Simpson Thacher

Memorandum

Reminder: Issuers Should Prepare for Compliance with SEC's Pay Ratio Rule

January 4, 2017

In August of 2015, the Securities and Exchange Commission ("SEC") adopted a final rule, as directed by the Dodd-Frank Act, that requires reporting companies to disclose the median of the annual total compensation of all company employees other than the company's chief executive officer ("CEO"), the CEO's annual total compensation and the ratio between these two numbers.[1] With the start of the new year, calendar-year issuers should take note that they will be required to disclose next year their pay ratio for the 2017 fiscal year. Public companies that do not align their fiscal year with the calendar year will be required to provide pay ratio disclosure with respect to their first fiscal year beginning after January 1, 2017. While there have been reports that the incoming Republican administration and Congress may seek to repeal the Dodd-Frank provision underlying the pay ratio disclosure requirement and/or that the SEC may abolish or amend the pay ratio rule, at this time, issuers should continue to prepare for compliance with the rule.

[1] For more information regarding the requirements of the pay ratio rule and initial steps toward compliance, *see* Avrohom J. Kess, Yafit Cohn, Bindu M. Culas and Michael R. Marino, "The Pay Ratio Rule: Preparing for Compliance," Practical Law (Nov. 2015); *see also* Simpson Thacher & Bartlett LLP, "SEC Issues Guidance on Pay Ratio Disclosure" (Oct. 24, 2016).

If you have any questions or would like additional information, please do not hesitate to contact **Yafit Cohn** at +1-212-455-3815 or yafit.cohn@stblaw.com, or any other member of the Firm's Public Company Advisory Practice.

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