



February 18, 2010

Robert E. Feldman  
Executive Secretary  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, DC 20429  
RIN #3064—AD56

Dear Mr. Feldman:

The Conference of State Bank Supervisors (CSBS) and the American Council of State Savings Supervisors (ACSSS) appreciate the opportunity to comment on the Federal Deposit Insurance Corporation's (FDIC) Advanced Notice of Proposed Rulemaking (ANPR) on Employee Compensation. It is clear that ill-advised employee compensation arrangements have contributed to the distress of a number of struggling financial institutions throughout the financial crisis.

CSBS and ACSSS support efforts to address abusive employee compensation policies. In November 2009, CSBS endorsed the Federal Reserve Board's (FRB) Proposed Guidance on Sound Incentive Compensation Policies as a logical guideline for including an evaluation of suspect incentive compensation arrangements in the examination process for institutions that engage in such practices. CSBS and ACSSS support an effort to develop the FRB's guidance through the Federal Financial Institutions Examination Council (FFIEC), which was created to promote consistency in examinations and progressive and vigilant supervision. Issuing incentive compensation guidance and examination procedures through the FFIEC would send a unified and consistent message to the industry, while promoting coordination among financial supervisors and avoiding a fragmented approach to such an important issue.

While we appreciate the FDIC's effort to address employee compensation issues, we are concerned by this ANPR, which directly correlates a financial institution's compensation methods with their deposit insurance assessments. Employee compensation arrangements should be addressed through the examination process and not tied directly to deposit insurance assessments. By using its role as the administrator of deposit insurance to influence employee compensation structures in all depository institutions, the FDIC would encroach on the jurisdiction of the chartering authority.

We believe the FDIC has outlined some insightful details for encouraging sound compensation practices. CSBS and ACSSS support the FDIC's inclination to encourage depository institutions to use restricted, non-discounted company stock, look-back mechanisms, and Boards that include independent directors, in forming and managing their employee compensation practices. Once again, however, CSBS and ACSSS believe that such guidelines should be employed through the supervision process, not through the deposit insurance assessment process. We

strongly suggest the FDIC work through the FFIEC to ensure these issues are appropriately and consistently addressed through the supervision process.

Best Regards,

A handwritten signature in black ink that reads "Neil Milner". The signature is written in a cursive, flowing style.

Neil Milner, CSBS  
President and CEO

A handwritten signature in black ink that reads "Douglas B Foster". The signature is written in a cursive, flowing style.

Doug Foster, ACSSS  
President