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April 18, 2007

The Honorable Nancy Pelosi
Speaker, U.S. House of Representatives
H-232 The Capitol
Washington, D.C. 20515

Re: H.R. 1257, Shareholder Vote on Executive Compensation Act

Dear Speaker Pelosi:

On behalf of the American Bankers Association (ABA), I am writing to express our opposition to H.R. 1257, the Shareholder Vote on Executive Compensation Act, which is scheduled for consideration on the House floor beginning today, with a final vote on Friday morning.

A major reason for our opposition is the fact that a majority of the corporations that would be impacted by H.R. 1257 will distribute their 2007 proxy statements to shareholders over the next three months. Rules recently adopted by the Securities and Exchange Commission (SEC) will now require these proxy statements to provide extensive narrative and tabular disclosures regarding CEO and other covered executives' salaries, stock awards, deferred benefits, retirement and severance packages, and perquisites. The ABA strongly believes that Congress should give the SEC's rules time to take effect and have an impact on boards and shareholders. After assessing the effect these disclosures have had on the marketplace, Congress can determine whether legislation is warranted.

Further, shareholder advisory votes may be appropriate where there are few mechanisms in place to protect the company. That is not the case in the United States. Boards and their compensation committees have legally enforceable fiduciary responsibilities to the company and its shareholders to ensure that company assets are not wasted. To properly carry out those responsibilities, a majority of board members must be independent and the compensation committees must consist solely of independent directors. Company boards and committees meet, without company management present, in executive session. Committee directors approve the CEO compensation that is to be recommended to the full Board based on the specific company's goals, various performance metrics and the terms of the CEO's employment contract. In this country, a combination of state corporate laws, exchange listing standards, and best practices tie board accountability to shareholders on executive compensation and other issues that boards face.

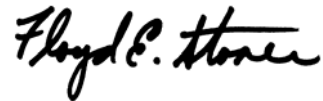
Also, the bill has several unintended consequences that we wish to bring to Members' attention. First, the bill presumes that shareholders hold unanimous views on any given corporate issue, but this is frequently not the case. In fact, if this bill were to become law, a CEO of a publicly traded bank could find him or herself at the mercy of a

dissident shareholder, particularly a shareholder seeking the sale of the company. Holding only a small percentage of stock, such an individual or group could threaten a shareholder vote on the CEO's compensation unless the CEO agrees to move forward with the sale. For shareholders who target companies seeking short-term rewards from quick sales, the proposed vote would become one more weapon in their arsenal. Such individuals and groups are active in the financial world.

Finally, a non-binding shareholder vote on executive compensation could have a chilling effect on U.S. capital markets. Small public companies may choose not to go public at all, while larger corporations seeking liquidity may opt to list outside of the U.S. upon finding the bill's requirements the last in a long list of reasons not to be a publicly traded company in the U.S. At a time when leading domestic policy makers are exploring ways to ensure that the U.S. maintains its current competitive edge in these capital markets, additional requirements would not be prudent.

Thank you for considering our views.

Sincerely,

A handwritten signature in black ink that reads "Floyd E. Stoner". The signature is written in a cursive, flowing style with a prominent initial "F".

Floyd E. Stoner