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August 6, 2009

The Honorable Kenneth R. Feinberg
Special Master for TARP Executive Compensation
United States Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Mr. Feinberg:

I am writing to urge you to use the broad authority you have been given by the Obama Administration and Congress to impose strict limits on compensation packages to senior executives and the 100 most highly compensated employees at firms receiving exceptional assistance from the Troubled Asset Relief Program (TARP). These firms include Citigroup, Bank of America and AIG -- institutions that have received hundreds of billions in taxpayer assistance.

As you know, under the Interim Final Rule on TARP Standards for Compensation and Corporate Governance, you have the power to disapprove compensation plans "where salary or other compensation is inappropriate, unsound, or excessive."

You also have the authority to recover any bonus, retention award or incentive compensation based upon criteria that are later found to be materially inaccurate.

Recent reports have shown that the same financial institutions that received the largest taxpayer bail-out in the history of the world plan to continue rewarding executives with outrageous compensation packages for taking excessive risks. While these risks may have paid off for some during the second quarter, they are the same risks that led to the worst financial crisis since the Great Depression.

For example, it has been reported that Andrew Hall, the head of Citigroup's energy trading unit (Phibro) is in line to receive a $100 million bonus for successfully speculating on oil prices. While consumers were paying over $4 a gallon for gasoline last summer, Mr. Hall has made a fortune gambling that oil prices would skyrocket – a fortune which has enabled him to purchase a castle in Germany and a multi-million art collection.

In addition, the Securities and Exchange Commission (SEC) has announced that it will be fining Bank of America $33 million for making false statements to its investors

about billions of dollars in bonuses paid to Merrill Lynch executives. According to David Rosenfeld, an Associate Director of the SEC, "As Merrill was on the brink of bankruptcy and posting record losses, Bank of America agreed to allow Merrill to pay its executives billions of dollars in bonuses. Shareholders were not told about this agreement at the time they voted on the merger."

In a recent report from the New York Attorney General's Office, Citigroup, Merrill Lynch, Bank of America and six other U.S. banks paid $32.6 billion in bonuses in 2008 while receiving $175 billion in taxpayer funds. And, it was recently reported that Citigroup will be increasing base salaries this year by as much as 50 percent in an attempt to evade TARP restrictions on bonuses.

The time has come to say enough is enough. In my opinion, the executives at Citigroup, Bank of America and other large financial institutions should not be receiving bonuses. They should be fired. These firms need new leadership, more concerned about investing in the productive economy to the benefit of all Americans than about maximizing short-term profits.

By denying bonuses to executives at these firms and imposing strict compensation limits you can send a strong signal to Wall Street that the era of excessive speculation is over. The current investment model for bailed-out Wall Street banks of rewarding huge compensation packages for executives making risky bets that oil prices will go up, or the subprime mortgage market will collapse, or on whatever else their computer models tell them will make a quick buck must come to an end. Not only are these investments extremely risky, they end up harming, not helping most Americans.

Some have claimed that since some of these bonuses and pay packages were written into contracts signed before February 11, 2009, you don't have the authority to do anything about them. I reject that claim. Earlier this year, autoworkers at General Motors and Chrysler agreed to renegotiate their labor contracts as a condition for receiving assistance from the TARP program. As a result, autoworkers accepted a freeze in wages, a reduction in retiree health benefits, and the elimination of performance based-bonuses.

If an average auto-worker earning less than $60,000 with decades of experience building cars can have their contracts renegotiated as a result of the TARP program, so can executives at bailed-out banks who have already earned hundreds of millions of dollars in compensation.

Thank you for the work you are doing. I look forward to working with you on this important issue.

Sincerely,

Bernard Sanders
United States Senator