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Council Applauds Senate Efforts to Improve U.S. Financial Regulation

Washington, D.C., November 18, 2009 —The Council of Institutional Investors applauds Senator Christopher J. Dodd's (D-Conn.) comprehensive efforts to strengthen the regulation of the U.S. financial system through the reforms contained in the Restoring American Financial Stability Act of 2009 discussion draft.

Many key provisions in the draft bill by the chairman of the Senate Banking Committee are in tune with the Council's priorities. In particular, the Council is encouraged that the bill includes reforms designed to strengthen corporate governance, enhance the oversight and accountability of credit rating agencies, establish meaningful regulation of over-the-counter (OTC) derivatives and bolster the resources and independence of the Securities and Exchange Commission (SEC).

"The global financial crisis represents a massive failure of oversight," said Ann Yerger, executive director of the Council of Institutional Investors. "Reforms in the Restoring American Financial Stability Act would help restore trust and guard against similar catastrophes in the future. Regulators and investors need tools like those in the bill to guarantee robust oversight of financial firms, promote market discipline and stability and hold directors' feet to the fire."

The Council believes that the corporate governance improvements in the discussion draft would go a long way toward empowering investors—the *owners* of public companies—to anticipate and take steps to check overly risky moves by management. These much-needed enhancements include:

- Allowing long-term investors to nominate their own director candidates on the company proxy ballot
- Requiring corporate directors to be elected by a majority of votes cast in uncontested elections
- Enabling boards to "claw back" unearned bonuses paid to senior executives
- Requiring annual advisory shareowner votes on the executive compensation of top management

The Restoring American Financial Stability Act is an important step toward the urgently needed, broad overhaul of financial markets and corporate governance regulation. The Council looks forward to working with Senator Dodd and Senator Richard Shelby (R-Ala.), ranking member of the Senate Banking Committee, on comprehensive reform legislation.

For a detailed discussion of the Council's perspective on the Restoring American Financial Stability Act discussion draft, please see the Council's [letter](#) to Chairman Dodd.

The Council of Institutional Investors (CII) is a nonprofit association of public, union and corporate pension funds with combined assets that exceed \$3 trillion. Member funds are major long-term shareowners with a duty to protect the retirement assets of millions of American workers. The Council strives to educate its members, policymakers and the public about good corporate governance, shareowner rights and related investment issues, and to advocate on members' behalf.