

Corporate & Financial Weekly Digest

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SEC Schedules Open Meeting to Consider Dodd-Frank Rules Relating to Compensation Committees and their Consultants and Advisors

On March 30, the Securities and Exchange Commission will hold an open meeting to discuss, among other matters, whether to adopt rules to implement Section 952 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Section 952 requires the SEC to direct the national securities exchanges and national securities associations to prohibit the listing of equity securities of issuers (with certain exceptions) whose compensation committees do not comply with the independence and other requirements set forth in Section 952 of the Dodd-Frank Act. These requirements include that each compensation committee member be an "independent" (as defined by the SEC) director and that such committees have authority to engage, and be directly responsible for the appointment, compensation and oversight of the work of, independent compensation consultants, legal counsel, or other advisors to a compensation committee. Section 952 lists various "independence" factors for the SEC to consider. Section 952 also requires that issuers provide appropriate funding for purposes of retaining such compensation consultants and advisors. Finally, Section 952 of the Dodd-Frank Act directs the SEC to provide appropriate procedures for an issuer to have reasonable opportunity to cure any defects with respect to the requirements outlined above, and provides that Section 952 does not apply to a "controlled company."

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