From: John Nehls [mailto:jon618@hotmail.com]
Sent: Tuesday, February 16, 2010 8:14 PM
To: Comments
Subject: re: FDIC Insurance premiums

To whom it may concern:

Just a "public comment" on the FDIC's proposal to tie insurance premiums to the risk in an institution's compensation plan.

From Bloomberg.com:

“'We have been told that the industry has reformed past excesses, notwithstanding the fact that pay and bonus packages in many cases seem to have reached pre-crisis levels,' FDIC Chairman Sheila Bair said at the meeting. 'This is clearly a contributor to the crisis and to the losses we are suffering.'”

"The proposal would let the agency assess risks from a bank’s compensation plan in determining the premium paid by the lender to support the FDIC’s deposit insurance fund. Banks with practices aimed at limiting risks would pay less in fees, and higher premiums would be imposed on banks with practices the regulator deems risky. The agency is acting under its authority to protect the fund, which was drained by 165 bank failures in 2008-2009."

"Comptroller of the Currency John Dugan, an FDIC board member, said the proposal is premature because the Federal Reserve Board is developing guidelines on incentive compensation programs covering all banking organizations."

Regardless of what other agencies may do in regard to their own realms of responsibility, higher FDIC insurance rates for higher risk is common business sense. Insurance is built on the concept of managing risk.

Also:

“'The Independent Community Bankers of America opposes any government scheme that could eventually dictate to a privately held board and its shareholders what they should pay their managers,' Camden Fine, the group’s president, said in a telephone interview."

Shareholders of most corporations have no say at all in executive compensation. Many shareholders and shareholders groups have been fighting for this for a long time. In any case the managing of risk by the FDIC should not be construed as "dictating" to a private board. As long as risky behavior on Wall Street has little downside to the risk takers, risky behavior will continue.

The public in general is paying more attention to the actions of our public and private institutions these days. Hopefully this scrutiny will lead to better oversight and accountability.

Thank you for the opportunity to comment.

John Nehls