
15 U.S. Code § 78j-3

Compensation committees

(a) Independence of compensation committees

(1) Listing standards

The Commission shall, by rule, direct the national securities exchanges and national securities associations to prohibit the listing of any equity security of an issuer, other than an issuer that is a controlled company, limited partnership, company in bankruptcy proceedings, open-ended management investment company that is registered under the Investment Company Act of 1940 [15 U.S.C. 80a-1 et seq.], or a foreign private issuer that provides annual disclosures to shareholders of the reasons that the foreign private issuer does not have an independent compensation committee, that does not comply with the requirements of this subsection.

(2) Independence of compensation committees

The rules of the Commission under paragraph (1) shall require that each member of the compensation committee of the board of directors of an issuer be—

- (A) a member of the board of directors of the issuer; and
- (B) independent.

(3) Independence

The rules of the Commission under paragraph (1) shall require that, in determining the definition of the term “independence” for purposes of paragraph (2), the national securities exchanges and the national securities associations shall consider relevant factors, including—

- (A) the source of compensation of a member of the board of directors of an issuer, including any consulting, advisory, or other compensatory fee paid by the issuer to such member of the board of directors; and
- (B) whether a member of the board of directors of an issuer is affiliated with the issuer, a subsidiary of the issuer, or an affiliate of a subsidiary of the issuer.

(4) Exemption authority

The rules of the Commission under paragraph (1) shall permit a national securities exchange or a national securities association to exempt a particular relationship from the requirements of paragraph (2), with respect to the members of a compensation committee, as the national securities exchange or national securities association determines is appropriate, taking into consideration the size of an issuer and any other relevant factors.

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