

ciation on that date, see section 2704(c) of Pub. L. 104-208, formerly set out as a note under section 1821 of this title.

#### EFFECTIVE DATE OF 1992 AMENDMENT

Amendment by Pub. L. 102-550 effective as if included in the Federal Deposit Insurance Corporation Improvement Act of 1991, Pub. L. 102-242, as of Dec. 19, 1991, except that where amendment is to any provision of law added or amended by Pub. L. 102-242 effective after Dec. 19, 1992, then amendment by Pub. L. 102-550 effective on effective date of amendment by Pub. L. 102-242, see section 1609 of Pub. L. 102-550, set out as a note under section 191 of this title.

#### EFFECTIVE DATE

Section effective 1 year after Dec. 19, 1991, see section 131(f) of Pub. L. 102-242, set out as an Effective Date of 1991 Amendment note under section 1464 of this title.

#### REGULATIONS

Pub. L. 102-242, title I, § 131(b), Dec. 19, 1991, 105 Stat. 2266, provided that: "Each appropriate Federal banking agency (as defined in section 3 of the Federal Deposit Insurance Act [12 U.S.C. 1813]) (and the Corporation, acting in the Corporation's capacity as insurer of depository institutions under that Act [12 U.S.C. 1811 et seq.]) shall, after notice and opportunity for comment, promulgate final regulations under section 38 of the Federal Deposit Insurance Act [12 U.S.C. 1831o] (as added by subsection (a)) not later than 9 months after the date of enactment of this Act [Dec. 19, 1991], and those regulations shall become effective not later than 1 year after that date of enactment."

#### DEPOSIT OF INSURANCE PROCEEDS

Pub. L. 105-18, title V, § 50003, June 12, 1997, 111 Stat. 211, provided that:

"(a) IN GENERAL.—The appropriate Federal banking agency may, by order, permit an insured depository institution to subtract from the institution's total assets, in calculating compliance with the leverage limit prescribed under section 38 of the Federal Deposit Insurance Act [12 U.S.C. 1831o], an amount not exceeding the qualifying amount attributable to insurance proceeds, if the agency determines that—

"(1) the institution—

"(A) had its principal place of business within an area in which the President, pursuant to section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act [42 U.S.C. 5170], has determined, on or after February 28, 1997, that a major disaster exists, or within an area determined to be eligible for disaster relief under other Federal law by reason of damage related to the 1997 flooding of the Red River of the North, the Minnesota River, and the tributaries of such rivers, on the day before the date of any such determination;

"(B) derives more than 60 percent of its total deposits from persons who normally reside within, or whose principal place of business is normally within, areas of intense devastation caused by the major disaster;

"(C) was adequately capitalized (as defined in section 38 of the Federal Deposit Insurance Act) before the major disaster; and

"(D) has an acceptable plan for managing the increase in its total assets and total deposits; and

"(2) the subtraction is consistent with the purpose of section 38 of the Federal Deposit Insurance Act.

"(b) TIME LIMIT ON EXCEPTIONS.—Any exception made under this section shall expire not later than February 28, 1999.

"(c) DEFINITIONS.—For purposes of this section:

"(1) APPROPRIATE FEDERAL BANKING AGENCY.—The term 'appropriate Federal banking agency' has the same meaning as in section 3 of the Federal Deposit Insurance Act [12 U.S.C. 1813].

"(2) INSURED DEPOSITORY INSTITUTION.—The term 'insured depository institution' has the same mean-

ing as in section 3 of the Federal Deposit Insurance Act.

"(3) LEVERAGE LIMIT.—The term 'leverage limit' has the same meaning as in section 38 of the Federal Deposit Insurance Act [12 U.S.C. 1831o].

"(4) QUALIFYING AMOUNT ATTRIBUTABLE TO INSURANCE PROCEEDS.—The term 'qualifying amount attributable to insurance proceeds' means the amount (if any) by which the institution's total assets exceed the institution's average total assets during the calendar quarter ending before the date of any determination referred to in subsection (a)(1)(A), because of the deposit of insurance payments or governmental assistance made with respect to damage caused by, or other costs resulting from, the major disaster." Similar provisions were contained in the following prior acts:

Pub. L. 103-76, § 3, Aug. 12, 1993, 107 Stat. 753.

Pub. L. 102-485, § 4, Oct. 23, 1992, 106 Stat. 2772.

#### TRANSITION RULE REGARDING CURRENT DIRECTORS AND SENIOR EXECUTIVE OFFICERS

Pub. L. 102-242, title I, § 131(e), Dec. 19, 1991, 105 Stat. 2267, provided that:

"(1) DISMISSAL FROM OFFICE.—Section 38(f)(2)(F)(ii) of the Federal Deposit Insurance Act [12 U.S.C. 1831o(f)(2)(F)(ii)] (as added by subsection (a)) shall not apply with respect to—

"(A) any director whose current term as a director commenced on or before the date of enactment of this Act [Dec. 19, 1991] and has not been extended—

"(i) after that date of enactment, or

"(ii) to evade section 38(f)(2)(F)(ii); or

"(B) any senior executive officer who accepted employment in his or her current position on or before the date of enactment of this Act and whose contract of employment has not been renewed or renegotiated—

"(i) after that date of enactment, or

"(ii) to evade section 38(f)(2)(F)(ii).

"(2) RESTRICTING COMPENSATION.—Section 38(f)(4) of the Federal Deposit Insurance Act [12 U.S.C. 1831o(f)(4)] (as added by subsection (a)) shall not apply with respect to any senior executive officer who accepted employment in his or her current position on or before the date of enactment of this Act [Dec. 19, 1991] and whose contract of employment has not been renewed or renegotiated—

"(A) after that date of enactment, or

"(B) to evade section 38(f)(4)."

### § 1831o-1. Source of strength

#### (a) Holding companies

The appropriate Federal banking agency for a bank holding company or savings and loan holding company shall require the bank holding company or savings and loan holding company to serve as a source of financial strength for any subsidiary of the bank holding company or savings and loan holding company that is a depository institution.

#### (b) Other companies

If an insured depository institution is not the subsidiary of a bank holding company or savings and loan holding company, the appropriate Federal banking agency for the insured depository institution shall require any company that directly or indirectly controls the insured depository institution to serve as a source of financial strength for such institution.

#### (c) Reports

The appropriate Federal banking agency for an insured depository institution described in subsection (b) may, from time to time, require

the company, or a company that directly or indirectly controls the insured depository institution, to submit a report, under oath, for the purposes of—

- (1) assessing the ability of such company to comply with the requirement under subsection (b); and
- (2) enforcing the compliance of such company with the requirement under subsection (b).

**(d) Rules**

Not later than 1 year after the transfer date, as defined in section 5411 of this title, the appropriate Federal banking agencies shall jointly issue final rules to carry out this section.

**(e) Definition**

In this section, the term “source of financial strength” means the ability of a company that directly or indirectly owns or controls an insured depository institution to provide financial assistance to such insured depository institution in the event of the financial distress of the insured depository institution.

(Sept. 21, 1950, ch. 967, §2[38A], as added Pub. L. 111-203, title VI, §16(d), July 21, 2010, 124 Stat. 1616.)

EFFECTIVE DATE

Section effective on the transfer date, see section 616(e) of Pub. L. 111-203, set out as an Effective Date of 2010 Amendment note under section 1467a of this title.

**§ 1831p. Transferred**

CODIFICATION

Section, act Sept. 21, 1950, ch. 967, §2[39], as added Dec. 19, 1991, Pub. L. 102-242, title II, §228, 105 Stat. 2308, which related to notice of branch closure, was renumbered section 2[42] of act Sept. 21, 1950, by Pub. L. 102-550, title XI, §1602(a), Oct. 28, 1992, 106 Stat. 4079, and transferred to section 1831r-1 of this title.

**§ 1831p-1. Standards for safety and soundness**

**(a) Operational and managerial standards**

Each appropriate Federal banking agency shall, for all insured depository institutions, prescribe—

- (1) standards relating to—
  - (A) internal controls, information systems, and internal audit systems, in accordance with section 1831m of this title;
  - (B) loan documentation;
  - (C) credit underwriting;
  - (D) interest rate exposure;
  - (E) asset growth; and
  - (F) compensation, fees, and benefits, in accordance with subsection (c) of this section; and
- (2) such other operational and managerial standards as the agency determines to be appropriate.

**(b) Asset quality, earnings, and stock valuation standards**

Each appropriate Federal banking agency shall prescribe standards, by regulation or guideline, for all insured depository institutions relating to asset quality, earnings, and stock valuation that the agency determines to be appropriate.

**(c) Compensation standards**

Each appropriate Federal banking agency shall, for all insured depository institutions, prescribe—

- (1) standards prohibiting as an unsafe and unsound practice any employment contract, compensation or benefit agreement, fee arrangement, perquisite, stock option plan, postemployment benefit, or other compensatory arrangement that—
  - (A) would provide any executive officer, employee, director, or principal shareholder of the institution with excessive compensation, fees or benefits; or
  - (B) could lead to material financial loss to the institution;
- (2) standards specifying when compensation, fees, or benefits referred to in paragraph (1) are excessive, which shall require the agency to determine whether the amounts are unreasonable or disproportionate to the services actually performed by the individual by considering—
  - (A) the combined value of all cash and noncash benefits provided to the individual;
  - (B) the compensation history of the individual and other individuals with comparable expertise at the institution;
  - (C) the financial condition of the institution;
  - (D) comparable compensation practices at comparable institutions, based upon such factors as asset size, geographic location, and the complexity of the loan portfolio or other assets;
  - (E) for postemployment benefits, the projected total cost and benefit to the institution;
  - (F) any connection between the individual and any fraudulent act or omission, breach of trust or fiduciary duty, or insider abuse with regard to the institution; and
  - (G) other factors that the agency determines to be relevant; and
- (3) such other standards relating to compensation, fees, and benefits as the agency determines to be appropriate.

**(d) Standards to be prescribed**

**(1) In general**

Standards under subsections (a), (b), and (c) of this section shall be prescribed by regulation or guideline. Such regulations or guidelines may not prescribe standards that set a specific level or range of compensation for directors, officers, or employees of insured depository institutions.

**(2) Applicability of other laws**

Paragraph (1) shall not affect the authority of any appropriate Federal banking agency to restrict the level of compensation, including golden parachute payments (as defined in section 1828(k)(4) of this title), paid to any director, officer, or employee of an insured depository institution under any other provision of law.

**(3) Senior executive officers at undercapitalized institutions**

Paragraph (1) shall not affect the authority of any appropriate Federal banking agency to