

FINANCIAL REFORM: INSTITUTIONAL INVESTOR PERSPECTIVES

The Do's and Don'ts as Dodd's Financial Market Reform Reaches Critical Stage

Corporate Governance is Key – Don't Buckle to Lobbying by Special Interests

Do have confidence in long-term shareholders to act as the owners of the company – to improve boards, and performance.

Don't be fearful that the legislation will lead to an SEC proxy access proposal that would upset board cohesion and lead to 'bomb throwers' populating the board room. The SEC has demonstrated caution and reflection.

Dodd's Reforms Will be Good for Business, Investors and Taxpayers

Do remember that the failures of Lehman Brothers, AIG, Fannie Mae, and other firms was due to a lack of accountability by boards that "bet the ranch" and rewarded unacceptable risk.

Don't forget that accountability is critical to motivating people to do a better job in any organization or activity. We need the market to function. Regulators can't be everywhere.

Rein in the Wild Frontiers of the Capital Market

Do ensure that all derivatives are brought in from the shadows, fully regulated and traded on exchanges. For every dollar in the global economy, there are \$12 unseen and unregulated through over the counter derivatives.

Don't let credit ratings agencies and other critical intermediaries in the market evade regulation. Nail down liability, professional standards and fiduciary duty.

Give Shareholders the Tools to do the Job

Do empower owners. Confirm the SEC's authority to give long-term, responsible shareowners access to their own proxy for proposing new candidates to boards.

Don't get into the weeds with the SEC – their role is to work out the rules on proxy access, with proper consultation.

This Bill is about Main Street, Not Just Wall Street – Consumer Protection Matters

Do remember where investments come from – the savings of ordinary people. Every penny lost in the financial crisis hurt a family.

Don't in any way dilute, undermine, or reduce the scope and powers of the Consumer Protection agency.

Contact: Brad Pacheco, CalPERS Office of Public Affairs, (916) 795-3991