

From: Dr.Kenneth Morton  
Subject: Incentive-Based Compensation

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Comments:

I inherited some bank stock that was supposed to be good stock, but because of the economic collapse in 2008, but I lost it all when that bank failed. The Wall Street mafia stole from a lot of people including me. Everybody out here in the REAL world knows that:

- A. Wall Street cannot self-regulate!
- B. The system rewarded bad behavior!
- C. The rich and powerful will fight to keep their ill-gotten wealth!
- D. No one has gone to jail!

I have watched the award-winning documentary "Inside Job" and have bought a copy to help publicize the true story of what happened--so we can help keep it from happening again.

It is clear that we need to restore the separation between commercial banks and investment banks a la the Banking act of 1933.

We also need to change the incentive system so that it rewards prudent decisions. Every Wall Streeter wants to take the benefits of their decisions and shift the risks to someone else. We need regulations that force individual decision makers and the firms they work for to live with the risks of their decisions--not just the benefits.

I do not know enough to be able to write the rules, but some feedback mechanisms that make sense to me are:

1. use a \*safety index\* for incentive compensation, instead of a profit index.
2. use a bank's bond price, which measures the overall ability of the bank to repay its own debt
3. use the spread on credit default swaps for the bank--although I would really prefer that credit default swaps be completely outlawed.

Thank you for considering my comment, but more importantly--FIX THE SYSTYEM!!!!

Dr.Kenneth Morton