

## SEC issues for audit and compensation committees

### Introduction

On October 5, 2010, members of the Audit Committee Leadership Network (ACLN) and the Compensation Committee Leadership Network (CCLN) met in Washington, DC, with Meredith Cross, director of the Division of Corporation Finance (Corp Fin) of the Securities and Exchange Commission (SEC).<sup>1</sup> Ms. Cross's comments during the session represented her personal opinions and not the official position of the SEC or the opinions of its staff. Members' comments have been captured in this *ViewPoints* using a modified version of the Chatham House Rule (whereby comments are not attributed to individuals or corporations).<sup>2</sup> For further information about the ACLN, see "About this document," on page 9. For a full list of participants, see Appendix 1, on page 10.

### Executive summary

Meeting participants discussed a variety of topics with Ms. Cross, including the filing review process and rulemakings required by the Dodd-Frank Wall Street and Consumer Protection Act. Key points are summarized below with more detail on the following pages:

- **Changes in the filing review process** (*Page 3*)

Much of Corp Fin's work involves reviewing registered companies' SEC filings. ACLN members have voiced frustration in the past regarding difficulties working through issues with Corp Fin, although more recently they report improvements in the process. The SEC has entered a period of intense rule making in the aftermath of the financial crisis, and members raised questions about new developments, such as the proposed disclosure about short-term borrowings and the recent guidance on the use of non-GAAP<sup>3</sup> financial measures in securities filings.

- **Compensation rule making required by the Dodd-Frank Act** (*Page 5*)

The Dodd-Frank Act contains a number of provisions on compensation for which the SEC will be writing rules in the coming year. Members raised concerns about the feasibility of calculating median pay for the pay equity rule, about selecting measures of performance for the pay-for-performance rule, about how to handle say-on-pay votes that do not receive significant support, and about how the future rule on compensation clawbacks might work.

- **Corporate governance issues** (*Page 7*)

Although proxy access remains a significant concern, the October 5 stay on proxy access resulting from the lawsuit brought by the Business Roundtable and the US Chamber of Commerce has deferred the

<sup>1</sup> In a private session, ACLN members also discussed IT governance and the role of the audit committee. See Audit Committee Leadership Network, "The challenges of IT governance", *ViewPoints*, November 2, 2010.

<sup>2</sup> ACLN and CCLN member quotes, from before and during the meeting, are italicized.

<sup>3</sup> Generally Accepted Accounting Principles.

effect of this issue. Members commended Ms. Cross on the SEC's decision to review the workings of the proxy system and director elections and voiced their concerns about the power and influence of proxy advisory firms.

## Introduction

Following the financial crisis and the Madoff scandal, the SEC has been under significant pressure to strengthen its capabilities and reestablish its credibility as an effective regulator. Chairman Mary Schapiro has set an ambitious agenda to address the root causes of the crisis and intends to make public company board directors more accountable through reforms such as enhanced proxy disclosures and proxy access. A reinvigorated Division of Enforcement is opening more investigations and levying more fines.<sup>4</sup>

In pre-meeting conversations, members of the ACLN and CCLN expressed both trepidation about and admiration for the new SEC. One member commented on the more activist stance of the SEC and the attitude of Chairman Schapiro: *"There's a tone and demeanor of 'big government,' involving themselves in things without having detailed information. How does this help shareholders?"* Another member was more positive: *"There's some smart leadership in the SEC. The devil is in the details, but the quality and value of the leaders is the best it's ever been."*

## Dodd-Frank expands the SEC's work

The Dodd-Frank Act, signed into law by President Obama in July, requires an even greater level of activity from the SEC. As the *Financial Times* points out, "Within a year, the SEC needs to write a total of about 100 rules and complete 20 studies to implement the voluminous legislation – roughly half as much again as its regulatory output in the 18 months since Ms Schapiro became its head."<sup>5</sup>

On September 30, Ms. Schapiro told the Senate Committee on Banking, Housing, and Urban Affairs, "To hit the ground running, we established new internal processes and formed cross-disciplinary working groups for each of the major rulemaking initiatives and studies, and designated team leaders for each effort. Our rule writing divisions and offices are meeting weekly to review the status of rulemakings and studies and to plan for the upcoming weeks. My office and the Office of the General Counsel oversee and coordinate much of this planning effort, and all Commissioners are provided with both written weekly updates and monthly oral briefings on status."<sup>6</sup> For a timetable on the implementation of selected provisions of Dodd-Frank, see [Appendix 2, on page 11](#).

The SEC is not expected to tackle these new responsibilities without additional resources and authority. Though Dodd-Frank did not grant the agency self-funding (which would have allowed it to avoid the Congressional appropriations process), it did provide a budget that would escalate from \$1.3 billion in fiscal

<sup>4</sup> Audit Committee Leadership Network, "[Changes at the SEC's Division of Enforcement](#)," *ViewPoints*, March 23, 2010.

<sup>5</sup> Jean Eaglesham and Brooke Masters, "[SEC: No longer a doormat](#)," *Financial Times*, August 26, 2010.

<sup>6</sup> Mary Schapiro, "[Testimony on Implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act by the U.S. Securities and Exchange Commission](#)," testimony before the United States Senate Committee on Banking, Housing, and Urban Affairs, September 30, 2010.

2011 to \$2.25 billion in fiscal 2015.<sup>7</sup> The SEC estimates that it will add approximately 800 additional positions to deal with its new responsibilities.<sup>8</sup>

## **The agency commits to more openness in the rule-making process**

To enhance its rule-making activities, the SEC has announced new efforts to seek public comment and ensure transparency in the rule-writing process. Less than one week after the signing of the Dodd-Frank Act, the SEC made comment forms and email links, organized by topic, available on its website (<http://www.sec.gov/spotlight/regreformcomments.shtml>). Interested parties can submit comments on the website prior to the official rule proposals and before the comment periods begin, or via email at [rule-comments@sec.gov](mailto:rule-comments@sec.gov). In testimony before the House Committee on Financial Services, Ms. Cross said, “The comments we have received to date range from those expressing general concern regarding executive compensation practices at public companies to others providing detailed suggestions with regard to the Commission’s implementation of specific provisions of the Dodd-Frank Act.”<sup>9</sup>

## **Changes in the filing review process**

The Sarbanes-Oxley Act requires the SEC to review the financial filings of publicly traded companies at least once every three years, and some companies’ filings may be reviewed more frequently.<sup>10</sup> The reviews are performed through 11 offices organized by industry and staffed with about 80% of the Division’s employees.<sup>11</sup> The reviews often lead to comment letters that the Division sends to filers for a response.

In previous years, members of the ACLN have voiced frustrations about interacting with the SEC staff during the filing review process, especially regarding difficulties in resolving the issues raised in the comment letters. The ACLN met with John White, then director of Corp Fin, and his staff in 2007 and late 2008 to discuss relations between filers and Corp Fin.<sup>12</sup>

In conversations leading up to the meeting with Ms. Cross as well as during the session itself, many members expressed positive opinions about the quality of the comment letters they have received in recent years and about the improved relations with Corp Fin in the filing review process. One audit chair told Ms. Cross, “*There has been a shift from too many comments to more valuable comments. It feels less like we are being held hostage.*” In a pre-meeting call, a member observed, “*The intellectual content is better.*”

Improvements in the filing review process are reflected in the number and severity of restatements filed by SEC registrants. According to Audit Analytics, the number of restatements filed in 2009 dropped by 27%

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<sup>7</sup> Bruce Carton, “Changes in Enforcement Thanks to Dodd-Frank,” *Compliance Week*, August 3, 2010.

<sup>8</sup> Mary Schapiro, “Testimony Concerning Oversight of the U.S. Securities and Exchange Commission: Evaluating Present Reforms and Future Challenges,” testimony before the US House of Representatives Committee on Financial Services Subcommittee on Capital Markets, Insurance and Government-Sponsored Enterprises, July 20, 2010.

<sup>9</sup> Meredith Cross, “Testimony Concerning Executive Compensation Oversight after the Dodd-Frank Wall Street Reform and Consumer Protection Act,” testimony before the Committee on Financial Services of the United States House of Representatives, September 24, 2010.

<sup>10</sup> Division of Corporation Finance, “Filing Review Process,” July 2010.

<sup>11</sup> *Ibid.*

<sup>12</sup> See Audit Committee Leadership Network, “Regulatory balance: a dialogue with John White,” *ViewPoints*, October 19, 2007, and “Working with the Division of Corporation Finance,” *ViewPoints*, December 8, 2008.

from 2008.<sup>13</sup> Declines in the number of restatements have occurred for three straight years, despite the fact that more companies are receiving comment letters – more than 2,200 in 2009, an increase of 73% since 2005.<sup>14</sup>

A few members saw room for further improvement in comment letters. At the meeting, a member suggested Corp Fin should aim to send out comment letters earlier: *“We received a comment letter one week before the 10-Q [was due to be released.] We could integrate some of the issues, but not all of them. My advice was to remain calm and to address what we could before the 10-Q.”* The SEC has encouraged companies to “pick up the phone” and call Corp Fin when there is a problem.<sup>15</sup>

Specific issues raised in the session with Ms. Cross included:

- **How to comply with the proposed short-term borrowings disclosures.** On September 17, 2010 the SEC issued a proposed rule that would require public companies to give a quantitative and qualitative explanation of their short-term borrowing arrangements to investors. Making the announcement, Ms. Schapiro said, “Under these proposed rules, investors would have better information about a company’s financing activities during the course of a reporting period – not just a period-end snapshot.”<sup>16</sup> One ACLN member pointed out that the financial crisis showed that short-term liquidity can very quickly become a problem for companies, and that the new disclosures about recent borrowing levels might be misleading for investors. The member said that to provide caveats in the disclosure would also be unhelpful. It was suggested that audit chairs request briefings on this proposed rule from their finance executives.
- **Clarity on the use of non-GAAP measures in financial statements.** In January, the SEC issued new guidance on non-GAAP financial measures that gave companies more freedom to use such measures in SEC filings. Some members commented in pre-meeting conversations that the guidance was unclear and questioned whether the SEC will continue to support the inclusion of non-GAAP financial measures in the future. One audit chair commented at the meeting, *“[Since the guidance was issued,] I have seen more inclusion of non-GAAP measures [in my company’s filings.]”*
- **The burden of too much information in corporate disclosures.** In the context of the SEC’s work to enhance disclosures, one audit chair, whose company already has a filing document with hundreds of pages, asked, *“Can investors make use of more data? We received a comment letter asking for more information [about a certain asset.] As audit chair, I said we should push back, but management wanted to respond to the request.”* Members also discussed the possibility of removing information that is not required, and may not be useful, from filings.

<sup>13</sup> Audit Analytics, [“2009 Financial Restatement Report.”](#) *Research and Services Bulletin*, March 10, 2010.

<sup>14</sup> Sarah Johnson, [“The SEC Has a Few Questions for You.”](#) *CFO*, May 1, 2010, 1.

<sup>15</sup> Marie Leone, [“How to Answer an SEC Comment Letter.”](#) *CFO*, September 23, 2009.

<sup>16</sup> Mary Schapiro, [“SEC Proposes Measures to Enhance Short-Term Borrowing Disclosure to Investors.”](#) press release, September 17, 2010.

## Compensation rule making required by the Dodd-Frank Act

As the financial crisis escalated, executive compensation became a lightning rod, a target of public outrage and regulatory activism. The result has been a wave of new regulations on compensation, including requirements for companies to disclose more information about their compensation policies, new rules about those policies, and new mechanisms for shareholders to influence them. The Dodd-Frank Act contains a number of provisions on compensation for which the SEC will be writing rules in the coming year.

### Pay equity and pay for performance

The Dodd-Frank Act requires the SEC to adopt additional rules on compensation-related disclosures, including disclosures about companies' internal pay differences and the relationship of CEO compensation to company performance.

#### Pay equity

The pay equity rule would require public companies to disclose the median annual total compensation of all employees (except the CEO), the total compensation of the CEO, and the ratio of the former to the latter. In pre-meeting conversations, many members of both the CCLN and the ACLN were highly skeptical about the feasibility and value of such disclosures.

At the meeting, one compensation committee chair articulated the challenge: *"It's not clear how we will calculate median pay. We have companies in the US and all over the world, outsourced employees, and part-time employees. The median person could change every day."* When questioned on this matter in her congressional testimony in September, Ms. Cross said, "We're just beginning the rule-making process, and we expect to propose the rules under Section 953 next summer ... We will have the opportunity as we prepare the rules to get input from everyone about how we should address those concerns. We've heard that there are worries about the logistics of figuring out pay in a multinational firm ... If we run into problems, we'll let you know. We will come back if it's not workable. But we'd first like to see if the rule can be implemented in a way that's workable."<sup>17</sup>

Several compensation committee chairs raised concerns about what it will cost companies to produce this information. In a pre-meeting conversation, one suggested that the cost of calculating the disclosure would defeat the purpose: *"The role of the SEC is to maximize the utility of this disclosure information for investors. But this disclosure could actually be adverse to the interest of shareholders because of the enormous amount of work involved and resources required. The SEC has to be sure they're not making rules in a way that would actually hurt investors."*

#### Pay for performance

The pay-for-performance provision will require companies to disclose the relationship between executive compensation actually paid and the financial performance of the company. Legal experts note that this

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<sup>17</sup> Transcription of a recording of Ms. Cross's congressional testimony, <http://financialserv.edgeboss.net/wmedia/financialserv/hearing092410.vwx>.

directive requires considerable clarification on issues such as which executives will be covered, the exact nature of the compensation included, and the definition of financial performance.<sup>18</sup>

In conversation with Ms. Cross, compensation committee chairs surfaced issues that they would like considered as Corp Fin writes rules on this provision:

- **How to deal with discrepancies between pay and performance time periods.** One compensation committee chair asked Ms. Cross, *“As you think about the rules, can you think about the pay period in which they’ll be effective for companies? In any one year, we could have a disconnect [between a pay period and the performance time period.]”*
- **Flexibility in determining measures of performance.** One compensation committee chair said, *“With compensation, the hardest thing to determine is what to measure in terms of performance.”* Another added, *“Different companies measure different things. We need flexibility to say what a measure is and how we think about it.”*

At the meeting, members of both networks appealed to Ms. Cross to consider the burden on their companies when writing these compensation disclosure rules. One member asked, *“How can we achieve this at the lowest cost?”* Another added, *“Please make [the rules] simple, with a lot of explanation points.”*

### Say on pay

The Dodd-Frank Act also mandates three different types of non-binding (advisory) votes on compensation: a vote on executive compensation, a vote on how often such votes will take place, and, in the event of a major transaction such as a merger, a vote on any golden parachute payments for executives.<sup>19</sup> The Act requires US public companies to hold shareholder votes on executive compensation and frequency (how often say-on-pay votes should take place) during the 2011 proxy season, even if the SEC has not issued final rules on these provisions in advance of annual meetings.

On October 18, the SEC issued proposed say-on-pay rules for public comment by November 18. The proposed rules require companies to address how their compensation policies and decisions have taken into account the results of say-on-pay votes in the CD&A, and disclose whether they will follow results of the frequency advisory vote.<sup>20</sup> They also require that institutional investors report their votes on executive compensation annually.

At the meeting, several members noted that they were surprised to learn that the shareholder vote on frequency is advisory. However, members’ chief concern about say on pay is how to respond to a negative vote. In a pre-meeting conversation, a compensation committee chair asked, *“What does the SEC expect companies to do with say-on-pay votes? How does a company understand what the vote means and what to do about it?”* Some members were less worried, however, because say on pay is not a new concept.

<sup>18</sup> Laura Hewett, Ken Raskin, Jeff Stein, and Keith Townsend, *The Dodd-Frank Act: New Corporate Governance and Disclosure Requirements for Public Companies* (Atlanta, GA: King & Spalding, 2010), 12.

<sup>19</sup> *Ibid.*, 6.

<sup>20</sup> United States Securities and Exchange Commission, *“SEC proposes rules on “say on pay” and proxy vote reporting.”* October 18, 2010.

In pre-meeting conversations, some members noted that companies might actually seek to conduct say-on-pay votes more rather than less frequently. An audit chair said, *“You would logically think that most companies will recommend the longest possible time between votes, but I don’t know if that’s how it’s going to be. It’s less of a big deal if you do it every year.”* For several companies on whose boards members sit, less frequent say-on-pay votes are already established practice.

## Clawbacks

Another compensation-related requirement introduced by the Dodd-Frank Act that will attract the attention of both audit and compensation committees is a new mandatory company clawback policy that represents an expansion of the clawback provision of the Sarbanes-Oxley Act. New SEC rules will direct stock exchanges to require listed companies to implement and disclose policies for recovering incentive compensation that has been “erroneously awarded” to current and former executive officers because of financial misstatements. This rule will pertain to incentive-based compensation, including stock options, that is awarded during the three-year period that precedes a misstatement.<sup>21</sup>

Two key concerns emerged in the discussion with Ms. Cross about this provision:

- **Will restatements required by the SEC trigger clawbacks?** An audit chair asked, *“What if there is a restatement due to an SEC requirement?”*
- **What will constitute materiality for the rule?** One member appealed to Ms. Cross: *“Please pay attention to qualitative and quantitative materiality [when writing this rule].”*

Compensation experts also note that while many companies already have clawback provisions, those provisions may not meet the new requirements, and companies will need to keep a close eye on how the SEC implements these requirements.<sup>22</sup>

## Corporate governance issues

The Dodd-Frank Act contains a number of corporate governance provisions beyond the ones impacting compensation; of these, proxy access has generated the most attention. In addition, the SEC is undertaking an in-depth analysis of the proxy solicitation process, its so-called “proxy plumbing” review.

## Proxy access

The Dodd-Frank Act authorized the SEC to adopt rules allowing proxy access, and because the SEC had already been considering this issue for over seven years, the agency was able to issue a final set of rules by the end of August. Nevertheless, on the day prior to the networks’ meeting with Ms. Cross, the SEC granted a stay of its proxy access rules pending resolution of the Business Roundtable and US Chamber of Commerce suit for a review of the SEC’s proxy access rules.<sup>23</sup> The Chamber and Business Roundtable cited procedural

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<sup>21</sup> [Ibid.](#), 19.

<sup>22</sup> [Ibid.](#), 22.

<sup>23</sup> Securities and Exchange Commission, [“Order Granting Stay.”](#) October 4, 2010, 1.

missteps by the SEC in writing the rules, such as failing to adequately weigh the costs imposed on companies.<sup>24</sup>

While the time frame for this review is still unclear, the SEC's proxy access rules will not be in place for the 2011 proxy season, nor will the SEC permit shareholder resolutions on the subject. "Most of the annual meetings are held in the spring, so if the SEC wins in court and the rule is declared valid, we still won't likely see it used until 2012," said Charles Elson, chairman of the John L. Weinberg Center for Corporate Governance at the University of Delaware.<sup>25</sup>

### Reviewing the US proxy system

In July 2010, the SEC issued a concept release as part of a broader review of the US proxy system, or proxy plumbing. The release seeks public comment on "whether the U.S. proxy system as a whole operates with the accuracy, reliability, transparency, accountability, and integrity that shareholders and issuers should rightfully expect."<sup>26</sup> It addresses a number of concerns related to three broad issues:<sup>27</sup>

- **The voting process.** Over-voting and under-voting, vote confirmation, voting by institutional securities lenders, and proxy distribution fees.
- **Communications and shareholder participation.** Issuer communication with shareholders, means to facilitate retail investor participation.
- **Relationship between voting power and economic interest.** Proxy advisory firms<sup>28</sup>, dual record dates, "empty voting," and related "decoupling" issues.

The topic of proxy advisors is of major interest to members of both networks. A member said to Ms. Cross, *"To give you a symptom of the power of [proxy advisory firms], managers don't want to comment [on the concept release], as many executives fear retaliation against them has too much downside."*

At a joint meeting in July, members of the ACLN and the European Audit Committee Leadership Network discussed shareholder engagement and the role of proxy advisory firms. They outlined their main concerns with the rising influence of proxy advisory firms:

- **Control of proxy votes.** Investors sometimes follow proxy advisory firms' recommendations without sufficient analysis.
- **Policies that lack understanding and nuance.** It is unclear whether proxy advisory firms conduct sufficient research in formulating their recommendations.
- **Conflicts of interests.** Proxy advisory firms sell services to the firms they evaluate, and some question whether these practice areas are sufficiently independent of each other.

<sup>24</sup> Jesse Westbrook, "[SEC Delays Proxy-Access Rules Amid Legal Challenge.](#)" *Bloomberg Businessweek*, October 4, 2010.

<sup>25</sup> [Ibid.](#)

<sup>26</sup> Securities and Exchange Commission, [Concept Release on the US Proxy System](#) (Washington, DC: Securities and Exchange Commission, 2010), 7.

<sup>27</sup> [Ibid.](#), 10–24.

<sup>28</sup> For more information about the CCLN discussion on this topic, please see "[Charting a course for 2011.](#)" *ViewPoints*, October 2010.

- **Lack of engagement between companies and proxy advisory firms.** It is sometimes difficult to engage in a dialogue with proxy advisory firms on how they formulate their policies.
- **Undue influence accorded to short-term activist investors.** Activist investors may use governance issues to draw support from proxy advisory firms.<sup>29</sup>

Several of these issues are already flagged as topics for review in the concept release, and others may be added as the public submits comments. The concept release contains an extensive list of questions on which the SEC would like comments.<sup>30</sup>

## Conclusion

Over the past year, the SEC has undertaken a number of initiatives and written new rules to make good on its promise to aggressively protect and inform investors, and the Dodd-Frank Act ups the ante. Given the volume of rules Corp Fin has yet to write for this legislation, it is not surprising that members' questions far outnumber the availability of answers at this point. Nevertheless, Corp Fin has taken an increasingly open stance to working with filers over the past several years and has already implemented new approaches to seeking public comment on the forthcoming rules. Audit and compensation chairs may wish to encourage their companies to take advantage of these opportunities to engage with Corp Fin, whether by submitting email comments or via meetings and discussions on specific issues.

## About this document

The Audit Committee Leadership Network is a group of audit committee chairs drawn from leading North American companies committed to improving the performance of audit committees and enhancing trust in financial markets. The network is convened by Ernst & Young and orchestrated by Tapestry Networks to access emerging best practices and share insights into issues that dominate the new audit committee environment.

The Compensation Committee Leadership Network brings together a select group of approximately 20 compensation committee chairs from North America's leading companies for private discussions about how to improve the performance of their corporations and earn the trust of their shareholders through more effective compensation committee work. The network is convened by Tapestry Networks.

*ViewPoints* is produced by Tapestry Networks to stimulate timely, substantive board discussions about the choices confronting audit committee members, management, and their advisers as they endeavor to fulfill their respective responsibilities to the investing public. The ultimate value of *ViewPoints* lies in its power to help all constituencies develop their own informed points of view on these important issues. Anyone who receives *ViewPoints* may share it with those in their own network. The more board members, members of management, and advisers who become systematically engaged in this dialogue, the more value will be created for all.

*The views expressed in this document represent those of the Audit Committee Leadership Network and the Compensation Committee Leadership Network. They do not reflect the views nor constitute the advice of network members, their companies, Ernst & Young, or Tapestry Networks. Please consult your counselors for specific advice. Ernst & Young refers to all members of the global Ernst & Young organization, including the US member firm of Ernst & Young LLP.*

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<sup>29</sup> See Audit Committee Leadership Summit, "[Shareholder engagement: the influence of proxy advisory firms and the role of the board.](#)" *ViewPoints*, July 28, 2010, 6–8.

<sup>30</sup> Securities and Exchange Commission, [Concept Release on the US Proxy System](#), 123–26.



## Appendix 1: Participants

Audit Committee Leadership Network members participating the discussion with Ms. Cross include:

- Denny Beresford, Kimberly-Clark
- Leslie Brun, Merck
- Tom Hough, Ernst & Young
- Steve Howe, Ernst & Young
- Marie Knowles, McKesson
- Mike Losh, AON and TRW Automotive
- George Muñoz, Altria and Marriott International
- Oscar Munoz, Continental Airlines
- Chuck Noski, Microsoft Corporation
- Pam Patsley, Texas Instruments
- Chris Williams, Wal-Mart

Compensation Committee Leadership Network participating in the discussion with Ms. Cross include:

- John Anderson, Meridian Compensation Partners
- Marshall Larsen, Lowe's Companies
- Robert Lawless, Constellation Energy
- Gerry Laybourne, Electronic Arts
- Linda Fayne Levinson, NCR and Western Union
- Richard Notebaert, AON
- Michael Powers, Meridian Compensation Partners
- Stephen Sanger, Wells Fargo
- Kelvin Westbrook, Archer Daniels Midland

## Appendix 2: Timetable of SEC rule making on selected provisions in the Dodd-Frank Act

The SEC has released a timetable of its upcoming rule making on the provisions in the Dodd-Frank Act. The following table presents the schedule for selected provisions on corporate governance and disclosure:<sup>31</sup>

Provision	Proposal time frame	Adoption time frame
Shareholder votes on executive compensation, golden parachutes (say on pay)	Proposal issued on October 18, 2010; comment period closes November 18, 2010.	January–March 2011
Disclosure related to “conflict minerals”	October–December 2010	January–March 2011
Disclosure of mine safety information	October–December 2010	January–March 2011
Disclosure by resource extraction issuers	October–December 2010	January–March 2011
Exchange listing standards regarding compensation committee independence	October–December 2010	April–July 2011
Exchange listing standards regarding factors affecting compensation adviser independence	October–December 2010	April–July 2011
Disclosure regarding compensation consultant conflicts	October–December 2010	April–July 2011
Disclosure of pay for performance	April–July 2011	
Disclosure of pay ratios	April–July 2011	
Disclosure of hedging by employees and directors	April–July 2011	
Recovery of executive compensation (clawbacks)	April–July 2011	

<sup>31</sup> Table created based on Securities and Exchange Commission, [“Implementing Dodd-Frank Wall Street Reform and Consumer Protection Act: Upcoming Activity.”](#) September 2010.