

Bankers' bonuses have been headline news every year since the financial crisis of 2008, and this year looks set to be no different. In fact, according to an Observer business leader earlier this month, bonuses in 2014 will be even bigger than they were last year - despite new regulations. After Ed Miliband's speech on banking reform on Friday, and with the big banks set to announce their bonuses in the coming weeks, this issue is set to be big news.

## So what are the key issues?

### New EU regulations

There is a new cap, which came into force this month, which restricts bonuses to 100% of bankers' base salaries, or up to 200% with explicit shareholder approval. The cap has been watered down since it was initially proposed in September, so that now up to 12,000 bankers are exempt.

Unite's National Officer for Finance Dominic Hook said: *"People at the top of the banks get treated completely differently to people at the bottom. We need rules."*

David Hillman from Robin Hood Tax said: *"Relaxing the cap on bankers' bonuses at a time when millions are still suffering the costs of the economic crisis is a step in the wrong direction."*

Jon Terry from accountants PriceWaterhouseCoopers (not to be confused with the premiership footballer!) said: *"Overall we think it's likely these rules will continue to capture high earning traders. But there may be the opportunity to exclude people who don't put the firm's capital at risk, such as back-office staff, analysts, or portfolio managers in banks' asset management businesses."*

Read more here: <http://www.theguardian.com/business/2013/dec/13/europe-banking-regulator-relaxes-bonus-cap>

Barclays (<http://www.theguardian.com/business/2014/jan/06/barclays-shares-eu-bonus-cap-bankers>) and RBS (<http://www.theguardian.com/business/2014/jan/15/royal-bank-of-scotland-pay-row-eu-bonus-cap>) are likely to fuel public anger by trying to find ways to get around the cap.

### Tories Vs Labour

In September, George Osborne tried to stop the EU cap on bankers' bonuses in the courts. It looks like Labour are now using the Tories' ties to the City (like the fact that 50% of their donations come from the finance sector [<http://www.theguardian.com/politics/2011/feb/08/tory-funds-half-city-banks-financial-sector>]) to draw a battleline.

In Prime Minister's Questions this week, Ed Miliband challenged David Cameron to veto massive bonuses. Cameron said he would veto increases to banks' bonus and salary bills, but did not commit to vetoing increases to individual payouts. As many of these banks are losing staff, that means top bankers could still see their bonuses increase this year. Read more: <http://www.theguardian.com/business/2013/oct/17/eu-cap-bankers-bonuses> and <http://www.mirror.co.uk/news/uk-news/rbs-bonuses-shares-david-cameron-3026227>.

In his speech on Friday, Ed Miliband outlined

several policies in relation to banking. Labour has pledged to create two new banks and has said it would refer banks to the competition authorities if elected. The Governor of the Bank of England, Mark Carney, has been skeptical: *"Just breaking up an institution doesn't necessarily create a viable or more intensive competitive structure."*

Read more: <http://www.theguardian.com/politics/blog/2014/jan/17/ed-milibands-speech-on-the-economy-and-breaking-up-banks-politics-live-blog> and <http://www.theguardian.com/politics/2014/jan/15/labour-market-share-cap-banks>.

## Articles we like

**Nothing can dent the divine right of bankers** - Philip Stephens outlines why bankers are still getting away with it in the Financial Times (£) (<http://www.ft.com/cms/s/0/55f08712-7ddb-11e3-95dd-00144feabdc0.html?siteedition=uk#axzz2qZLXznRh>)

**Five questions for Ed Miliband on banks and bonuses** - Nils Pratley pokes holes in some of Ed Miliband's banking policies in the Guardian (<http://www.theguardian.com/business/nils-pratley-on-finance/2014/jan/15/five-questions-ed-miliband-banks-bonuses>)

**Miliband wants to set his own test of economic credibility** - Rafael Behr analyses the Labour leader's motivations for his new line on banking in the New Statesman (<http://www.newstatesman.com/politics/2014/01/miliband-wants-set-his-own-test-economic-credibility>)

## What has Class published?

**BLOG:** A new blog by Ann Pettifor examines the UK's monetary system (<http://classonline.org.uk/blog/item/britains-monetary-system-like-our-sanitation-system-is-a-public-good>)

**THINKPIECE:** Stewart Lansley argues that a sustainable recovery will only be possible if great concentrations of wealth are broken up (<http://classonline.org.uk/pubs/item/rising-inequality-and-financial-crises>)

## Checking the facts

**UK banks: how powerful are they?** - The Guardian's datablog looks how powerful the UK's banks actually are using key facts and statistics (<http://www.theguardian.com/news/reality-check/2014/jan/17/uk-banks-how-powerful-are-they-ed-miliband-labour>)

**Fact check: bankers bonuses** - Fact check tests some of the most-used justifications for awarding massive bonuses (<http://blogs.channel4.com/factcheck/factcheck-bankers-bonuses/17485>)

## Further reading

**Costas Lapavistas** - Profiting without Producing: How finance exploits us all

**Ann Pettifor** - Just Money