

CAPITAL ONE FINANCIAL CORP
Form DEF 14A
March 25, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement Soliciting Material Under Rule 14a-12
- Confidential, For Use of the
Commission Only (as permitted
by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials

CAPITAL ONE FINANCIAL CORPORATION
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to
Exchange Act Rule 0-11 (set forth the amount on which the filing fee is
calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

Fee paid previously with preliminary materials:

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which
the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or

Edgar Filing: CAPITAL ONE FINANCIAL CORP - Form DEF 14A

schedule and the date of its filing.

- 1) Amount previously paid:
 - 2) Form, Schedule or Registration Statement No.:
 - 3) Filing Party:
 - 4) Date Filed:
-

NOTICE OF CAPITAL ONE FINANCIAL CORPORATION'S
2011 ANNUAL STOCKHOLDER MEETING

Important Notice Regarding the Availability of Proxy Materials for
The Stockholder Meeting To Be Held On May 11, 2011

The Proxy Statement and Annual Report to Stockholders are available at www.proxyvote.com

The Annual Stockholder Meeting of Capital One Financial Corporation ("Capital One" or the "Company") will be held at Capital One's headquarters, 1680 Capital One Drive, McLean, Virginia 22102, on May 11, 2011, at 10:00 a.m.

Items of Business

As a stockholder you will be asked to:

1. Elect Patrick W. Gross, Ann Fritz Hackett and Pierre E. Leroy as directors of Capital One;
2. Ratify the Audit and Risk Committee's selection of Ernst & Young LLP as independent auditors of Capital One for 2011;
3. Approve amendments to Capital One's Restated Certificate of Incorporation to provide for the annual election of directors;
4. Approve, on a non-binding advisory basis, Capital One's 2010 Named Executive Officer compensation;
5. Approve, on a non-binding advisory basis, the frequency with which Capital One will hold a stockholder vote to approve Capital One's Named Executive Officer compensation; and
6. Transact such other business as may properly come before the meeting.

Record Date

You may vote if you held shares of Capital One common stock as of the close of business on March 16, 2011.

Proxy Voting

Your vote is important. You may vote your shares in person at the Annual Stockholder Meeting, via the Internet, by telephone or by mail. Please refer to the section "How do I vote?" for detailed voting instructions. If you choose to vote in person at the Annual Stockholder Meeting, via the Internet or by telephone, you do not need to mail in a proxy card.

Annual Meeting Admission

Due to space limitations, attendance is limited to stockholders and one guest each. Admission to the meeting is on a first-come, first-served basis. Registration begins at 9:00 a.m. A valid picture identification and proof of stock ownership as of the record date must be presented in order to attend the meeting. If you hold Capital One stock through a broker, bank, trust or other nominee, you must bring a copy of a statement reflecting your stock ownership as of the record date. If you plan to attend as the proxy of a stockholder, you must present a legal proxy. Cameras, recording devices and other electronic devices are not permitted.

We look forward to seeing you at the meeting.

On behalf of the Board of Directors,

John G. Finneran, Jr.
Corporate Secretary
Capital One Financial Corporation
1680 Capital One Drive
McLean, VA 22102

March 25, 2011

TABLE OF CONTENTS

SECTION I – ABOUT THIS PROXY STATEMENT	1
SECTION II – GOVERNANCE OF CAPITAL ONE	5
SECTION III – SECURITY OWNERSHIP	19
SECTION IV – DIRECTOR COMPENSATION	22
SECTION V – COMPENSATION DISCUSSION AND ANALYSIS	25
SECTION VI – NAMED EXECUTIVE OFFICER COMPENSATION	40
SECTION VII – EQUITY COMPENSATION PLANS	58
SECTION VIII – COMPENSATION COMMITTEE REPORT	60
SECTION IX – AUDIT AND RISK COMMITTEE REPORT	61
SECTION X – ELECTION OF DIRECTORS (ITEM 1 ON PROXY CARD)	62
SECTION XI – RATIFICATION OF SELECTION OF INDEPENDENT AUDITORS (ITEM 2 ON PROXY CARD)	63
SECTION XII – APPROVAL OF AMENDMENTS TO CAPITAL ONE’S RESTATED CERTIFICATE OF INCORPORATION TO PROVIDE FOR THE ANNUAL ELECTION OF DIRECTORS (ITEM 3 ON PROXY CARD)	64
SECTION XIII – ADVISORY APPROVAL OF CAPITAL ONE’S 2010 NAMED EXECUTIVE OFFICER COMPENSATION (ITEM 4 ON PROXY CARD)	66
SECTION XIV – ADVISORY VOTE ON FREQUENCY OF HOLDING AN ADVISORY VOTE ON NAMED EXECUTIVE OFFICER COMPENSATION (ITEM 5 ON PROXY CARD)	67
SECTION XV – OTHER BUSINESS	68
APPENDIX A – CAPITAL ONE FINANCIAL CORPORATION’S RESTATED CERTIFICATE OF INCORPORATION	A-1

SECTION I – ABOUT THIS PROXY STATEMENT

Why did I receive a Notice Regarding the Internet Availability of Proxy Materials?

In accordance with rules of the Securities and Exchange Commission (“SEC”), instead of mailing printed copies of our proxy materials, we are furnishing the proxy materials to our stockholders via the Internet. This process will save the Company the cost of printing and mailing documents and will reduce the impact of our annual stockholder meetings on the environment. Accordingly, on or about March 25, 2011 we mailed to our stockholders a Notice Regarding Internet Availability of Proxy Materials (the “Notice”). If you received a Notice, you will not receive a printed copy of the proxy materials unless you request one. The Notice provides instructions on how to access the proxy materials for Capital One’s 2011 Annual Stockholder Meeting (the “Annual Meeting”) via the Internet, how to request a printed set of proxy materials and how to vote your shares.

What is the purpose of the proxy materials?

The Board of Directors of Capital One is providing you these materials in connection with the Annual Meeting. All stockholders who held shares as of the close of business on March 16, 2011 (the “record date”) are entitled to attend the Annual Meeting and to vote on the items of business outlined in this proxy statement. If you choose not to attend the Annual Meeting, you may vote your shares via the Internet, by telephone or by mail.

How do I access the proxy materials?

The Notice provides instructions regarding how to view our proxy materials for the Annual Meeting online. As explained in greater detail in the Notice, to view the proxy materials and vote, you will need to visit www.proxyvote.com and have available your 12-digit control number(s) contained on your Notice.

How do I request paper copies of the proxy materials?

You may request paper copies of the 2011 proxy materials by following the instructions listed at www.proxyvote.com, by telephoning 1-800-579-1639 or by sending an e-mail to sendmaterial@proxyvote.com.

What is the difference between a record holder and a holder of shares in street name?

You are a record holder if you hold shares of Capital One common stock directly in your name through Capital One’s transfer agent, Computershare Trust Company, N.A. (“Computershare”), as a stockholder of record.

If you hold shares of Capital One common stock through a broker, bank, trust or other nominee, then you are a holder of shares in street name. As a result, you must instruct the broker, bank, trust or other nominee about how to vote your shares. Under the rules of the New York Stock Exchange (“NYSE”), if you do not provide such instructions, the firm that holds your shares will have discretionary authority to vote your shares with respect to “routine” matters.

Can I attend the Annual Meeting?

If you held shares of Capital One common stock as of the close of business on March 16, 2011, you may attend the Annual Meeting. Because seating is limited, only you and a guest may attend the meeting. Admission to the meeting is on a first-come, first-served basis. Registration begins at 9:00 a.m. You must present a valid picture identification and proof of Capital One stock ownership as of the record date. If you hold Capital One stock in street name, you must also bring a copy of a brokerage statement reflecting your stock ownership as of the record date. If you plan to attend as the proxy of a stockholder, you must present a legal proxy (described below). Cameras, recording devices and other electronic devices are not permitted at the meeting.

Am I entitled to vote?

You are entitled to vote if you were the record holder of shares of Capital One common stock as of the close of business on March 16, 2011. All stockholders of record are entitled to one vote per share of common stock held for each matter submitted for a vote at the meeting.

Edgar Filing: CAPITAL ONE FINANCIAL CORP - Form DEF 14A

If you hold your shares of Capital One common stock in street name, you may instruct your broker regarding voting your shares using the same methods described below under "How do I vote?"

On March 16, 2011, there were 458,664,149 shares of Capital One's common stock issued and outstanding.

How do I vote?

By Internet

You may vote via the Internet by going to www.proxyvote.com and following the instructions on the screen. Have your Notice or proxy card available when you access the web page.

By Telephone

You may vote by telephone by calling the toll-free telephone number on your Notice or your proxy card (1-800-690-6903), which is available 24 hours a day, and following prerecorded instructions. Have your Notice or proxy card available when you call. If you hold your shares in street name, your broker, bank, trustee or other nominee may provide additional instructions to you regarding voting your shares by telephone.

By Mail

If you received your proxy materials by mail, you may vote by mail by marking the enclosed proxy card, dating and signing it, and returning it in the postage-paid envelope provided, or returning it to Capital One Financial Corporation, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

Time for Voting Your Shares By Internet, By Telephone or By Mail

You may vote via the Internet or by telephone up until 11:59 PM Eastern Daylight Time on May 10, 2011. If you vote by mail, your proxy card must be received by May 10, 2011.

In Person

If you are a record holder of shares of Capital One common stock, you may vote in person at the Annual Meeting. A valid picture identification and proof of stock ownership as of the record date must be presented in order to attend the meeting. Stockholders of record also may be represented by another person at the Annual Meeting by executing a legal proxy designating that person. See "Can I attend the Annual Meeting?" above for more information regarding attending the Annual Meeting.

If you hold your shares of Capital One common stock in street name, you must bring a copy of a statement reflecting your stock ownership as of the record date in order to attend the meeting. You must also obtain a legal proxy from your broker, bank, trust or other nominee and present it to the inspector of elections with your ballot to be able to vote at the Annual Meeting. To request a legal proxy, please follow the instructions at www.proxyvote.com.

What if I hold my shares in street name and I do not provide my broker, bank, trustee or other nominee with instructions about how to vote my shares?

You may instruct your broker, bank, trustee or other nominee on how to vote your shares using the methods described above. If you do not give voting instructions to the firm that holds your shares prior to the Annual Meeting, the firm has discretion to vote your shares with respect to Items 2 and 3 on the proxy card, which are considered "routine" matters. The election of members of the Board of Directors is not considered a "routine" matter and, therefore, the firm that holds your shares will not have discretionary authority to vote your shares for Item 1 if you do not provide instructions using one of the methods described above. Therefore, you are encouraged to participate in electing directors by returning voting instructions. Likewise, the firm that holds your shares does not have discretionary authority to vote your shares with respect to Items 4 and 5.

How do I vote my 401(k) shares?

If you participate in the Capital One Associate Savings Plan, you may vote the number of shares equivalent to your interest in the Capital One Pooled Stock Fund as credited to your account on the record date. You will receive instructions on how to vote your shares via e-mail from Broadridge. The trustee of the Associate Savings Plan will vote your shares in accordance with your duly executed instructions if they are received by May 6, 2011. If you do not send instructions, the trustee will not vote the share equivalents credited to your account.

Can I revoke my proxy?

Edgar Filing: CAPITAL ONE FINANCIAL CORP - Form DEF 14A

Yes, you may revoke any proxy that you previously granted or change your vote by:

- if you are a record holder, giving written notice of revocation to the Corporate Secretary, Capital One Financial Corporation, 1680 Capital One Drive, McLean, VA 22102; or
- submitting another timely vote via the Internet, by telephone or by mailing a new proxy; or

- attending the Annual Meeting and voting in person; if your shares are held in street name, to vote at the Annual Meeting you must obtain a legal proxy executed in your favor from the firm that holds your shares and bring it to the Annual Meeting.

Your new vote must be submitted in accordance with the timeframes above under “Time for Voting Your Shares By Internet, By Telephone or By Mail.”

What constitutes a quorum?

A quorum of stockholders is necessary to transact business at the Annual Meeting. A quorum exists if the holders of a majority of Capital One’s shares entitled to vote are present in person or represented by proxy, including proxies on which abstentions (withholding authority to vote) are indicated. Abstentions and broker non-votes will be counted in determining if there is a quorum, but neither will be counted as votes cast.

What is a broker non-vote?

As described above, under NYSE rules, if you hold your shares in street name and you do not submit voting instructions to the firm that holds your shares, the firm may have discretionary authority to vote your shares with respect to “routine” matters. For non-routine matters, which include the election of directors and matters relating to executive compensation, if you do not submit voting instructions, the firm that holds your shares will not have discretion to vote your shares. This is called a “broker non-vote.”

Who will count the vote?

Votes will be tabulated by Broadridge. The Board of Directors has appointed a representative of American Elections Services, LLC to serve as the Inspector of Elections.

Will a list of stockholders be made available?

Capital One will make a list of stockholders available at the Annual Meeting and for ten days prior to the meeting, at our offices located at 1680 Capital One Drive in McLean, Virginia. Please contact Capital One’s Corporate Secretary at (703) 720-1000 if you wish to inspect the stockholders list prior to the Annual Meeting.

How much did the solicitation cost?

Capital One will pay the costs of the solicitation. We have retained Innisfree M&A Incorporated to assist us in the solicitation of proxies for an aggregate fee of \$15,000, plus reasonable out-of-pocket expenses. In addition to Capital One soliciting proxies via the Internet, by telephone and by mail, our directors, officers and employees may solicit proxies on our behalf, without additional compensation.

What is “householding?”

Under SEC rules, a single package of Notices may be sent to any household at which two or more stockholders reside if they appear to be members of the same family unless contrary instructions have been received. Each stockholder continues to receive a separate Notice within the package. This procedure, referred to as householding, reduces the volume of duplicate materials stockholders receive and reduces mailing expenses. Stockholders may revoke their consent to future householding mailings or enroll in householding by contacting Broadridge toll free at 1-800-542-1061, or by writing to Broadridge, Household Department, 51 Mercedes Way, Edgewood, NY 11717. Stockholders who wish to receive a separate set of proxy materials now should contact Broadridge at the same phone number or mailing address.

What are the Board of Directors’ recommendations?

If you properly submit a proxy without giving specific voting instructions, the individuals named as proxy holders will vote in accordance with the recommendations of the Board of Directors as follows:

For the election of Patrick W. Gross, Ann Fritz Hackett and Pierre E. Leroy as directors of Capital One (see page 62);

For the ratification of the Audit and Risk Committee’s selection of Ernst & Young LLP as independent auditors of the Company for 2011 (see page 63);

Edgar Filing: CAPITAL ONE FINANCIAL CORP - Form DEF 14A

For the approval of amendments to Capital One's Restated Certificate of Incorporation to provide for the annual election of directors (see page 64);

For the advisory approval of Capital One's 2010 Named Executive Officer compensation (see page 66);

Every Year for the frequency with which Capital One should hold a stockholder vote to approve its Named Executive Officer compensation (see page 67).

The Board of Directors is not aware of any other matter that will be presented at the Annual Meeting. If any other matter is presented at the Annual Meeting, the persons named on the accompanying proxy card will, in the absence of stockholder instructions to the contrary, vote such proxy at their discretion.

What vote is necessary to approve each item?

All stockholders of record are entitled to one vote per share of common stock held for each nominee for director and for each other matter presented for a vote at the meeting.

Item 1 requests your vote for the election of three candidates for director. Patrick W. Gross, Ann Fritz Hackett and Pierre E. Leroy will each be elected as a director of Capital One if a majority of the votes cast in his or her election is voted in favor of such election. Capital One also maintains a "majority voting" policy, which requires that any director who fails to receive a majority of votes cast in favor of his or her election submit a resignation for the Board's consideration. Cumulative voting for the election of directors is not permitted. For more information regarding Capital One's director election process see page 11.

Item 2, the ratification of the Audit and Risk Committee's selection of Ernst & Young LLP as independent auditors of the Company for 2011, will be approved if a majority of the votes cast on the proposal are voted in favor of the proposal.

Item 3, the approval of amendments to Capital One's Restated Certificate of Incorporation to provide for the annual election of directors, will be approved if the holders of at least 80% of Capital One's outstanding capital stock entitled to vote generally in the election of directors, voting together as a single class, vote in favor of the proposal.

Item 4, the advisory approval of Capital One's 2010 Named Executive Officer compensation, will be approved if a majority of the votes cast on the proposal are voted in favor of the proposal.

Item 5, the advisory vote to determine the frequency with which Capital One will hold a stockholder vote to approve its Named Executive Officer compensation, will be determined based on which option (every year, every two years, or every three years) receives a majority of the votes cast.

As described under "How do I vote?" on page 2, under NYSE rules, if you hold your shares in street name and you do not submit voting instructions to the broker, bank, trust or other nominee that holds your shares, the firm will have discretionary authority to vote your shares with respect to Items 2 and 3. If you do not submit voting instructions, the firm that holds your shares will not have discretion to vote your shares with respect to Items 1, 4 and 5. Abstentions and broker non-votes are not considered "votes cast" and thus do not have an effect on the outcome of the vote as to Items 1, 2, 4 or 5. With respect to Item 3, abstentions and broker non-votes will have the same effect as a vote against the proposal.

SECTION II – GOVERNANCE OF CAPITAL ONE

Corporate Governance

Capital One is committed to strong corporate governance. Our governance practices not only comply with applicable laws, rules and regulations, including the Sarbanes-Oxley Act of 2002 and NYSE listing standards, but they also incorporate many emerging trends as key components of Capital One's controls and governance program. The Board of Directors believes that these practices are important to the future success and growth of Capital One.

Corporate Governance Principles

We believe that sound corporate governance creates a foundation for the ethical and effective functioning of the Board of Directors, its Committees and Capital One as a whole. It is also critical to preserving the trust of our stakeholders, including stockholders, associates, customers, suppliers, governmental entities and the general public.

The Board of Directors has adopted Corporate Governance Principles to formalize the Board's governance practices and its view of effective governance. The Board of Directors monitors external governance developments and practices and reviews the Corporate Governance Principles periodically to see that Capital One continues to implement effective governance practices. Capital One's Corporate Governance Principles are available free of charge on the corporate governance page of Capital One's Internet site at www.capitalone.com under "Investors."

Code of Business Conduct and Ethics

Capital One is committed to honesty, fair dealing and integrity. This can only be achieved if the Board of Directors and all associates conduct their business affairs with the utmost integrity and ethical commitment. The Board of Directors has therefore adopted the Capital One Code of Business Conduct and Ethics (the "Code of Conduct"), which applies to all Capital One directors and associates, including Capital One's Chief Executive Officer, Chief Financial Officer, Principal Accounting Officer and other persons performing similar functions. The purpose of the Code of Conduct is to guide ethical actions and working relationships by Capital One's directors, officers and associates with investors, current and potential customers, fellow associates, competitors, governmental entities, the media and other third parties with whom Capital One has contact.

The Code of Conduct, as amended from time to time, is available free of charge on the corporate governance page of Capital One's Internet site at www.capitalone.com under "Investors." Capital One will disclose on its website any amendment to the Code of Conduct or any waiver under the Code of Conduct granted to any of its directors or executive officers.

Composition and Meetings of the Board of Directors

The Board of Directors oversees Capital One's business and directs its management. The Board of Directors does not involve itself with the day-to-day operations and implementation of Capital One's business. Instead, the Board of Directors meets periodically with management to review Capital One's performance, risks and business strategy. Directors also regularly consult with management outside of formal meetings to keep themselves informed about Capital One's progress. The Board of Directors met ten times during 2010. Each incumbent director attended at least 75% of the aggregate of the meetings of the Board of Directors and the committees on which the director served during the year. The independent directors meet in executive session (without the presence of management) on a regularly scheduled basis, at least three times each year, and at least annually to conduct the Chief Executive Officer's evaluation.

Capital One expects all of its directors to attend the Annual Meeting. In 2010, all directors then serving attended the Annual Meeting.

Leadership Structure of the Board of Directors

Capital One is led by Mr. Richard Fairbank, who has served as Chief Executive Officer of Capital One since July 26, 1994, and as Chairman of the Board of Directors of Capital One since February 28, 1995. Capital One's Board of Directors is comprised of Mr. Fairbank and eight independent directors. The Corporate Governance Principles provide for a presiding independent director (the "Presiding Director"), to be appointed by the Board of Directors, who aids and assists the Chairman and the remainder of the Board in promoting effective governance in managing the affairs of the Board and Capital One. The Presiding Director is currently Ms. Hackett.

In addition to other duties more fully described in the Corporate Governance Principles, the Presiding Director:

Edgar Filing: CAPITAL ONE FINANCIAL CORP - Form DEF 14A

- presides at all executive sessions of the Board of Directors;
- serves as a conduit to the Chief Executive Officer of the views, concerns and issues of the independent directors;

- suggests matters and issues for inclusion on the Board’s meeting agendas;
- works with the Chairman of the Board and Committee chairs to provide that agendas allow for sufficient time for discussion;
- has the authority to call meetings of the independent directors; and
- leads the annual Chief Executive Officer performance assessment and facilitates succession planning.

The Board of Directors has four standing Committees: Audit and Risk; Compensation; Governance and Nominating; and Finance and Trust Oversight. Each of these committees is composed of independent directors and has a separate independent chair. Detailed information on each Committee is contained below under “Committees of the Board of Directors.”

We believe that a combined Chairman of the Board of Directors and Chief Executive Officer position, together with independent Board committees each with an independent chair, an independent Presiding Director and regularly-scheduled executive sessions of the Board and independent directors is the most appropriate Board leadership structure for Capital One at this time. This structure demonstrates for our associates, customers, stockholders, investors, regulators and other stakeholders that Capital One’s Board of Directors is committed to engaged, independent leadership and performance of its responsibilities. Experienced and independent directors, sitting on various committees with independent chairs, oversee the Company’s operations, risks, performance and business strategy, and have appointed the Presiding Director with the duties described above. The Board of Directors believes that combining the Chairman and Chief Executive Officer positions takes advantage of the talent and knowledge of Mr. Fairbank as the founder of Capital One and effectively combines the responsibilities for strategy development and execution with management of day-to-day operations. It also reduces the potential for confusion or duplication of efforts and provides clear leadership for Capital One. The Board of Directors believes that the combination of the Chairman and the Chief Executive Officer roles, together with its strong governance practices, including its supermajority of independent directors and its clearly defined Presiding Director responsibilities, provide an appropriate balance among strategy development, operational execution and independent oversight of Capital One.

Board’s Role in Risk Oversight

The Board of Directors believes that effective risk management and control processes are critical to Capital One’s safety and soundness, our ability to predict and manage the challenges that Capital One and the financial services industry face and, ultimately, Capital One’s long-term corporate success. Management is responsible for implementing Capital One’s risk assessment and management functions and for reporting to the Board of Directors on its processes and assessments with respect to the management of risk. The Board of Directors, in turn, both directly and through its committees, is responsible for overseeing management’s risk functions. We evaluate risks in terms of eight risk categories: strategic, compliance, operational, reputational, legal, credit, market and liquidity. Capital One’s Enterprise Risk Management policy, approved by the Board of Directors, summarizes Capital One’s risk appetite for each risk category and its governance of the amount of risk the Company takes.

The Audit and Risk Committee monitors the processes by which management assesses and manages risk in the eight risk categories identified above, as set forth in its charter. In addition, the Finance and Trust Oversight Committee oversees the guidelines and policies that govern the process by which the Company assesses and manages market and liquidity risks. The Compensation Committee assesses the risks that Capital One’s overall compensation goals and objectives, as well as its senior executive, corporate incentive and other material incentive compensation programs, may pose.

The Chief Risk Officer, Chief Financial Officer, Chief Internal Auditor, Chief Compliance Officer, Chief Credit Review Officer and General Counsel each meet with, or provide reports to, Capital One’s Audit and Risk Committee at least once per quarter as well as separately with the Committee throughout the year on a periodic basis without other members of management present. The Chief Risk Officer also meets at least once per quarter with the Audit and Risk Committee and the full Board of Directors, and periodically with the Chair of the Audit and Risk Committee, the full Board, or individual members of the Board, as appropriate, to review the Company’s enterprise risk profile, credit risk or other risk topics. In addition, the Chief Financial Officer meets at least quarterly with the Audit and Risk Committee, the Finance and Trust Oversight Committee or the full Board of Directors to discuss Capital One’s market risk, liquidity risk, financial results and financial forecasts. Throughout the year, strategic presentations and line of business updates to the Board of Directors or its Committees typically include reports on risk management.

Corporate Audit Services provides independent and objective assurance services and advice and counsel regarding risk management and control practices to provide that risk management, internal controls and governance systems are adequate and functioning on a consistent and reliable basis. The Chief Internal Auditor reports organizationally to the Audit and Risk Committee of the Board of Directors, which has the authority to hire, fire and compensate him.

Risk Assessment of Compensation Policies and Practices

The Compensation Committee actively oversees all of our compensation policies and practices, including our incentive compensation policies and practices, to monitor that they do not encourage risk-taking beyond our ability to manage risk, are compatible with effective controls and risk management and align with our business strategy. The Compensation Committee annually reviews and approves the overall goals and purposes of Capital One's corporate incentive program, the named executive officer and other senior executive compensation programs and any other material incentive compensation programs. During the course of these reviews, the Compensation Committee discusses Capital One's most significant risks, including Capital One's status with respect to those risks and the relationship of those risks to applicable compensation programs. The Compensation Committee also discusses these programs with Capital One's Chief Risk Officer, Chief Human Resources Officer and the Compensation Committee's independent compensation consultant, as appropriate. Based on these discussions, the Compensation Committee believes that these compensation programs are consistent with Safety and Soundness and do not contain material incentives that the Compensation Committee would expect to drive excessive risk taking.

Director Independence

The Board of Directors has assessed whether each of its non-management members is "independent" under Capital One's Director Independence Standards. These standards, which have been adopted by the Board of Directors as part of Capital One's Corporate Governance Principles, reflect, among other things, the director independence requirements set forth in the listing standards of the NYSE and other applicable legal and regulatory rules, and describe certain relationships that the Board has determined to be immaterial for purposes of determining director independence. The Board of Directors has determined that each of Mr. Campbell, Mr. Dietz, Mr. Gross, Ms. Hackett, Mr. Hay, Mr. Leroy, Mr. Shattuck and Mr. Warner are independent under these standards. With respect to Mr. Westreich, who resigned from the Board of Directors in May 2010, the Board considered a loan from Capital One, National Association, indirectly connected to Mr. Westreich and certain of his family members, as described below under "Related Person Transactions," and determined that Mr. Westreich was not independent during his service as a member of the Board of Directors in 2010.

Related Person Transactions

Capital One's policies and procedures for the review, approval or ratification of related person transactions are set forth in the Charter of the Governance and Nominating Committee, Capital One's Code of Conduct and internal written procedures. The Charter of the Governance and Nominating Committee requires the Committee to review on an annual basis any transactions involving Capital One and any of its directors, executive officers or their immediate family members and, as appropriate, to consider potential conflicts of interest or the appearance of potential conflicts of interest, as well as issues relating to director independence. The Governance and Nominating Committee performs this review each year based on the information provided by each director and executive officer on an annual questionnaire and through a review of Capital One's internal systems for payments or other transactions that could indicate the presence of a related person transaction. In developing its assessment and recommendation regarding related person transactions to the Board of Directors, the Governance and Nominating Committee relies upon criteria set forth in the Code of Conduct to evaluate activities or relationships that may create a conflict of interest, including potential related person transactions. In addition to specific prohibitions, these criteria include the extent to which the proposed relationship would be legal, authorized and permitted (or prohibited) by Capital One policies, as well as the potential perspective of third parties regarding such relationships.

From time to time in the ordinary course of its business, Capital One issues loans to directors, executive officers and/or nominees for director, or to a director's, executive officer's or director nominee's immediate family member, including persons sharing the household of such director, executive officer or director nominee (other than a tenant or employee). Such loans are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with persons not related to the Company and do not involve more than the normal risk of collectability or present other unfavorable features.

Internal written procedures require that any potential conflict of interest, including related person transactions involving any of Capital One's directors or executive officers, be reviewed by the General Counsel (in the case of a director) and by either the General Counsel or Chief Human Resources Officer (in the case of an executive officer). If the reviewer believes that such relationship could create a conflict of interest or require disclosure as a related person transaction, a second review is conducted by the disinterested members of the Governance and Nominating Committee and, ultimately, by the disinterested members of the Board of Directors (in the case of a director), or by the Chief Executive Officer (in the case of an executive officer).

Capital One had one related person transaction since January 1, 2010. Prior to its acquisition by Capital One in 2006, North Fork Bank (now Capital One, National Association, or the "Bank") extended an interest-only, non-recourse commercial real estate acquisition loan (with limited capital involvement obligations by the borrower) to a limited liability company of which a son of

Stanley Westreich, one of Capital One's former directors, served at the relevant times as manager through a separate entity and, together with other family members and third parties, was an investor. A family trust for which Mr. Westreich was at the relevant times the trustee and residual beneficiary had indirectly invested \$22.2 million in the borrower, comprising a 49% indirect ownership interest and a \$3.8 million indirect loan. The trust had no voting rights or other legal ability to control the borrower. The Bank's loan had an original principal amount of \$37.5 million, which was the amount outstanding at all times since May 2005; had an interest rate of 5.5% per annum; was scheduled to mature in May 2010; and was secured by commercial real estate property in New York, New York. At December 31, 2009, the Bank considered this loan "classified" under applicable regulatory guidelines and as a "potential problem" under applicable financial accounting guidelines. The borrower did not deliver the loan's interest payment due on January 1, 2010, as contractually agreed, and the loan entered past due status. No principal or interest was paid by the borrower after that date. On March 31, 2010, the Bank sold the loan to a third party in an arms-length transaction for total proceeds of \$34.5 million.

Committees of the Board of Directors

In order to assist it in fulfilling its functions, the Board of Directors conducts business through four Committees: the Audit and Risk Committee, the Compensation Committee, the Governance and Nominating Committee and the Finance and Trust Oversight Committee. Pursuant to Capital One's Corporate Governance Principles and applicable law, the Audit and Risk, Compensation, and Governance and Nominating Committees are comprised solely of independent directors. Currently, the Finance and Trust Oversight Committee is also comprised solely of independent directors. The Chair of each Committee determines the frequency, length and agenda of meetings for his or her Committee in accordance with such Committee's charter, in consultation with other members of the Committee and with appropriate members of management, and establishes an annual calendar of topics for consideration by the Committee. The Chair of each Committee may also seek comments on key issues from other directors who are not part of the Committee and reports Committee activities to the full Board of Directors. In January 2011, each Committee and the Board of Directors approved the respective Committee's amended and restated charter. Copies of the charter of each Committee are available free of charge on the Corporate Governance page of Capital One's Internet site at www.capitalone.com under "Investors." Below is a description of each Committee.

Audit and Risk Committee

Description

The Audit and Risk Committee is generally responsible for overseeing Capital One's accounting, financial reporting, internal controls and risk assessment and management processes.

Key Responsibilities

- Monitor the integrity of Capital One's financial statements and internal controls;
- Monitor Capital One's compliance with legal and regulatory requirements;
- Review the qualifications, independence and performance of Capital One's independent auditor;
- Appoint, compensate, retain and oversee Capital One's independent auditor;
- Assess the performance of Capital One's Chief Internal Auditor and Chief Credit Review Officer; and
- Monitor the processes by which management assesses and manages risk.

The Committee may delegate authority for certain responsibilities to subcommittees or members of management as the Committee deems appropriate and as permitted by law.

Financial Expert

Although other members of the Audit and Risk Committee may qualify as "audit committee financial experts" under the Sarbanes-Oxley Act of 2002 and the rules of the SEC and the NYSE promulgated thereunder, the Board of Directors has designated Mr. Dietz as its "audit committee financial expert."

Service

No member of the Audit and Risk Committee simultaneously serves on the audit committees of more than three public companies, including that of Capital One, except for Mr. Gross. The Board of Directors has determined, in accordance with NYSE rules, that Mr. Gross' simultaneous service does not impair his ability to effectively serve on Capital One's Audit and Risk Committee.

2010 Meetings

During 2010, the Audit and Risk Committee met twelve times.

Governance and Nominating Committee

Description

The Governance and Nominating Committee assists the Board of Directors with respect to a variety of corporate governance matters and practices.

Key Responsibilities

- Advise the Board of Directors on its organization, membership and function;
- Identify and recommend director nominees and the structure and membership of each Committee of the Board;
- Advise and recommend action on corporate governance matters applicable to Capital One; and
- Oversee the Board's and the Chief Executive Officer's annual evaluation processes and provide that the directors engage in periodic discussions to plan for the Chief Executive Officer's succession, as described in more detail in Capital One's Corporate Governance Principles.

The Committee may delegate authority for certain responsibilities to subcommittees or members of management as the Committee deems appropriate and as permitted by law.

2010 Meetings

During 2010, the Governance and Nominating Committee met five times.

Compensation Committee

Description

In accordance with its charter, the Compensation Committee assists the Board of Directors by reviewing and recommending officer titles and roles to the Board; overseeing and recommending benefit plans for Capital One associates to the Board; recommending compensation and benefit plans for the directors, the Chief Executive Officer and senior management to the independent directors or the full Board, as provided in its charter; reviewing and approving the Committee's report and reviewing and recommending Capital One's Compensation Discussion and Analysis disclosure for inclusion in this proxy statement; and carrying out such other responsibilities and activities as may be required by law or regulation.

Key Responsibilities

- Recommend director compensation to the Board;
- Recommend to the Board officers for election or re-election or the manner in which such officers will be chosen;
- Evaluate and recommend to the independent directors the Chief Executive Officer's compensation in light of the independent directors' assessment of his performance and anticipated contributions with respect to Capital One's strategy and objectives;
- Recommend the salary levels, incentive awards, perquisites and termination arrangements for executive officers, other than the Chief Executive Officer, to the independent directors and the hiring or promotion of such executive officers to the Board;
- Review the Company's goals and objectives relevant to compensation, oversee the Company's policies and programs relating to compensation and benefits available to officers of the Company to ensure that they align with such goals and objectives and review relevant market data in establishing compensation and benefits programs;
- Periodically assess the risks that the Company's overall compensation goals and objectives, and any material incentive compensation plans or programs, may pose;
- Oversee other compensation and benefit programs and recommend benefit plans to the Board for approval;
- Administer Capital One's 2004 Stock Incentive Plan, 2002 Associate Stock Purchase Plan and other employee benefit plans;
- Carry out such other responsibilities and activities as may be required by law or regulation; and
- Recommend the inclusion of the Compensation Discussion and Analysis in the annual proxy statement or annual Form 10-K.

The independent directors of the Board may meet concurrently with the Compensation Committee, as appropriate, to review and approve compensation for the Chief Executive Officer and other executive officers.

Edgar Filing: CAPITAL ONE FINANCIAL CORP - Form DEF 14A

The Committee may also delegate authority for certain responsibilities to subcommittees or members of management as the Committee deems appropriate and as permitted by law and applicable plan documents.

Compensation Committee Interlocks and Insider Participation

No interlocking relationship exists between any member of Capital One's Board of Directors or Compensation Committee and any member of the board of directors or compensation committee of any other company, nor has any such interlocking

relationship existed in the past. No member of the Compensation Committee is or was formerly an officer or an employee of Capital One.

Compensation Committee Consultant

The Compensation Committee has the authority to retain and terminate legal counsel and other consultants and to approve such consultants' fees and other retention terms. The Committee has retained the services of Frederic W. Cook & Co., Inc., an independent executive compensation consulting firm (the "Consultant"). The Consultant reports to the Chair of the Committee, and its engagement may be terminated by the Committee at any time.

The Committee determines the scope and nature of the Consultant's assignments. In 2010, the Consultant:

- Provided to the Committee independent competitive market data and advice related to the Chief Executive Officer, the other executive officers and director compensation, including the development of a group of comparator companies for purposes of competitive benchmarking;
- Reviewed for the Committee management-provided market data and recommendations on the design of compensation programs for senior executives other than the Chief Executive Officer;
- Reviewed for the Committee Capital One's executive compensation levels, performance and the design of incentive programs;
- Reviewed the compensation program for Capital One's directors and provided competitive compensation data and director compensation program recommendations to the Committee for review; and
- Provided information to the Committee on executive and director compensation trends and analyses of the implications of such trends for Capital One.

The Consultant generally attends Committee meetings and executive sessions upon the Chair of the Committee's request, including meetings held jointly with the independent directors to review or approve the compensation for the Chief Executive Officer, the other executive officers and the directors' compensation to provide an independent perspective regarding such compensation practices.

The services provided by the Consultant are limited in scope as described above. The Consultant does not provide any services to the Company or its management other than the services provided to the Compensation Committee as described above.

2010 Meetings

During 2010, the Compensation Committee met seven times.

Finance and Trust Oversight Committee

Description

The Finance and Trust Oversight Committee assists the Board of Directors in overseeing Capital One's management of liquidity, capital and financial (or market) risks, as well as the trust activities of Capital One, National Association, a subsidiary of Capital One.

Key Responsibilities

- Monitor Capital One's significant capital and funding transactions;
- Monitor liquidity and financial (or market) risks, as well as Capital One's fiduciary activities and exposures;
- Oversee Capital One's debt funding and capital programs;
- Oversee management and monitor execution of Capital One's wholesale and retail funding plans;
- Recommend the payment of dividends on Capital One's common stock to the Board of Directors; and
- Exercise general oversight of the trust activities of Capital One, National Association.

The Committee may delegate authority for certain responsibilities to subcommittees or members of management as the Committee deems appropriate and as permitted by law.

2010 Meetings

During 2010, the Finance and Trust Oversight Committee met five times.

Committee Membership

The table below provides a summary of the Board's current Committee structure, membership and related information.

	Chair	Member	Audit Committee Financial Expert	Governance and Nominating Committee
	Audit and Risk Committee	Compensation Committee	Finance and Trust Oversight Committee	
E.R. Campbell				
W. Ronald Dietz				
Patrick W. Gross				
Ann Fritz Hackett				
Lewis Hay, III				
Pierre E. Leroy				
Mayo A. Shattuck III				
Bradford H. Warner				

Director Nomination Process

The Governance and Nominating Committee considers and makes recommendations to the Board of Directors concerning nominees to create or fill open positions within the Board. Stockholders may propose nominees for consideration by the Committee by submitting the names and other relevant information as required by Capital One's Amended and Restated Bylaws to the Corporate Secretary, with a copy to the Chair of the Committee, at the address set forth on the Notice of Annual Stockholder Meeting.

Director candidates, other than current directors, may be interviewed by the Chair of the Governance and Nominating Committee, other directors, the Chief Executive Officer and/or other members of senior management. The Committee considers the criteria described below, as well as the results of interviews and any background checks the Committee deems appropriate, in making its recommendation to the Board of Directors. The Committee also considers current directors for re-nomination in light of the criteria described below and their past and potential contributions to the Board of Directors.

Consideration of Director Nominees

All director candidates, including incumbent directors and those recommended by stockholders, are evaluated using the same criteria. These criteria are as follows:

- Candidates should possess a strong educational background, substantial tenure and breadth of experience in leadership capacities, and business and financial acumen;
- Candidates may also be selected for their background relevant to Capital One's business strategy, their understanding of the intricacies of a public company, their international business background and their experience in risk management; and
- Other relevant criteria may include a reputation for high personal and professional ethics, integrity and honesty, good character and judgment, the ability to be an independent thinker, and diversity along a variety of dimensions, including the candidate's professional and personal experience, background, perspective and viewpoint.

Edgar Filing: CAPITAL ONE FINANCIAL CORP - Form DEF 14A

The Governance and Nominating Committee and the Board of Directors believe that diversity along multiple dimensions, including opinions, skills, perspectives, personal and professional experiences and other differentiating characteristics, is an important element of its nomination recommendations. The Board of Directors considers each nominee in the context of the Board as a whole, with the objective of assembling a Board that can best maintain the success of Capital One's business. Although the Board of Directors does not have a formal diversity policy, the Governance and Nominating Committee and the

Board periodically review the Board's membership in light of Capital One's business model and strategic objectives, consider whether the directors possess the requisite skills, experience and perspectives to oversee the Company in achieving those goals, and may seek additional directors from time to time as a result of its considerations.

How to Contact the Board of Directors and the Presiding Director

Interested parties may make their concerns known to the Board of Directors or independent directors as a group by contacting the Presiding Director, care of the Corporate Secretary, at the address below:

Presiding Director
Board of Directors
c/o Corporate Secretary's Office
Capital One Financial Corporation
1680 Capital One Drive
McLean, Virginia 22102

Communications may also be sent to individual directors at the same address.

The Corporate Secretary reviews all communications sent to the Board of Directors, Committees or individual directors and forwards all substantive communications to the appropriate parties. Communications to the Board of Directors, the independent directors or any individual director that relate to Capital One's accounting, internal accounting controls or auditing matters are referred to the Chair of the Audit and Risk Committee and Capital One's Chief Internal Auditor. Other communications are referred to the Presiding Director, the Chair of the appropriate Committee and/or the specified director, as applicable.

Information about our Directors and Executive Officers

Each of Capital One's current executive officers, and each director who is nominated for election or who is continuing to serve his or her term after the Annual Meeting, are listed below with a brief description of their business experience.

Directors

All of our directors have demonstrated business acumen, the ability to exercise sound judgment and a commitment of service to Capital One and the Board of Directors. Our directors also bring to our Board of Directors a wealth of executive leadership experience derived from their service as executives and, in many cases, chief executive officers, of large corporations. We also believe that all of our directors have a reputation for integrity, honesty and adherence to high ethical standards. Set forth below is each director's biographical information and a description of the nature of each director's experience that the Board of Directors believes supports his or her continuing service as a director.

Richard D. Fairbank, 60

Chairman, Chief Executive Officer and President