

## **Paris presses G20 heads on bank bonuses**

*Ben Hall*

*The French government is proposing three options for capping bankers' bonuses, including a targeted tax and a mandatory limit on rewards as a share of profit, which it wants Group of 20 leaders to discuss at their summit later this month.*

President Nicolas Sarkozy last week imposed the toughest curbs on bonuses for bankers and traders among G20 countries – ensuring 50 per cent of bonuses are deferred over three years and paid only on performance – and said he would urge other governments to follow suit. But he also insisted the Pittsburgh summit go further and discuss an overall limit.

Christine Lagarde, finance minister, will outline the proposals at a meeting of finance ministers from the G20 in London on Friday. She will also brief her European Union counterparts in Brussels on Wednesday.

France wants the G20 to debate three options: a maximum ratio of a bank's gross operating income to be earmarked for variable pay; a special tax on the financial sector whose revenues could be channelled into national schemes for insuring retail bank deposits; and a straightforward limit to bonuses in terms of value.

Mr Sarkozy last week spoke of the "scandal of bonuses" when laying out curbs on French banks. The position is reminiscent of his threat to walk away from the London summit in April unless the G20 agreed to a clampdown on tax havens. The French president got his way.

"We're looking for G20 declarations that are as strong on bonuses as they were on tax havens in April," said an official.

Calls for a straightforward limit on bonuses are likely to meet stiff resistance, particularly from the US and UK. French officials acknowledge there is no appetite in the US for mandatory curbs on bonuses to apply to all institutions.

Gordon Brown, UK prime minister, told the Financial Times this week that imposing a cap on bonuses would be "very difficult in an international environment". He added: "There is also a legitimate debate to have [on] what the proper share of bonuses and indeed the type of remuneration is as a proportion of the income and profits of a company".

France's favoured option appears to be a maximum ratio of gross operating income to be distributed in variable pay. One senior official suggested a ceiling of 20-30 per cent.

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