

111TH CONGRESS
1ST SESSION

H. CON. RES. 76

Expressing the sense of the Congress regarding executive and employee bonuses paid by AIG and other companies assisted with taxpayer funds provided under the Troubled Assets Relief Program of the Secretary of the Treasury.

IN THE HOUSE OF REPRESENTATIVES

MARCH 19, 2009

Ms. KILROY (for herself, Mr. VAN HOLLEN, Mr. HALL of New York, Mrs. DAHLKEMPER, Mr. HEINRICH, Mr. LOEBSACK, Mr. BOCCIERI, Mr. CARSON of Indiana, Ms. CASTOR of Florida, Mr. COHEN, Mr. CONNOLLY of Virginia, Ms. FUDGE, Mr. GRIFFITH, Mr. MASSA, Mr. MCNERNEY, Mr. NYE, Mr. PERRIELLO, Mr. RODRIGUEZ, Mr. SCHAUER, Ms. SUTTON, Ms. TITUS, Mr. WELCH, Mr. WILSON of Ohio, Mrs. HALVORSON, and Mr. MOORE of Kansas) submitted the following concurrent resolution; which was referred to the Committee on Financial Services

MARCH 19, 2009

The Committee on Financial Services discharged; considered and failed of adoption

CONCURRENT RESOLUTION

Expressing the sense of the Congress regarding executive and employee bonuses paid by AIG and other companies assisted with taxpayer funds provided under the Troubled Assets Relief Program of the Secretary of the Treasury.

Whereas the Chairman of the Federal Reserve, Ben Bernanke, said in testimony to Congress on March 3, 2008: “If there is a single episode in this entire 18 months that has made me more angry, I can’t think of

one, than AIG. AIG exploited a huge gap in the regulatory system; there was no oversight of the financial products division. This was a hedge fund basically that was attached to a large and stable insurance company, made huge numbers of irresponsible bets, took huge losses. We had no choice.”;

Whereas, on March 15, 2009, Chairman Bernanke said on the news program “60 Minutes” that “we must address the problem of financial institutions that are deemed too big—or perhaps too interconnected—to fail. Given the highly fragile state of financial markets and the global economy, government assistance to avoid the failures of major financial institutions has been necessary to avoid a further serious destabilization of the financial system, and our commitment to avoiding such a failure remains firm.”;

Whereas the Treasury and the Federal Reserve have committed almost \$200 billion in various forms of taxpayer assistance to AIG for the company’s liquidity shortages, the purchase of certain assets, and to dispose of other assets for an orderly wind-down of the company;

Whereas the commitment of almost \$200 billion in taxpayer assistance represents one of the largest Federal government rescues of a single private corporation in United States history;

Whereas the Federal Reserve has committed tens of billions of taxpayer dollars in a combination of facilities to purchase AIG’s mortgage-backed securities and liabilities tied to collateralized debt obligations;

Whereas the Federal government has taken a 79.9 percent stake in AIG in exchange for providing financial assistance extending credit;

Whereas, under the Emergency Economic Stabilization Act of 2008, the Bush Administration and the Obama Administration have provided AIG with access to \$70 billion in direct capital infusions, which in turn have been used, in part, to cover AIG's collateral for positions taken by the company in unregulated and risky credit default swaps;

Whereas AIG's Financial Products division's irresponsible practice of not setting aside sufficient capital to cover its exposure on more than \$1 trillion of complex financial products, including credit default swaps, have threatened the stability of the financial system and resulted in substantial losses to the company, to pensioners, to investors, and ultimately to the taxpayer;

Whereas, despite the irresponsible actions of AIG executives that threatened the company as a going concern, and exposed taxpayers to almost \$200 billion to cover losses from excessive risks, these executives will receive hundreds of millions of taxpayer money in retention payments and bonuses for performance in 2008 and 2009;

Whereas, in a letter to Treasury Secretary Geithner, AIG CEO Edward Liddy said that "AIG also is committed to seeking other ways to repay the American taxpayers for AIG Financial Products retention payments.";

Whereas, in the same letter, Liddy said that "AIG's hands are tied. Outside counsel has advised that these [retention payments] are legal, binding obligations of AIG, and there are serious legal, as well as business, consequences for not paying. Given the trillion-dollar portfolio at AIG

Financial Products, retaining key traders and risk managers is critical to our goal of repayment [to the taxpayer].”;

Whereas the appropriate committees in the House of Representatives and the Senate have already convened hearings to examine the sizable government assistance provided to AIG, and the House Financial Services Committee has focused its oversight on the excessive compensation provided AIG’s executives and employees, among other matters;

Whereas common sense dictates that a company such as AIG that was so mismanaged as to threaten the stability of the financial system of the Nation and that requires billions of dollars of taxpayer money for its survival should not reward that mismanagement through lavish bonuses; and

Whereas, on March 15, 2009, President Obama stated: “In the last six months, AIG has received substantial sums from the U.S. Treasury. I’ve asked Secretary Geithner to use that leverage and pursue every legal avenue to block these bonuses and make the American taxpayers whole”: Now, therefore, be it

1 *Resolved by the House of Representatives (the Senate*
 2 *concurring)*, That it is the sense of Congress that the
 3 President is appropriately exercising all of the authorities
 4 granted by Congress under the Emergency Economic Sta-
 5 bilization Act of 2008, and any other Federal law, by tak-
 6 ing all necessary actions to ensure that—

7 (1) in the absence of a voluntary decision by
 8 AIG employees and executives to forego their con-

1 tractual retention bonuses, AIG will repay taxpayers
2 for the hundreds of millions of dollars the company
3 provided to executives and employees in retention
4 bonuses;

5 (2) going forward, companies that receive a
6 capital infusion under title I of the Emergency Eco-
7 nomic Stabilization Act of 2008 that the Secretary
8 of the Treasury deems necessary to restore liquidity
9 and stability to the financial system of the United
10 States are prohibited from providing to executives
11 and employees unreasonable and excessive com-
12 pensation payments that are not directly tied to per-
13 formance measures, such as repayment of the com-
14 panies' obligations to the taxpayers, profitability of
15 the company, adherence to appropriate risk manage-
16 ment, and transparency and accountability to share-
17 holders, investors, and taxpayers; and

18 (3) companies that receive a capital infusion
19 under title I of the Emergency Economic Stabiliza-
20 tion Act of 2008 that the Secretary of the Treasury
21 deems necessary to restore liquidity and stability to
22 the financial system of the United States are com-
23 plying with the letter of the provisions included in
24 the American Recovery and Reinvestment Act that
25 strengthen executive compensation restrictions for

1 recipients of capital infusions, such as limiting base
2 salaries for executives to no more than \$500,000 per
3 year, banning golden parachutes, limiting bonuses
4 for executives, requiring shareholders to approve pay
5 packages, requiring executives to certify they are
6 meeting the law's restrictions, requiring a company-
7 wide policy on luxury expenditures, and prohibiting
8 compensation on the basis of excessive risks that
9 threaten the viability of such companies, and adher-
10 ing to all executive compensation guidelines the Sec-
11 retary of the Treasury may establish.

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