

**AMENDMENT TO THE AMENDMENT IN THE
NATURE OF A SUBSTITUTE TO H.R. 3556
OFFERED BY MS. TLAIB OF MICHIGAN**

In title I, add at the end the following:

1 **SEC. 102. DEFERMENT OF SENIOR EMPLOYEE COMPENSA-**
2 **TION.**

3 (a) FINDINGS.—The Congress finds the following:

4 (1) Going back to at least the Wall Street crash
5 of 1929, improper pay structures have contributed
6 to financial crises in the United States.

7 (2) Widespread financial misconduct by indi-
8 vidual Wall Street bankers led to the 2008 financial
9 crisis, which caused the Great Recession. Compensa-
10 tion structures incentivized executives and employees
11 to pursue short-term profits without regard for long-
12 term risks to their firms or the broader financial
13 system. While culpable bankers continued to receive
14 extraordinary pay, homeowners, workers, and com-
15 munities paid the price for banker misconduct.

16 (3) As seen in the 2023 banking failures, mis-
17 aligned incentives within the banking industry con-
18 tinue to fail to hold executives and their senior em-
19 ployees accountable for their actions. Silicon Valley

1 Bank CEO Greg Becker enjoyed millions of dollars
2 in stock options and incentive-based bonuses, while
3 his bank mismanaged risks and failed to respond to
4 regulator’s warnings. In the hours before the failure
5 of Silicon Valley Bank, managers paid themselves
6 millions of dollars for what they deemed to be supe-
7 rior performance.

8 (4) Bank employees continue to walk away with
9 generous bonuses while their firms break the law
10 and undermine the stability of the financial system.
11 Compensation incentives that promote inappropriate
12 risk-taking are a threat to economic security.

13 (b) DEFERMENT OF SENIOR EMPLOYEE COMPENSA-
14 TION.—The Bank Holding Company Act of 1956 (12
15 U.S.C. 1841 et seq.) is amended by inserting after section
16 5 the following:

17 **“SEC. 6. DEFERMENT OF SENIOR EMPLOYEE COMPENSA-**
18 **TION.**

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

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

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

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

4 “(1) each year, defer the compensation of each
5 senior employee of the bank holding company, sub-
6 sidiary, or covered bank in an amount equal to at
7 least 50 percent of the amount that the employee’s
8 total compensation for the year exceeds 10 times the
9 compensation of the median paid employee of the
10 consolidated bank holding company or covered bank
11 for the year;

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

15 “(3) after the end of the covered period begin-
16 ning on the date the compensation was deferred, if
17 sufficient funds remain in the deferment fund, pay
18 the senior employee the amount of compensation de-
19 ferred at the beginning of the covered period.

20 “(c) USE OF DEFERMENT FUND TO PAY FINES AND
21 COVER UNINSURED DEPOSITS.—If a covered bank hold-
22 ing company, subsidiary, or covered bank is subject to a
23 civil or criminal fine, or if the subsidiary fails, the applica-
24 ble bank holding company, subsidiary, or covered bank
25 shall—

1 “(1) first pay any such fine out of amounts
2 contained in the deferment fund of the bank holding
3 company, subsidiary, or covered bank; and

4 “(2) in the case of a failed subsidiary, use the
5 amounts in the deferment fund to ensure, prior to
6 any use of the Deposit Insurance Fund, that deposi-
7 tors do not suffer any losses of uninsured deposits.

8 “(d) CANCELLATION OF COMPENSATION THAT CAN-
9 NOT BE PAID FROM DEFERMENT FUND.—Each covered
10 bank holding company, each subsidiary bank of a covered
11 bank holding company, and each covered bank shall have
12 in place a policy that cancels any compensation deferred
13 under subsection (b) that cannot be repaid as described
14 under subsection (b)(3), due to the deferment fund lacking
15 sufficient funds.

16 “(e) TREATMENT OF DEFERRED COMPENSATION OF
17 EX-EMPLOYEES.—With respect to an individual that has
18 compensation deferred pursuant to subsection (b), but is
19 no longer employed by the applicable bank holding com-
20 pany, subsidiary, or covered bank if the bank holding com-
21 pany, subsidiary, or covered bank is required to use
22 deferment fund amounts under subsection (c) for mis-
23 conduct or a bank failure that occurred after the indi-
24 vidual was no longer employed by the bank holding com-
25 pany, subsidiary, or covered bank the bank holding com-

1 pany, subsidiary, or covered bank shall segregate the indi-
2 vidual’s deferred compensation from other amounts in the
3 deferment fund and shall not use such segregated amounts
4 for any purpose other than repaying the individual pursu-
5 ant to subsection (b)(3) or for a use described under sub-
6 section (c) for an event that occurred while the individual
7 was still employed by the bank holding company, sub-
8 sidiary, or covered bank.

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

12 “(g) DEFINITIONS.—In this section:

13 “(1) COMPENSATION.—With respect to an em-
14 ployee, the term ‘compensation’ means any financial
15 remuneration, including salary, bonuses, incentives,
16 benefits, severance, deferred compensation, or golden
17 parachute benefits, and any profits that would be re-
18 alized from the sale of the securities of the company
19 employing the employee.

20 “(2) COVERED BANK.—The term ‘covered bank’
21 means a bank with total consolidated assets equal to
22 or greater than \$50,000,000,000.

23 “(3) CONSOLIDATED BANK HOLDING COM-
24 PANY.—With respect to a bank holding company,
25 the term ‘consolidated bank holding company’ means

1 the bank holding company and all subsidiaries of the
2 bank holding company.

3 “(4) COVERED BANK HOLDING COMPANY.—The
4 term ‘covered bank holding company’ means a con-
5 solidated bank holding company with more than
6 \$50,000,000,000 in consolidated assets.

7 “(5) COVERED PERIOD.—The term ‘covered pe-
8 riod’ means—

9 “(A) with respect to a consolidated bank
10 holding company or covered bank with
11 \$250,000,000,000 or more in consolidated as-
12 sets, a 8-year period; and

13 “(B) with respect to a consolidated bank
14 holding company or covered bank with more
15 than \$50,000,000,000 and less than
16 \$250,000,000,000 in consolidated assets, a 6-
17 year period.

18 “(6) SENIOR EMPLOYEE.—The term ‘senior
19 employer’ means an employee with total annual com-
20 pensation of more than \$1,000,000 who is—

21 “(A) a senior executive officer; or

22 “(B) an employee who is not an executive
23 officer and who—

24 “(i) is—

1 “(I) with respect to a consoli-
2 dated bank holding company or cov-
3 ered bank with \$250,000,000,000 or
4 more in consolidated assets, in the top
5 5 percent of most highly compensated
6 employees; or

7 “(II) with respect to a consoli-
8 dated bank holding company or cov-
9 ered bank with between
10 \$50,000,000,000 and
11 \$250,000,000,000 in consolidated as-
12 sets, in the top 2 percent of most
13 highly compensated employees; or

14 “(ii) has authority to commit or ex-
15 pose 0.5 percent or more of the capital of
16 the consolidated bank holding company or
17 covered bank.”.

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