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Big Banks Cutting Loans to Employees With "Hardship"

By [Paul Smalera](#)

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The big banks are inventing creative ways around the executive compensation limits, [reports](#) the *Wall Street Journal* today. "[Bank of America](#) Corp. and [Citigroup](#) Inc. are doling out shares that employees can sell within months—much sooner than normally allowed. Other giant banks, including [Goldman Sachs Group](#) Inc. and [Royal Bank of Scotland Group](#) PLC, 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% tax on bonuses." What with multiple residences, private school tuitions, domestic employees, and various membership fees, a banker's expenses can demand a lot of cash. **That means bankers are increasingly doing something previously reserved for the rest of the public: going into debt.** "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," the paper says.

One Swiss bank, [meanwhile](#), is temporarily reneging on its promise to provide the IRS with the names of 4,450 account holders who may be evading taxes, reports the *Washington Post*. Its excuse is that the government made it. "The announcement came days after a Swiss court ruled that it would be illegal for Switzerland to comply with the August accord. The court essentially declared that long-standing secrecy protections trumped the agreement. The decision came in a test case involving a UBS account holder who was fighting to stay in the shadows," the paper reported. The move appears to be a

surmountable hurdle to the IRS, but, "If Switzerland fails to deliver the information, the IRS could resume the civil suit against UBS. What's more, following through on the criminal prosecution of the bank 'cannot be excluded,' the Swiss Justice spokesman said."

Treasury Secretary Tim Geithner was on Capitol Hill yesterday, testifying in a contentious hearing about his role in the AIG bailout. The [Post](#) and [New York Times](#) both carry some of the acrimonious exchanges, starting with Rep. Edolphus Towns saying, "The taxpayers were propping up the hollow shell of [AIG](#) by stuffing it with money, and the rest of Wall Street came by and looted the corpse." Representatives alternately yelled and groused about Geithner's actions as the chairman of the New York Fed, the role he had during the AIG bailout, immediately before he became Treasury secretary. But none was as effective in showing how Geithner and his counterparts seemed to hold themselves to a different standard than everyone else, as Rep. Marcy Kaptur of Ohio, who asked Mr. Geithner for the letter giving his now famous recusal in AIG matters: "Mr. Geithner said he did not have one. Instead, he said, he had simply made sure everyone at the New York Fed knew that he had withdrawn from day-to-day management decisions. 'This was very important to do,' he started, but Ms. Kaptur cut him off. 'A lot of people think the president of the New York Fed works for the government, but in fact he works for the banks on the board that elected you,' she said." Geithner then disagreed with her characterization.

Toyota halted the sale of eight models in the United States at the request of the Ray LaHood, secretary of the Department of Transportation, after concerns over their safety continued to surface, even after two recalls, [reports](#) the *Times*. One expert "said Toyota was also paying for taking its eye off the message that has been central to its marketing. 'When your whole deal was quality, every mistake is a big deal.'" Meanwhile, the paper also [reports](#) that other carmakers are taking advantage of Toyota's public relations nightmare to try to poach customers, as even car rental agencies began removing the make from their fleets.

The Federal Reserve, one day ahead of the confirmation vote on Chairman Ben Bernanke, left interest rates alone and confirmed its intent to exit several of the special programs it had set up to stabilize the economy during the crisis, [reports](#) the *Times*. The *Journal* [reports](#) some private investors are quite pleased about that decision. And finally, the *Times*, and seemingly every other news outlet in the world, [reported](#) that [Apple](#) (AAPL) showed off its new iPad, which will hit the market in 60 days.

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