

Pay cut ripples from US may reach Singapore

Banking staff brace for less generous packages

by Siow Li Sen



Kathryn Yap & Paul Aldrich
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(SINGAPORE) Singapore's top bankers - now rich in comparison to their US peers - are trying very hard to distance themselves from the move by President Barack Obama to cap pay at US\$500,000 for executives.

But just as night follows day, the pay limits set in the US, and a bonus review in the UK, will have an impact here, said headhunters and financial industry players.

In a move which sent shockwaves around the world's financial markets, President Obama last week said US banks receiving taxpayers' money could not pay their executives more than US\$500,000 a year. British finance minister Alistair Darling then said he plans an independent review of banks' bonus structure.

In fact one headhunter said the consequences of the review in the UK will be more far-reaching, with some banks already announcing changes to their bonus schemes. Barclays on Monday released 2008 results and a review of its bonus structure.

'It seems like the changes being proposed in the UK may be much broader and may affect more bankers in the city of London and elsewhere,' said Andrew Price, director, banking & finance, Global Search Partners Pte Ltd.

When contacted by BT, the public relations machinery at most banks - local as well as the Singapore-based foreign ones - pleaded to be 'left out of the story.' Others maintained radio silence.

Those working for foreign banks based here are reconciled to taking a hit.

US banks which receive 'exceptional assistance' from the government have to cap salaries, including cash bonuses, at US\$500,000 for senior executives.

'Whatever (compensation) plans are introduced by banks, they will be effective globally as otherwise it will lead to distortions internally which are not equitable and not sustainable,' said Kathryn Yap and Paul Aldrich of CTPartners.

In other words, if the US-based executives of a bank see their pay slide, so will the Singapore staff.

'Regulation aside, the entire industry is marking its compensation plans to new market conditions,' said Ms Yap and Mr Aldrich.

Ms Yap added that it remains to be seen how it will play out in Singapore. But observers say the pay cap decision and the bonus review will cascade to all working in the financial industry.

'The great shortage of talent that drove the compensation levels higher in previous years has completely turned around - we now have plenty of good candidates for any vacant positions, including foreigners, not just in the US but from everywhere,' said Mr Price.

Local banks, too, were bracing themselves even though their public relations folk argued privately that it would not be fair to compare their top bosses' pay of S\$6 million to S\$7 million to the past excesses of US bankers.

'It's a totally different context here, there is no bailout of our banks,' said one.

Others said it wasn't a like for like comparison and salaries here did not need to be regulated.

Of course, most are resigned to getting much reduced bonuses compared with 2007.

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DBS Group Holdings, United Overseas Bank and OCBC Bank will begin releasing full year 2008 results starting this week, and bonuses will be known only later.

'Hiring is frozen, pay is likely to be reduced,' said the managing director from a local bank. This view was echoed by her rival counterpart.

Hugh Young, managing director of Aberdeen Asset Management Asia said generally domestic banks in Singapore and the rest of Asia do not pay excessively.

One positive outcome from this debate on bankers' pay is that it might lead to more sensible 'reward structures' such as not paying out bonuses all at once, he said.

The mantra that one has to pay the going market rate, regardless of the individual's ability, may also go out of the window.

'Pay them properly, not on some notional value,' said Mr Young.