

## TARP Repayment May Aid Recruitment

**Firms which repay TARP could have easier time of recruiting and retaining talent.**

*By Matthew Monks, American Banker*

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Banking companies that have repaid their federal funding could have a substantial edge in recruiting and retaining talent in the capital markets arena over rivals that have not, analysts and headhunters said.

Traders, investment bankers and brokers will follow the money, leaving companies still subject to the compensation guidelines outlined for the Troubled Asset Relief Program, these people said.

David Hendler, a senior analyst at CreditSights Inc., said in a report last week that Goldman Sachs and Morgan Stanley — two companies that repaid their TARP money this week — will have "an advantage" over TARP recipients with large capital markets businesses such as Citigroup and Bank of America.

Companies that have "exited the program will not be subject to compensation rules which may have hampered these banks' ability to pay competitive compensation," Hendler said.

This could have important implications for banks' earnings since capital markets gains were a rare bright spot for U.S. banks in the first quarter, other industry watchers said. Goldman Sachs and Morgan Stanley declined to comment. Bank of America and Citigroup did not return calls. Last week, the Treasury Department said it would appoint a compensation "czar" to sign off on pay structures for top earners and executives at companies that have received "exceptional assistance" from the government. The Treasury also said it would curb bonuses, and it asserted a right to reclaim any awards based on "inaccurate performance criteria," among other things.

Banks that have repaid their TARP funds may also be viewed as healthier, which could have positive implications for their share prices, Watkins said. This might help them entice traders away from TARP-owing companies because much of their compensation is awarded in share options.

**However, Gustavo Dolfino, the founder and president of the WhiteRock Group executive search firm, said all U.S. banks that got TARP money may be hobbled by compensation restrictions, whether they have repaid or not. This is because the government can still exert influence through the warrants it holds on TARP recipients, he said.**

**Though companies that have repaid TARP funding may have a slight advantage over those that have not, he said, boutique alternative investment houses and foreign banks are best positioned. "The only ones that do have an edge are the firms that didn't take TARP money," he said.**