Executive compensation oversight after the dodd-frank wall street reform assignme...

During this assignment will focus on questions regarding executive pay and the regulations placed by the Dodd-Frank reform. Questions 1 . Has Dodd-Frank succeeded in controlling executive pay? Should the government put more regulatory constraints on executive pay? Explain your answer. Do a search to determine if there is any new or pending legislation or regulation that would regulate executive pay. Investors are beginning to recognize the negative effects of excessive executive pay. Not only does it affect the compass net income and share price, but it also provides insights on the alignment between executives and shareholders.

The amount of compensation also provides information about the effectiveness of a board's independent oversight (Bloomberg, 2012). If the board of directors cannot manage a Coo's pay, they will also have a difficult time controlling a failing business strategy or a financial emergency. Four years after the Dodd- Frank was implemented, investors have had many opportunities to reject pay plans for executives. Shareholders said no to pay packages to about 50 companies in 2012 (Bloomberg 2012). Some of these companies include big reporter names like Citreous, Wells Fargo and Bank of America.

I do not agree with an increase in regulatory constraints aimed to control executive pay. I believe that regulating compensation can have a negative effect on a company. According to Air Kay from Harvard Business Review, research has shown that the traditional pay model using cash and stock incentives is beneficial for the vast majority of companies. The pay incentives motivates leaders to increase the performance of the companies

(Kay, 2009). Furthermore, the Directors have perceived the concerns of the stakeholders and have started diminishing executive payments. 2.

Do you agree with the argument that executive pay is based on external market analysis (the principle of external equity) and is thus fair? Believe that executive pay is based on external market analysis. Air Kay and Steven Van Puttee research argues that labor markers for executives are actually competitive, and that pay levels track corporate performance (Kay, Van Puttee, 2010). I agree with the notion that executive pay is based on the salaries of others in the industry in a similar position. I do not think that payment based solely on similar salaries in the industry is fair.

I believe that executive pay should be based on experience and performance on an individual. The size and financial strength of the company should also be considered. 3. Have the callbacks provisions in the Dodd-Frank law had an effect on executive pay? Since the callback provision in the Dodd-Frank law was intended to make executives understand that there are financial consequences in their behavior (or lack of it) hurt their firm, liability insurance for this provision is now available. To what extent does insuring against callback subvert the point of the law?

The callback provision one that requires firms to recover pay received by executives if there are any material errors in the company’s financial statements or if they break any laws during in the job. This policy will increase the firm’s value by recapturing overpayment’s to executives and by adding financial security to the company. Many insurance companies are insuring against the callback provision of the Dodd-Frank Act. The insurance policies protects directors and officers and covers legal expensed, settlements, and the compensation of insured executives as well (Coco, 2011).

I believe that the insurance policy severely diminishes the impact of the callback provision, it allows executives to continue their business antics without worrying too much about becoming accountable for their behaviors. 4. Should “ say on pay” be mandatory for all executive pay packages? Should corporate boards alone continue to make decisions with respect to executive pay packages or should consent of a majority of stakeholders be required? Do not think that say on pay should be mandatory for any pay packages. According to Amman Shah, a failed vote on say on pay can result in a fallout of active media attention and shareholder litigation.

This can cause significant damage to a company’s image and share price. I believe that making the say on pay mandatory will make companies more susceptible to financial fluctuations from consumer confidence as well. 5. Do you agree with the recommendation to require full disclosure regarding pay consultants? Agree with the recommendation to require full disclosure regarding pay consultants. To evaluate employee salaries in relation to other similar businesses, full disclosure is necessary to compare the amount of compensation given out.