Before the Board today is the question of whether or not to rescind a portion of the Compensation, Retirement Programs, and Related Benefits rule that requires a nonbinding, advisory vote of the stockholders under certain conditions. The Senior Executive Compensation rule is controversial, especially because of the nonbinding advisory vote provision.

As the independent safety and soundness regulator of the System, we must write and enforce rules and regulations that may be unpopular but, at the same time, vital for the System’s long-term financial health and well-being. I take this responsibility seriously.

While the nonbinding, advisory vote is not without merit, I’ve come to believe the appropriate course of action is to rescind that portion of the rule. To me, the nonbinding, advisory vote represented a System strength because it reinforced the active involvement of borrower-owners in control of their institutions. In addition, the rule’s disclosure provisions enhance transparency for stockholders by providing insight into their institutions’ compensations programs. It is my belief that transparency is critical in the cooperative borrower-owner decision process.

However, it has become apparent that the nonbinding, advisory vote provision of the rule is believed to erode the role and responsibilities of System elected representatives. As a former appointed director of a System institution, I would like to assure you that this was not the intent.

While the nonbinding, advisory stockholder vote is being rescinded today, please know that I will continue to encourage the active participation of System borrower-owners in the management and control of their institutions. I do believe the strength of the System, or any cooperative for that matter, is the active participation of its member-owners.