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FACT-BASED ADVICE

Country Specific Compensation Regulation

TIME SENSITIVE MATERIAL – LAST UPDATED 1/8/2010

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Given the multitude of regulatory agencies that global financial institutions have to deal with, we thought it would be helpful to summarize the latest requirements as we understand them. The table below is designed to give you an update "at a glance". It is not comprehensive and only covers the major economies. We will update this as we become aware of changes.

McLagan is working closely with many of our clients to help optimize compensation strategy, in light of the unique business environment and the changing regulatory landscape. If you would like to discuss some of these concepts and ideas, please contact me at the number indicated below.

Country	Governing Body / Regulation	Executives Covered	Deferral	Vesting	Clawbacks / Holdbacks[1]	Notes
G-20	Financial Stability Board - Principles	(1) senior executive population and (2) employees whose actions have a material impact on the firm's risk exposure	40% - 60%, with higher levels for more senior execs	At least 3 years, pro rata	Unvested portion of deferred compensation should be clawed back in the event of negative contribution during vesting term	----
Canada	---	---	---	---	---	Following G-20 Principles
France	French Banking Federation	Executives at French and foreign banks whose activities may have a material impact on banks' risk exposure	At least 50% and at least 60% for highest paid	At least 3 years, pro rata	Actual payment of deferred compensation subject to ongoing results. May be reduced or not paid at all	These regulations are in addition to the G-20 principles
	Ministry of Finance Proposal	50% corporate tax on banks for bonuses paid in 2010 that exceed €27,500	---	---	---	One-time tax to be presented to Parliament for vote in January
Switzerland	FINMA – Remuneration Circular	(1) senior management; (2) people with relatively high total compensation; and (3) people whose activities have a significant influence on the risk profile of the firm	Significant percentage for at least 3 years	If within 3 years, should vest pro rata, at most	Changes in value of deferred amounts should offer symmetrical upside/downside adjustments for positive/negative future performance	– Certification of compliance by 4/30/11 – Policies must be applied firm-wide, but specific deferral and vesting is only for the noted employees

Country	Governing Body / Regulation	Executives Covered	Deferral	Vesting	Clawbacks / Holdbacks[1]	Notes
United Kingdom	Financial Services Authority – Remuneration Policy Statement	Principle 8 (“P8”) employees: (1) Employees who perform a “significant influence function” for a firm or (2) whose activities have or could have a material impact on a firm’s risk profile (an employee in this category is a P8 employee if the total expected compensation for 2009 is greater than £1 Million	60%, if over £500K, 40% minimum for others	At least 3 years, pro rata at most not beginning before 12 months	Performance adjustments should apply to a minimum of 75% of the deferred bonus	Non-P8 employees with total comp greater than £500k and who have a bonus to salary ratio of 2:1 or greater should have a minimum level of deferment of 40%
	Walker Review	‘High end’ earners, defined as anyone within Banks and other Financial Institutions who perform a ‘significant influence function’ for the entity or whose activities have / could have ‘a material impact on the risk profile of the entity’	83%	50% of bonus being short term, paid out at 17% per year. 50% long term, paid out equally after 3 and 5 years	All deferred awards should be subject to clawback where appropriate	---
	HM Treasury – Pre-Budget Report	UK resident banks or foreign banks conducting trade in the UK through a permanent establishment ‘Bank’ is defined as a company engaging in certain “Relevant Regulated Activities”	---	---	---	50% payroll tax on discretionary incentives paid between 9 December 2009 and 5 April 2010 that exceed £25,000 One-time tax charge on the employing organization not individual employees
United States	Federal Reserve - Proposed Guidance on Sound Incentive Compensation Principles	(1) Senior executives and others responsible for the oversight of the firm or material business lines; (2) Individual employees whose activities may expose the firm to material amounts of risk; and (3) Groups of employees who, in aggregate, may expose the firm to material amounts of risk	Substantial portion	Multi-year period	Performance-based adjustments of deferred amounts are one way to make pay more sensitive to risk	Final Guidance not yet published

*Please note that this table is a summary of each country’s current regulation as it relates to compensation. It does not contain any advisory opinions of McLagan or related financial regulation (e.g., tax, accounting).

1. The clawbacks noted in this table are primarily related to performance adjustments and do not account for clawbacks related to incorrectly stated earnings or misconduct.

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