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An Empirical Examination of the Determinant of the Financial CEOs' Compensation for the Post-Financial Crisis Period

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Abstract : The US financial crisis of 2008 and subsequent Global Financial Crisis were considered by many economists the worst financial crisis since the Great Depression of the 1930s. As a results, Dodd-Frank Act has passed and aims '(1) to promote the financial stability of the United States by improving accountability and transparency in the financial system, to end "too big to fail", (2) to protect the American taxpayer by ending bailouts, (3) to protect consumers from abusive financial services practices, and for other purposes.' The enactment of Dodd-Frank Act, in part, intended to significantly influence accountability on executive compensation especially for the financial institutions. This paper empirically investigates the changes in Financial CEOs' compensation since the Financial Crisis of 2008. Our findings show that in the post- Financial Crisis period financial leverage is significant factor influencing the CEOs' total compensation. In addition market based performance such as stock price and market-to-book ratio shows significant positive relationship with CEO compensation. This change can be interpreted an attempt to reduce opportunistic behavior of top executives after the financial crisis and the enactment of the Dodd-Frank Act.

Keywords : financial CEO compensation, firm performance, financial crisis of 2008, dodd-frank act
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