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Some U.S. bank pay "unmoored" from performance: Cuomo

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By [Grant McCool](#)

NEW YORK (Reuters) - Bonuses paid to executives at nine banks that received U.S. government bailout money in 2008 were greater than net income at some of the banks, the office of New York Attorney General Andrew Cuomo said on Thursday.

Cuomo, in a report on months of investigation into compensation paid by the banks, said employee pay "has become unmoored from the banks' financial performance."

Representatives of the banks either declined comment on the report or could not comment immediately.

"There is no clear rhyme or reason to the way banks compensate and reward their employees," said the report by Cuomo, New York's top legal officer, who began his probe last October amid taxpayer complaints about Wall Street pay.

Even in one of Wall Street's worst years on record, at least 4,793 bankers and traders received more than \$1 million in bonus payments, according to the report.

Cuomo argued that, if firms followed "a more principled" bonus system, they would be less susceptible to poaching of their employees by other firms offering more pay.

"This rationalization of the compensation and bonus system must be accomplished now," said the report, which was sent to Edolphus Towns, chairman of the U.S. House of Representatives Oversight and Government Reform Committee Chairman.

Since nine banks received a total of \$125 billion last October in taxpayer money under the Troubled Asset Relief Program (TARP) to help them survive the financial crisis, Cuomo has pressed them for details on billions of dollars paid to executives amid huge losses.

SUBSTANTIALLY GREATER

The report said bonuses for Goldman Sachs Group Inc (GS.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)), Morgan Stanley (MS.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) and JPMorgan Chase & Co (JPM.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) were "substantially greater" than the banks' net income.

Goldman earned \$2.3 billion, paid out \$4.8 billion in bonuses and received \$10 billion in TARP funding, the report said.

Morgan Stanley earned \$1.7 billion, paid \$4.475 billion in bonuses and received \$10 billion in TARP funding, while JP Morgan Chase earned \$5.6 billion, paid \$8.69 billion in bonuses and received \$25 billion in TARP funding.

The latter bank paid out 1,626 bonuses of \$1 million or more, the most of all the banks studied in the report, while Goldman, which had the highest average compensation per employee, paid out 953 bonuses of \$1 million or more.

Cuomo said his office studied historical financial filings and found that at many banks compensation increased in the 2003-2006 bull market years, but stayed at those levels as the mortgage crisis and recession hit.

"Thus, when the banks did well, their employees were paid well. When the banks did poorly, their employees were paid well. And when the banks did very poorly, they were bailed out by taxpayers and their employees were still paid well.

"Bonuses and overall compensation did not vary significantly as profits diminished."

While Citigroup Inc (C.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) and Merrill Lynch, bought by Bank of America Corp (BAC.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)), lost more than \$27 billion each, Citigroup paid \$5.33 billion in bonuses and Merrill paid \$3.6 billion, the report said. The two banks received a combined \$55 billion of TARP money.

A spokesman for Bank of America said bonuses were paid to 200,000 bank employees and 30,000 Merrill legacy employees.

"The repeated explanation from bank executives that bonuses are tied to performance in a manner designed to promote (national economic) growth does not appear to be accurate," Cuomo said.

Much of Cuomo's investigation and publicity had been focused on Merrill Lynch, but Thursday's report covered all nine banks that received initial TARP money. The office has also investigated bonuses paid by giant insurer American International Group Inc (AIG.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)), but it was not included here.

Wells Fargo & Co (WFC.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) paid bonuses of \$977,500, while losing \$42.93 billion according to the report.

It said State Street Corp's (STT.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) State Street Bank and Bank of New York Mellon Corp (BK.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) "paid bonuses that were more in line with their net income, which is certainly what one would expect in a difficult year like 2008."

State Street earned \$1.8 billion, paid bonuses totaling about \$470 million and received \$2 billion in TARP funding. Bank of New York Mellon earned \$1.4 billion, paid out \$945,000 and received \$3 billion from TARP.

(Reporting by Grant McCool; editing by Tim Dobbyn, Andre Grenon and Steve Orlofsky)

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