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Wall Street banks see way past pay limits

Despite their tough talk about clamping down on pay, banks and securities firms are using other financial perks to ease the toll on employees, the Wall Street Journal reported Thursday.

Bank of America and Citigroup are doling out shares that employees can sell within months—much sooner than normally allowed. Other giant banks, including Goldman Sachs and Royal Bank of Scotland, let certain employees borrow money to relieve personal cash crunches. And some U.K. banks have considered raising base, or cash salaries—funds that won't be subject to the country's new 50 percent tax on bonuses.

Such moves are a contrast to concessions recently made by large financial firms in hopes of defusing public anger, and political retaliation, over the comeback of sky-high compensation. Many banks and securities firms are paying bonuses with a bigger percentage of stock. Goldman, for example, sharply reined in pay and benefits during the fourth quarter. This week, the firm told partners that 60 percent of their 2009 bonuses will be in the form of restricted stock.

The new pay culture is squeezing bankers with hefty mortgage payments and private-school tuition bills—and has prompted some companies to find ways to assist cash-squeezed employees.

Loans are the most popular form of financial aid for traders and investment bankers. Gustavo Dolfino, a senior managing director at recruiting firm Accretive Solutions, says loans "are happening all over" Wall Street. They include a type of bridge loan made to tide over employees whose fixed expenses outstrip available cash resources.

Such loans aren't new, experts say, but they are becoming more common. Unlike normal borrowers, bankers and traders sometimes can get below-market rates on loans or face lighter collateral requirements, industry officials say.

A rise in favorable employee loans could fuel new resentment over the pay culture at financial companies. Many banks remain tight about lending to consumers and small businesses. Loan balances at U.S. banks shrank by 2.8 percent in last year's third quarter, the largest decline in at least 25 years, according to the Federal Deposit Insurance Corp.