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Wall Street's New York Bonuses to Rise 17 Percent (Update2)

By Yalman Onaran and Christine Harper

Dec. 19 (Bloomberg) -- Securities-industry employees in New York City will receive \$23.9 billion in bonuses this year, surpassing last year's record by 17 percent, New York State Comptroller Alan Hevesi forecast.

Bonuses will average \$137,580 this year, almost 2 1/2 times the average annual salary for the city's non-financial jobs, according to a report from Hevesi's office.

The payments will generate about \$1.6 billion in tax revenue for New York state and \$500 million for New York City, Hevesi said today.

New York serves as the headquarters of the largest five U.S. brokers as well as for the U.S. operations of European financial companies such as Deutsche Bank AG and Credit Suisse Group. Wall Street bonuses are increasing as profit in the securities industry surges to a record.

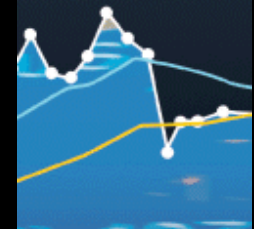
"This is the financial capital of the world, so the numbers are naturally staggering," said Michael Kelly, an executive recruiter at Michael Kelly Associates

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in New York. `` The bankers in New York City are the best paid when compared to other financial centers."

Employment in the securities industry in New York City averaged 177,300 in the first 10 months of this year, according to Hevesi's estimates. That includes European and Asian banks, such as Credit Suisse which employs 8,500 people in the city, according to spokesman John Gallagher. Deutsche Bank employs 7,500 people in New York, said spokesman Ted Meyer.

Record Payments

The top five U.S. firms -- Goldman Sachs Group Inc., Morgan Stanley, Merrill Lynch & Co., Lehman Brothers Holdings Inc. and Bear Stearns Cos. -- are about to reward their 173,000 employees with \$36 billion of bonuses, a 30 percent increase from last year's record, according to Bloomberg calculations. The estimate includes employees in other parts of the U.S., Europe and Asia.

For example, about 9,000 of Merrill's 55,000 employees, or one fifth of the total, are based in the city, according to the firm's spokeswoman Selena Morris. Last year, more than a third of Merrill's revenue came from its businesses outside the U. S. For Goldman Sachs, the ratio is even higher, reaching almost half of this year's revenue.

Goldman said last week said its fiscal 2006 net income surged 70 percent to \$9.5 billion. Morgan Stanley today said its profit from continuing operations jumped 44 percent to \$7.5 billion.

`` The real growth that we're seeing is in Asia and in Europe," said Gustavo Dolfino, president and founder of The WhiteRock Group LLC, a recruitment firm based in New York. `` People will continue to make money."

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Bonus Inequality

Besides the New York employees of foreign banks, Hevesi's figures also include smaller U.S. firms, whose profits aren't booming as much as the top five brokers, said Kelly. He said that could explain why the New York City bonus pool isn't rising as fast.

Wall Street bonuses aren't doled out equally either. Hevesi said that while top executives and profit producers receive tens of millions of dollars each, "clerk and support staff" may get bonuses in the hundreds of dollars.

Goldman Sachs paid its employees an average of \$622,000 this year, according to last week's income statement. Morgan Stanley set aside \$260,000 for each employee while paying Chief Executive Officer John Mack \$40 million.

"When Wall Street does well, New York City and New York State do well," Hevesi said. "Wall Street bonuses are spent in the city and in surrounding suburbs on entertainment, real estate, automobiles and other consumer goods."

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