

## Viewpoint: Directors Should Be Investing

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By David B. Moore

Given the widespread distrust of financial institutions and the extremely depressed valuations of most publicly traded depositories, one modestly helpful action would be for bank directors to purchase stock in their own institutions for the foreseeable future with the monthly board fees they receive.

Such buying would not constitute anything close to a meaningful amount of trading activity (except for the smallest of microcap institutions), but it would send an unmistakable signal of confidence to both the general public and market participants. After all, there are many reasons for officers and directors to sell stock, but there is only one reason they buy stock: They think the price is going up.

The stocks of those institutions that survive should rise over time, and the directors would reap profits on their investment.

For those institutions that fail, purchasing stock would insinuate to regulators that directors at least believed they were making a good-faith effort (too late, of course) in overseeing the bank. (This might help if and when regulators decide to pursue directors personally for legal damages related to a failure.)

Thus, in either case, directors of publicly traded banking companies should be applying most of their board fees, if not all, to stock purchases in their respective companies.

The public at large is extremely distrustful of banks at the present time, and with good reason.

With few changes at the board level at either troubled institutions or those accepting funds from the Troubled Asset Relief Program, many people (read taxpayers) believe that our banking system is rigged to keep directors in their positions, regardless of the poor performance of the banks at which they are supposed to be exercising oversight.

If directors were to use their board fees to purchase stock in the open market, at least the public would see that these executives were eating their own cooking, so to speak. It's the very least that bank directors can and should do, given current circumstances.

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