

116TH CONGRESS  
1ST SESSION

# H. R. 3885

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.

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## IN THE HOUSE OF REPRESENTATIVES

JULY 23, 2019

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

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## 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.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

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

1 **SEC. 2. FINDINGS.**

2 The Congress finds the following:

3 (1) Senior employees of major bank holding  
4 companies receive extraordinary pay packages, even  
5 when they oversee massive frauds and financial mis-  
6 conduct.

7 (2) Widespread financial misconduct by indi-  
8 vidual Wall Street bankers led to the 2008 financial  
9 crisis, which caused the Great Recession. The De-  
10 partment of Justice brought litigation against every  
11 major bank, resulting in more than  
12 \$163,000,000,000 in fines.

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

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

22 (5) In the aftermath of the Great Recession,  
23 and after further misconduct in the financial serv-  
24 ices industry, the Federal Reserve Bank of New  
25 York has urged financial firms to reevaluate and re-

1 form their compensation incentive structures to align  
2 with shareholders and customers interests.

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

7 **SEC. 3. DEFERMENT OF SENIOR EMPLOYEE COMPENSA-**  
8 **TION.**

9 The Bank Holding Company Act of 1956 (12 U.S.C.  
10 1841 et seq.) is amended by inserting after section 5 the  
11 following:

12 **“SEC. 6. DEFERMENT OF SENIOR EMPLOYEE COMPENSA-**  
13 **TION.**

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

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

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

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

24 “(1) each year, defer the compensation of each  
25 senior employee of the bank holding company or

1 subsidiary in an amount equal to at least 50 percent  
2 of the amount that the employee's total compensa-  
3 tion for the year exceeds 10 times the compensation  
4 of the median paid employee of the consolidated  
5 bank holding company for the year;

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

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

14 “(c) USE OF DEFERMENT FUND TO PAY FINES.—  
15 If a covered bank holding company or subsidiary of a cov-  
16 ered bank holding company is subject to a civil or criminal  
17 fine, the bank holding company or subsidiary shall first  
18 pay such fine out of amounts contained in the deferment  
19 fund of the bank holding company or subsidiary.

20 “(d) CANCELLATION OF COMPENSATION THAT CAN-  
21 NOT BE PAID FROM DEFERMENT FUND.—Each covered  
22 bank holding company and each subsidiary of a covered  
23 bank holding company shall have in place a policy that  
24 cancels any compensation deferred under subsection (b)

1 that cannot be repaid as described under subsection  
2 (b)(3), due to the deferment fund lacking sufficient funds.

3       “(e) TREATMENT OF DEFERRED COMPENSATION OF  
4 EX-EMPLOYEES.—With respect to an individual that has  
5 compensation deferred pursuant to subsection (b), but is  
6 no longer employed by the applicable bank holding com-  
7 pany or subsidiary, if the bank holding company or sub-  
8 sidiary is required to pay a fine from its deferment fund  
9 for misconduct that occurred after the individual was no  
10 longer employed by the bank holding company or sub-  
11 sidiary, the bank holding company or subsidiary shall seg-  
12 regate the individual’s deferred compensation from other  
13 amounts in the deferment fund and shall not use such seg-  
14 regated amounts for any purpose other than repaying the  
15 individual pursuant to subsection (b)(3) or for the pay-  
16 ment of another fine for misconduct that occurred while  
17 the individual was still employed by the bank holding com-  
18 pany or subsidiary.

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

22       “(g) DEFINITIONS.—In this section:

23               “(1) COMPENSATION.—With respect to an em-  
24 ployee, the term ‘compensation’ means any financial  
25 remuneration, including salary, bonuses, incentives,

1 benefits, severance, deferred compensation, or golden  
2 parachute benefits, and any profits that would be re-  
3 alized from the sale of the securities of the company  
4 employing the employee.

5 “(2) CONSOLIDATED BANK HOLDING COM-  
6 PANY.—With respect to a bank holding company,  
7 the term ‘consolidated bank holding company’ means  
8 the bank holding company and all subsidiaries of the  
9 bank holding company.

10 “(3) COVERED BANK HOLDING COMPANY.—The  
11 term ‘covered bank holding company’ means a con-  
12 solidated bank holding company with more than  
13 \$250,000,000,000 in consolidated assets.

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

18 “(A) has total compensation of more than  
19 \$1,000,000;

20 “(B) is identified by the bank holding com-  
21 pany as one of the 100 most senior officers of  
22 the consolidated bank holding company;

23 “(C) receives one of the 100 largest com-  
24 pensation packages of the consolidated bank  
25 holding company;

1           “(D) receives compensation that is more  
2           than 10 times the compensation of the median  
3           paid employee of the consolidated bank holding  
4           company; or

5           “(E) has the authority to commit or ex-  
6           pose 0.5 percent or more of the capital of the  
7           consolidated bank holding company.”.

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