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## Memo

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March 30, 2009

To: Members of the House of Representatives

From: Floyd Stoner, Executive Vice President, Congressional Relations & Public Policy

RE: Opposition to H.R. 1664, a Bill to Amend the Executive Compensation Provisions of the Emergency Economic Stabilization Act of 2008

On behalf of the members of the American Bankers Association, I am writing to express our opposition to H.R. 1664, legislation to be considered by the House this week that would require institutions receiving Capital Purchase Program (CPP) funds and other government assistance to comply with new standards issued by the Secretary of the Treasury for all compensation.

This legislation, while aimed at the issue of bonuses paid at insurance giant AIG, is counterproductive for **healthy banks** that agreed to participate in the CPP at the urging of the Treasury and the bank regulators as a way to increase lending.

As President Obama, Treasury Secretary Geithner, and Federal Reserve Chairman Bernanke have all reiterated in recent days, the economic recovery depends critically on the active involvement of the banking sector. There are 509 banks that have accepted CPP funds. These banks are doing everything possible to put the CPP money into this economy. Restrictions on compensation, like H.R. 1664, will seriously undermine this effort. Banks already have accepted compensation limits on top management, but this new proposal would touch employees far down the employment chain.

Beyond this unfairness to these institutions and bank employees, there is a much broader concern about how banks can be involved with the government in stimulating the economy when the rules keep changing. The intention of the CPP was to stimulate new lending and to provide healthy, well-run banks with capital to weather the economic storm. The changes proposed send the opposite message. They signal to any strong, viable bank that any involvement by the government in the business of private enterprise brings with it significant risk and costs, not the least of which is the unilateral changing of rules at any time. Sudden, unexpected government action is extremely disruptive to sound business planning. No healthy institution can long survive this level of micro-management. Such institutions will not volunteer to participate in the CPP or other programs intended to halt the recession. In fact, they will almost certainly try to withdraw from the current CPP program.

Congress plays a critical role in developing meaningful solutions to the existing crisis. Legislation such as H.R. 1664 will not help revive the economy, but rather could harm the investments made by the government to restore confidence in the banking industry.

We urge House Members to oppose H.R. 1664 when it is considered on the floor this week.