

United States Senate

WASHINGTON, DC 20510

September 26, 2008

The Honorable Harry Reid
Majority Leader
United States Senate
Washington, DC 20510

Dear Majority Leader Reid:

The undersigned Senators appreciate the time-sensitive nature of the current financial crisis, but want to ensure that several provisions are included in any proposal. While we have not yet seen the proposed compromise legislation, our priority is to ensure that given the impact the legislation would have on U.S. taxpayers, a number of fundamental points must be addressed.

They are as follows:

First, a new regulatory structure must be established to protect our financial system against further instability. Given the time constraints of this crisis, regulation can be put in place following the completion of the current legislation, but should be developed no later than the first six (6) months after passage.

Second, the funds requested by the Treasury Department should be released in installments. A 'tranching' approach would permit the Congress to properly fulfill its oversight role and to monitor the implementation of a new regulatory structure.

Third, limits should be proposed on the compensation of executives at private institutions participating in the Treasury's program. A mechanism could also be put in place to provide for executives to receive increased compensation if they return their companies to profitability and make taxpayers whole. But if taxpayers will be asked to make historical sacrifices, so should the institutions and individuals who facilitated this crisis.

Fourth, in exchange for taxpayer assistance, the government should take equity in the troubled institutions through warrants, contingent shares, or a senior debt instrument in the case of non-publicly traded entity. The goal of the valuation of the contingent shares/warrants received by the government should be to protect the taxpayers from loss to the greatest extent possible and any gains are returned to the U.S. Treasury.

Lastly, foreign central banks, not the U.S. taxpayer, should provide financial assistance to foreign-based institutions and their U.S. subsidiaries.

Sincerely,

J. Webb

Amy Klobuchar

Dianne Feinstein

Bill Nelson

Barbara Byrd

Blanche L. Lincoln

Tom Harkin

Ken Salazar

to Benjamin Nelson

cc: The Honorable Christopher Dodd
Chairman
Senate Committee on Banking, Housing, and Urban Affairs

The Honorable Richard C. Shelby
Ranking Member
Senate Committee on Banking, Housing, and Urban Affairs