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SEC Official Confirms that the SEC Will Not Delay CEO Pay Ratio Disclosure

Last Friday, an official of the Securities and Exchange Commission (SEC) confirmed that the SEC will not delay the effective date of the CEO pay ratio disclosure rule and that the SEC staff will be issuing additional guidance on the rule.

At the American Bar Association Annual Meeting, Bill Hinman, SEC Director of the Division of Corporation Finance said that the SEC **would not** delay the implementation of CEO pay ratio rule. In addition, Mr. Hinman stated that SEC staff would be issuing additional guidance on the CEO pay ratio rule in the near future. Mr. Hinman was speaking for himself and not officially for the SEC. Nonetheless, the Director's comments are the strongest indication yet as to the posture of the SEC on the status of the CEO pay ratio.

As we discussed in our Client Update dated February 7, 2017, Commissioner Michael Piwowar (then Acting SEC Chair) solicited public comments about implementation burdens associated with the CEO pay ratio rule. Based on these comments, many had hoped that the SEC would delay, modify or rescind the CEO pay ratio rule. That hope now appears to have faded. Further, the Financial CHOICE Act, which would repeal the CEO pay ratio requirement, is mired in the Senate with little likelihood of passage (see our Client Update dated June 12, 2017). The upshot of all of this is that the CEO pay ratio is likely here to stay.

Meridian Comment*.* Many companies have already begun the process of accumulating pay data necessary for the determination of the CEO pay ratio. Other companies are further along and have already developed pro forma pay ratios based on fiscal year 2016 pay data. However, companies remain that have yet to make meaningful progress on the CEO pay ratio disclosure. Many of these companies were hoping the CEO pay ratio requirement would be delayed or eliminated. Mr. Hinman's statements make clear that will not be the case.

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