



NASAA

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**NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION, INC.**

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September 25, 2008

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

The Honorable Barney Frank  
Chairman  
The Honorable Spencer Bachus  
Ranking Member  
House Committee on Financial  
Services

Dear Chairmen and Ranking Members:

On behalf of its members, the North American Securities Administrators Association (“NASAA”)<sup>1</sup> would like to offer its views on the financial bailout proposals now being debated on Capitol Hill.

NASAA appreciates the difficulties facing Congress as it seeks agreement on a program to stabilize our financial system and, at the same time, protect American investors and taxpayers. The Treasury Department’s rescue plan raises profound dilemmas. Its price tag is enormous, it may not achieve its stated goals, and it appears to reward Wall Street executives for their mismanagement, while burdening taxpayers and shareholders with enormous public debt. On the other hand, failure to pass this emergency measure in some form may trigger even more serious consequences: further paralysis in our credit markets, impediments to economic recovery, and sell-offs in the equity markets that will hurt Main Street investors far and wide—especially seniors facing retirement in the near term.

However Congress resolves these questions in the days ahead, NASAA believes that *any* plan must contain certain provisions that safeguard the interests of Main Street investors and taxpayers. These elements are essential if the plan is to be effective, fair, and credible.

First, the plan should ensure that the government’s authority to purchase, manage, and sell distressed assets, using taxpayer money, is subject to close scrutiny and accountability. At a minimum, the plan should include three components: Regular reporting to an independent oversight board; periodic assessment of the plan’s effectiveness; and strong control mechanisms to ensure that any abuses, conflicts of interest, or errors in judgment can be corrected. One especially important oversight mechanism that must be preserved is judicial review of actions

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<sup>1</sup> The oldest international organization devoted to investor protection, NASAA was organized in 1919. Its membership consists of the securities regulators in the 50 states, the District of Columbia, the U.S. Virgin Islands, Canada, Mexico, and Puerto Rico. Those agencies work tirelessly to protect investors from fraud and abuse and to promote fair and efficient capital markets.

taken under the plan. The success and credibility of any rescue plan will depend largely on the inclusion of these provisions.

Second, the plan should mitigate the cost of the rescue by giving the government, and thus all taxpayers, an ownership interest in any company that avails itself of this extraordinary opportunity to off-load distressed assets. An ownership provision will benefit taxpayers by reducing the ultimate cost of the bailout. In addition, it comports with one of the most basic principles governing our capital markets: those who place their funds at risk by investing in a corporate enterprise should stand to benefit if that enterprise succeeds.

Finally, the plan should impose appropriate limits on the compensation of executives at companies participating in the plan. Such measures should include the authority to recover past compensation paid to executives who were responsible for placing their companies in dire financial condition. This provision conserves corporate assets for the benefit of shareholders. It also adheres to another maxim of our capital markets: corporate mismanagement should have consequences.

We appreciate the opportunity to offer our views on this profoundly important legislative challenge facing the Congress. As you have already stated, once some measure of calm is restored to our markets, we must also reassess our system of financial regulation and identify ways in which it can be strengthened. NASAA looks forward to working with the Congress and the Administration as we consider reforms to the financial services regulatory structure. Any changes must preserve the vital role that state securities regulators play in protecting Main Street investors—a role that has served the public well for nearly 100 years.

If you or members of your staff would like to discuss NASAA's position on any of these issues, I invite you to contact Russ Iuculano, NASAA's Executive Director, or Deborah Fischione House, NASAA's Director of Policy, at 202-737-0900.

Sincerely,

A handwritten signature in cursive script that reads "Fred J. Joseph".

Fred J. Joseph  
Colorado Securities Commissioner and  
NASAA President

cc: Members of the U.S. Senate and House of Representatives