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COUNCIL OF INSTITUTIONAL INVESTORS STATEMENT ON THE FEDERAL RESPONSE TO THE FINANCIAL CRISIS

The Council of Institutional Investors urges the Treasury Department, the Federal Reserve and Congress to proceed carefully as they consider responses to the unprecedented financial crisis.

The top priority must be restoring stability to the U.S. financial markets. As significant long-term investors, Council member funds have a deep, abiding interest in ensuring that the capital markets are on a sound footing. Broader, more fundamental reforms, while needed, should not be undertaken in the heat of the current crisis.

"It is in the best interest of investors for U.S. authorities and Congress to focus now on stabilizing the financial markets," said Joe Dear, chair of the Council of Institutional Investors. "You don't rebuild a house in the middle of a hurricane. Reform of the financial regulatory system requires careful analysis of the factors that fueled the current debacle as well as global market trends. And any regulatory overhaul must ensure independent oversight of market participants, reliable and timely disclosures and, above all, robust investor protections and enforcement of the rules."

The Council shares the frustration of congressional leaders who are pressing the Bush Administration to require pay curbs for CEOs at financial firms seeking government assistance. Wall Street is awash in platinum-plated CEOs at companies that have amassed staggering losses. Lawmakers should ensure that boards of directors have the necessary tools to effectively recapture ill-gotten gains paid to these corporate executives. The Council has long opposed severance payments, particularly to senior executives of companies that have performed poorly.

Financial authorities and Congress should turn a deaf ear to special pleading from lobbyists for companies whose recklessness sowed the seeds of financial calamity. "Now is not the time to yield to pressure from Wall Street lobbyists to further shelter financial firms," said Ann Yerger, the Council's executive director.

The Council is especially alarmed by reports that financial services companies are lobbying to freeze or weaken fair value accounting for financial instruments. This accounting approach requires companies to value certain assets at the price they could get for them on the open market.

A Council-commissioned white paper found that fair value accounting offers investors more useful information than alternative accounting approaches. The white paper, written by Stephen G. Ryan, the renowned professor of accounting and Peat Marwick Fellow at New York University's Stern School of Business, can be viewed on the Council's Web site at: [http://www.cii.org/UserFiles/file/resource%20center/correspondence/2008/CII%20Fair%20Value%20Paper%20\(final\)%20%20071108.pdf](http://www.cii.org/UserFiles/file/resource%20center/correspondence/2008/CII%20Fair%20Value%20Paper%20(final)%20%20071108.pdf)

"Weakening accounting rules on financial instruments would benefit Wall Street at the expense of investors," said Yerger.

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 our members' behalf.