April 26, 2013

The Honorable Mary Jo White
Chairman
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

Re: Executive Pay Provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act

Dear Chairman White:

On behalf of the undersigned organizations, we want to extend our congratulations on your confirmation as SEC Chairman. We were happy to hear you commit to making full implementation of the Dodd-Frank legislation an “immediate imperative.” This letter aims to draw special attention to that law’s rules on executive compensation.

More than four years ago, President Barack Obama blamed executive compensation practices for contributing “to a reckless culture and quarter-by-quarter mentality that in turn have wrought havoc in our financial system.” Nearly three years ago, he signed into law the Dodd-Frank legislation, which includes a number of provisions designed to address these problems.

In the years since, self-serving corporate lobbying groups have used multiple tactics to block progress on these rules. They have pushed bills to repeal the rules entirely, requested unprecedented rule-making delays based on flimsy legal arguments, and lobbied aggressively to water down the rules in ways that would undermine the intent of the law.

They profess to be concerned about the time and effort of complying with what they see as a set of “overly burdensome” provisions. We hope that the SEC, under your leadership, will emphatically reject this feeble argument and move ahead to implement these long-delayed Dodd-Frank rules.

CEO-Worker Pay Ratio Rule

The new rule requiring corporations to report the ratio between their CEO’s pay and median worker compensation is a simple, straight-forward measure. Corporations already report CEO compensation to the public. They already disclose U.S. employee pay to the IRS. And those with overseas operations are reporting this information to local jurisdictions, as required. Despite the ease of access to this information, companies have nonsensically claimed it will be difficult to amalgamate.

Corporate lobbying groups have also insisted that investors simply aren’t interested in knowing more about executive compensation. In fact, many investors have shown a deep interest in such matters. Full disclosure will equip shareholders to take action to discourage large pay disparities that can harm employee morale and productivity, as well as excessive pay levels that can encourage excessively risky behavior (to say nothing of the potential waste and misallocation of funds).

Wall Street High-Risk Pay Rule

Wall Street groups have used similar arguments in their efforts to block the Dodd-Frank provision that prohibits certain financial institutions from providing incentive-based compensation that "encourages inappropriate risks." For the largest banks, the law requires that at least 50 percent of bonus pay be deferred for three years. Financial firms have requested extensive exemptions from this rule, which would render the law virtually meaningless.

Again, the argument that this new rule would be "overly burdensome" is groundless. Other than the very limited bonus deferral requirement, the rule contains no specific mandates regarding pay packages. It requires only that incentive pay arrangements not be excessive and that they properly balance risk and reward. In the aftermath of worst financial crisis since the Great Depression, this hardly seems too much to ask.

We urge you to take swift action to finalize effective regulations on these and the other remaining unimplemented Dodd-Frank executive pay provisions related to employee and director hedging, pay and performance disclosure, and clawbacks.

Thank you for your attention to this matter. Please contact Erin Kilroy at erin@ourfinancialsecurity.org if you have any questions.

Sincerely,

AFL-CIO
AFSCME
Americans for Financial Reform
California Reinvestment Coalition
Campaign for America's Future
Center for Effective Government
Common Cause
Communication Workers of America
Consumer Action
CtW Investment Group
Green America
Greenlining Institute
Institute for Policy Studies, Global Economy Project
International Brotherhood of Teamsters
National Community Reinvestment Coalition
National Fair Housing Alliance
National People's Action
NEDAP
New Jersey Citizen Action
Public Citizen
Service Employees International Union (SEIU)
U.S. PIRG
US SIF: The Forum for Sustainable and Responsible Investment

CC:
Hon. Luis Aguilar, Commissioner
Hon. Troy Paredes, Commissioner
Hon. Daniel Gallagher, Commissioner

Hon. Elisse Walter, Commissioner