OBAMA-BIDEN TRANSITION PROJECT

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To: Emanuel Pleitez & Rosa Rios—Treasury Department Transition Team
From: Amy Borrus, Jeff Mahoney & Ann Yerger—Council of Institutional Investors
Date: December 18, 2008
Re: U.S. Department of the Treasury

The Council is a nonpartisan, nonprofit association of more than 140 corporate, public and union employee benefit plans that invest assets on behalf of millions of Americans. Council members have a significant long-term commitment to the U.S. capital markets and to U.S. companies. They value highly the Treasury Department's roles as steward of the U.S. economy and financial system and influential participant in the global economy.

The Council has identified three key issues for consideration by the Treasury Department:

Financial Markets Regulatory Reform
The financial crisis highlights the urgent need to revamp the U.S. approach to regulating financial markets. It is critical that the Treasury Department, in leading the review and crafting recommendations, casts a wide net to involve all stakeholders—including other key agencies, companies and investors.

Enhancing the competitiveness of U.S. capital markets was the driving force behind the Department's March 2008 *Blueprint for a Modernized Financial Regulatory Structure*. The Council believes that the rationale for the regulatory framework instead should be fostering an efficient, effective and globally competitive regulatory model that provides strong investor protections, robust independent oversight of market participants, vigorous enforcement of the rules and reliable and timely financial disclosures. The ability to attract capital and investors, not just listings, is what makes markets competitive. As a result, the integrity of U.S. markets and investor protections are paramount and should guide any regulatory overhaul. While competing pressures are inevitable, investor interests always should come first.

Oversight of the Emergency Economic Stabilization Act (EESA)/Troubled Asset Relief Program/Capital Purchase Program
The Treasury Department has tremendous authority to allocate up to $700 billion in taxpayer money to implement the EESA. With this power comes the responsibility to monitor and report on compliance with the letter and spirit of the law. The public and Council members in particular are keenly interested in EESA's executive compensation provisions. Americans, especially those who invest in public companies, oppose pay for failure. The Council believes that companies that accept taxpayer dollars should be subject to limits on executive compensation. The Council also believes that the Treasury Department should rigorously enforce these restrictions, including, if necessary, hiring experts to assess corporate compliance. And the Department should periodically report publicly on its oversight of compliance with the curbs.

Communications with Stakeholders
The Council commends the current Treasury Department for its efforts to reach out to a broad range of stakeholders with diverse perspectives on public policy issues. The Council has been honored to have been included in these discussions and on committees sponsored by the Department. Regardless of the Council's future involvement with the Treasury Department, the Council believes this outreach should continue. Diverse input helps ensure optimal public policy responses.