



United States Senate

WASHINGTON, DC 20510-0905

January 13, 2010

BILL NELSON
FLORIDA

The Honorable Barack Obama
President of the United States
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. President,

I was pleased to learn that you intend to offer a proposal tomorrow to recoup taxpayer bailout funds from the country's largest financial firms. While this is a positive step, I believe more must be done to restore public confidence in our nation's financial system.

Like most Americans, I continue to be disturbed by the inflated executive bonuses being paid out by the same banks and Wall Street firms that helped get us into the current economic mess. Meantime, these same institutions have made few meaningful changes to executive compensation and other practices that contributed to the financial crisis.

Therefore, I encourage you to strengthen your proposal by incorporating in your 2011 budget the executive compensation reforms I'll soon be introducing in the Senate and have attached for your consideration.

This legislation, the Wall Street Compensation Reform Act, would use the power of the tax code and shareholder disclosures to put an end to Wall Street compensation practices that emphasize short-term, unsustainable, and illusory profits and refocus the financial sector on its critical role as a bridge between lenders and borrowers. The proposal pulls the new voluntary executive compensation standards developed by the Financial Stability Board into the tax code and gives those standards teeth.

More specifically, the legislation will create special executive compensation tax rules that apply to "systemically significant" financial institutions. The legislation will condition an institution's eligibility for tax deductions on ending its reckless compensation arrangements and adopting new, long term-oriented, compensation standards. The bill includes a number of provisions, including: making compensation over \$1 million nondeductible unless it is performance based; requiring that at least half of performance-based compensation vest over a period of five years or more; mandating that executives at public companies be paid in employer stock; requiring compensation clawback arrangements; and, prohibiting employees from engaging in personal hedging strategies, such as compensation insurance. These requirements, and others, would apply to high-level executives and other employees whose actions affect the

institution's risk exposure. In order to limit administrative complexity, the rules would be built into an existing provision of the tax code, section 162(m).

Mr. President, I believe the provisions of the Wall Street Compensation Reform Act would put an end to the compensation practices that led us down an unsustainable path and threaten to drive us right back into the ditch.

I look forward to working with you as the budget and financial reform process moves forward.

Sincerely,

A handwritten signature in blue ink that reads "Bill Nelson". The signature is written in a cursive, flowing style.

Bill Nelson

cc: The Honorable Timothy F. Geithner, United States Secretary of the Treasury
The Honorable Max Baucus, Chairman, Senate Committee on Finance
The Honorable Charles Grassley, Ranking Member, Senate Committee on Finance