‘senior employee’ means an employee of a covered bank holding company or a subsidiary of the covered bank holding company who—

“(A) has total compensation of more than $1,000,000;

“(B) is identified by the bank holding company as one of the 100 most senior officers of the consolidated bank holding company;

“(C) receives one of the 100 largest compensation packages of the consolidated bank holding company;
“(D) receives compensation that is more than 10 times the compensation of the median paid employee of the consolidated bank holding company; or

“(E) has the authority to commit or expose 0.5 percent or more of the capital of the consolidated bank holding company.”.