# Panel Approves Frank's Signature Exec. Compensation Bill

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A sharply partisan House Financial Services Committee voted Wednesday to approve legislation that would require corporations to grant non-binding votes on the salary packages of top executives.

After batting down a dozen amendments, in most cases along party lines, the Democratic-controlled panel finally passed the bill by a 37-29 margin. Only two Republicans -- Reps. Paul Gillmor of Ohio and Walter Jones of North Carolina -- voted for the measure.

Heralded by Financial Services Chairman Frank as a response to embittered shareholders who feel their own pockets have been picked as CEOs and their top lieutenants lavish soaring salaries and perks on themselves at the expense of the shareholders.

In addition to annual votes that shareholders could cast on compensation packages, the bill would give them a non-binding vote on lucrative "golden parachutes," or severance packages.

The bill effectively undergirds recent rules by the SEC that make corporations spell out clearly in reports to shareholders and investors the salaries, bonuses and other forms of compensation to top executives.

The SEC rules do not require shareholder votes on the packages, however.

Though such votes would not be binding on corporate directors, Frank and other sponsors of the legislation believe that it would encourage boards and the executives themselves to be more temperate and mindful of shareholders' interests in putting together salary packages.

A recent study of executive compensation by Harvard Law School Professor Lucian Bebchuk and Cornell University Professor Yaniv Grinstein showed that in the 12 years between 1991 and 2003, the average salary of corporate executives grew from 140 times that of the typical worker to 500 times.

Among the 12 Republican amendments voted down were a proposal by Rep. Tom Price, R-Ga., that declared the SEC rules "an adequate and complete mechanism;" an amendment by Rep. Tom Feeney, R-Fla., that would have required shareholders to pay the cost, in some cases, of shareholder votes on pay packages; and an amendment by Rep. Scott Garrett, R-N.J., that would have set a trigger mechanism for when shareholders could vote on pay packages.

The threshold would have been met if top salaries were at least 10 percent higher than comparable industry pay.

The only Republican amendment that survived was adopted by voice vote when Rep.

Christopher Shays, R-Conn., moved to prevent what he defined as "frivolous" stockholder lawsuits against boards of directors.