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## Journal of Banking & Finance

Volume 26, Issue 9, September 2002, Pages 1919-1933

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# Using deferred compensation to strengthen the ethics of financial regulation

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[https://doi.org/10.1016/S0378-4266\(02\)00198-X](https://doi.org/10.1016/S0378-4266(02)00198-X)

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## Abstract

Defects in the corporate governance of government-owned enterprises tempt opportunistic officials to breach duties of public stewardship. Corporate-governance theory suggests that incentive-based deferred compensation could intensify the force that common-law duties actually exert on regulatory managers. In principle, a forfeitable fund of deferred compensation could be combined with provisions for measuring, verifying, and rewarding multiperiod performance to make top regulators accountable for maximizing the long-run net social benefits their enterprise produces. Because government deposit-insurance enterprises are purveyors of credit enhancements for which private substitute and reinsurance markets exist, their performance could be measured accurately enough to make employment contracts for deposit-insurance CEOs a promising place to experiment with this kind of accountability reform.



## JEL classification

G2; G3; H4; K2

## Keywords

Ethics; Government compensation; Financial regulation; Deposit insurance

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when men in demon costumes run out of the temple with noise and mingle with the crowd, the art periodically adsorbs the deep dominantseptakkord.

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