April 14, 2010

The Honorable Harry Reid  The Honorable Mitch McConnell
United States Senate  United States Senate
Washington, D.C. 20510  Washington, DC 20510

Dear Senators Reid and McConnell:

Nineteen months after the most devastating financial crisis since the Great Depression, our financial system remains at risk. Neither the bill passed earlier this year by the House, nor the one currently under consideration in the Senate would have prevented the crisis. Without serious restructuring, they will not prevent a future crisis.

Sound financial markets are the bedrock of a strong economy. Over the last decade, under both Democratic and Republican leadership, our financial sector moved away from core market principles - transparency, competition, free flow of information and the essential discipline of failure - that allowed the US economy to thrive. Restoring the integrity of our financial markets and providing the foundation for economic recovery, requires re-committing to these principles.

We, the undersigned, call on you to fulfill the responsibilities of your position by joining together in non-partisan cooperation to pass legislation that AT A MINIMUM would have prevented the crisis we just endured. Such legislation must include ALL of the following reforms or be considered incomplete:

1. **Eliminates a perpetual system of government sponsored corporate bailouts financed by the government or private industry.**
2. **Increase minimum capital requirements for banks to no less than 8%.** Apply additional risk-weighted capital requirements for: a) risk concentration, b) significant interconnectedness with other financial institutions and c) illiquidity which assumes a decline in collateral values. Create standard metrics for these variables.
3. **Require on balance sheet reporting of all liabilities with disclosure of related material information including all contingent claims (including but not limited to swaps, SIVs and VIEs). Provide a private right of action for failure to comply and for knowingly aiding and abetting securities fraud.**
4. **Require all standardized derivatives to be traded over exchanges and central clearinghouses with pricing transparent to market participants include a strong presumption that most existing OTC transactions would be standardized.** Require all inter-bank and inter-dealer contingent claims (including but not limited to derivative and swap transactions) that cannot be standardized to be reported on a daily basis to a regulated transparent clearinghouse. Mandate significant and consistent margin and regulatory requirements across standardized and OTC contingent claim transactions.
5. **Create standardized Pooling and Servicing Agreements and mandate the timely availability of electronically usable loan level information for asset backed securities, covered bond and similarly structured transactions prior to sale.** Provide a private right of action and personal liability for sponsors of securitized underwritings.
6. **Establish a timeline for the resolution of Fannie Mae and Freddie Mac.**
7. Mandate that credit rating agencies be subject to the same legal standards as other market participants.
8. Mandate a separation of the roles of Chairman of the Board and CEO for regulated financial institutions.

Without these reforms, our economy remains at risk.

We would like to meet with you at your earliest convenience to discuss these concerns. To contact us, please call Erica Payne at 212-481-8302 or email her at epayne@tesseractllc.com.

Sincerely,

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