United States Senate

WASHINGTON, DC 20510

April 30, 2015

Janet L. Yellen
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Mary Jo White
Chair
Securities and Exchange Commission
100 F Street, NW
Washington, DC 20549

Thomas J. Curry
Comptroller of the Currency
Office of the Comptroller of the Currency
400 7th St. SW
Washington, DC 20219

Mel Watt
Director
Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20024

Martin J. Gruenberg
Chairman
Board of Directors of the Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Debbie Matz
Chairman
National Credit Union Administration Board
1775 Duke Street, Alexandria, VA 22314

Re: Timeline for issuing Sec. 956 final rule

Dear Chairman Yellen, Chairman White, Director Watt, Comptroller Curry, Chairman Gruenberg, and Chairman Matz:

We write to ask that you exercise the authority provided to you in Section 956 of the Dodd-Frank Wall Street Reform and Consumer Protection Act to re-propose and finalize rules to prohibit compensation practices that encourage inappropriate risks at financial institutions. This mandatory rule was due nine months after the enactment of Dodd-Frank and is now over 1,000 days late.

The threat from inappropriate compensation arrangements was corroborated by the *Financial Crisis Inquiry Report* published in January 2011. That report lists among its conclusions that "compensation systems . . . too often rewarded the short-term gain . . . without proper consideration of long-term consequences." Financial institutions play a crucial role in our economy by directing otherwise passive capital to more productive investments. However, when financial entities become more concerned with the pursuit of irresponsible short-term profit than benefits resulting from support for long-term productive investments, the economy suffers.

Section 956 is a crucial pay reform provision in Dodd-Frank, which Congress approved in 2010, nearly five years ago. The provision was enacted to address concerns raised by regulators, consumer advocates, and even industry representatives in multiple hearings in both the House and Senate. These hearings illuminated the systemic risk posed by financial industry compensation arrangements that incentivized excessive risk taking that was profitable for Wall Street bankers and investment managers but damaging to the economy. In response, Congress required the executive branch to issue rules prohibiting any incentive-based arrangement that would encourage inappropriate risks at a financial entity, including excessive compensation to employees or a material financial loss to the institution.

In closing, we again urge your agencies to swiftly propose new stronger rules for Section 956 of Dodd-Frank and provide us an update to your rulemaking timeline. This rule will allow shareholders and the American public to understand what is motivating leaders in the financial industry and what these implications could have for the broader economy.

Sincerely,

Tammy Baldwin

Jeffrey A. Merkley

Elizabeth Warren

Jack Reed

Mazie K Hirono

Bernard Sanders

Sheldon Whitehouse

Richard Blumenthal

Barbara Boxer

Tom Udall