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SEC Reconsiders CEO Pay Ratio Rule Implementation

The SEC announced their intent to reconsider implementation of the CEO pay ratio rule and requested comments within the next 45 days on challenges issuers have encountered in attempting to implement the rule.

Background

Nearly seven years after the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), the "CEO pay ratio" rule was set to take effect for fiscal years beginning on or after January 1, 2017. The rule requires public companies to disclose the ratio of CEO pay to the median employee pay in registration statements, proxy information statements, and annual reports that call for executive compensation disclosure. The pay ratio rule is intended to increase transparency and assist shareholders in evaluating executive pay practices at major US companies. Companies have been actively gathering the information required to provide the required disclosure for the 2018 proxy season. Our August 21, 2015 *For Your Information* covers the details of the final rule.

SEC Directs Re-Examination

On Monday, the acting chairman of the Securities and Exchange Commission announced a 45-day window for companies to provide input on the issues they are experiencing as they attempt to comply with the pay ratio rule. The acting chairman also directed his staff to reconsider the implementation of the rule based on any comments submitted. The statement indicates a potential for additional guidance or relief.

In Closing

With companies actively engaged in the process of collecting pay ratio data for the 2017 fiscal year, all eyes are on the SEC to see if it will revise the rule or delay the rule's applicability date.

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