The Treasury Issues Guidance on Executive Compensation and Corporate Governance Applicable to Financial Institutions Participating in the Capital Purchase Program

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On October 20, 2008, the Department of the Treasury (the "Treasury") issued interim final rules (the "Rules" providing guidance on the executive compensation and corporate governance provisions of Section 111(b) of the Emergency Economic Stabilization Act of 2008 ("EESA"). Under the EESA, enacted on October 3, 2008, the Treasury has established the Troubled Assets Relief Program Capital Purchase Program ("CPP") to "purchase, and to make and fund commitments to purchase, troubled assets from any financial institution, on such terms and conditions as are determined by the Secretary." In the case of direct purchases by the Treasury, the EESA requires that the participating financial institutions meet appropriate standards for executive compensation and corporate governance as set forth by the Secretary of the Treasury. At the very least, the EESA requires that the following three criteria be satisfied by participating financial institutions for so long as the Treasury holds a meaningful equity or debt position: