



Via Facsimile

April 26, 2010

The Honorable Carl Levin
United States Senate
Washington, DC 20510

The Honorable Jeff Alan Merkley
United States Senate
Washington, DC 20510

Dear Senators Levin and Merkley:

I am writing on behalf of the Council of Institutional Investors ("Council"), a non profit association of public, union and corporate pension funds with combined assets that exceed \$3 trillion. Member funds are major long-term investors with a duty to protect the retirement savings of millions of American workers across the country. Significantly affected by the financial crisis, Council members have a deep, abiding interest in strong regulatory reform.

The purpose of this letter is to respond to your inquiry about the Council's position on financial institutions and proprietary trading. Our views on that topic are informed by the recommendations of the Investor's Working Group ("IWG"). A blue ribbon panel of industry and market experts, the IWG is an independent, nonpartisan commission sponsored by the CFA Institute and the Council to provide an investor perspective on ways to improve the regulation of U.S. financial markets.

After months of deliberations, the findings and specific recommendations of the IWG were published in its July 2009 report *U.S. Financial Regulatory Reform: The Investors' Perspective* ("IWG Report").¹ Following its issuance, the IWG Report was reviewed and subsequently endorsed by the Council board and membership.²

Among its many findings, the IWG identified a number of longer term steps that policymakers should consider in developing a "more rational, less conflicted financial system."³ Those steps, which we support, include the following:

Imposing careful constraints on proprietary trading at depository institutions and their holding companies. Proprietary trading creates potentially hazardous exposures and conflicts of interest, especially at institutions that operate with explicit or implicit government guarantees. Ultimately, banks should focus on their primary purposes, taking deposits and making loans.⁴

¹ Investors' Working Group, *U.S. Financial Regulatory Reform: The Investors' Perspective* 1-27 (July 2009), [http://www.cii.org/UserFiles/file/resource%20center/investment%20issues/Investors%20Working%20Group%20Report%20\(July%202009\).pdf](http://www.cii.org/UserFiles/file/resource%20center/investment%20issues/Investors%20Working%20Group%20Report%20(July%202009).pdf) [Hereinafter IWG Report].

² See Council of Institutional Investors, Investors' Working Group, <http://www.cii.org/iwginfo> (Apr. 26, 2010).

³ IWG Report, *supra* note 1, at 3.

⁴ *Id.*

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Thank you for your interest in the Council's views on this issue. Please feel to contact me at (202) 261-7081 or jeff@cii.org should have any questions or comments regarding the contents of this letter.

Sincerely,



Jeff Mahoney
General Counsel

cc: The Honorable Christopher J. Dodd, Chairman, Committee on Banking, Housing, and Urban Affairs
The Honorable Richard C. Shelby, Ranking Member, Committee on Banking, Housing, and Urban Affairs