DJIA 10389.88 ▼ 2.01% | Nasdaq 2265.70 ▼ 1.12% | DJ Stoxx 252.76 ▼ 1.38% | FTSE 100 5335.10 ▼ 1.58% | DAX 5746.97 ▼ 1.79% | CAC 40 3862.16 ▼ 1.70% | Euro 1.4056 ▼ 0.42% | Pound 1.6173 ▼ 0.63%

THE WALL STREET JOURNAL.

VOL. XXVII NO. 248 Late City Edition ** EUROPE Friday - Sunday, January 22 - 24, 2010

DOWJONES A News Corporation Company europe.WSJ.com

THE WALL STREET JOURNAL.

£1.50

Bahrain BD 1.50 - Egypt $1.75 (C/V)
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Obama targets big banks

U.S. plan comes amid new attacks on Wall Street; U.K. Treasury officials to consider proposal 'very carefully'

By Jonathan Weisman
And Henry J. Pulizzi

WASHINGTON—President Barack Obama proposed new rules designed to restrict the size and activities of the U.S.'s biggest banks, the latest in a series of administration moves to curb Wall Street.

New limits

"Never again will the American taxpayer be held hostage by a bank that is too big to fail," Mr. Obama said Thursday.

The White House wants commercial banks that take deposits from customers to be barred from investing on behalf of the bank itself—what's known as proprietary trading—and said the administration will seek new limits on the size and concentration of financial institutions.

Administration officials said the rules would force major institutions from **J.P. Morgan Chase** to **Bank of America** to decide the direction of their business. Banks shielded from risk through federal-deposit insurance, or aided in financial crises by low-interest loans from the Federal Reserve Board, would no longer be allowed to engage in trading unrelated to their customers' interests, one senior administration official said.

Under the proposed rule, commercial banks would be prohibited from owning, investing in or advising hedge funds or private-equity firms. Bank regulators would not be simply given the discretion to enforce such rules. They would be required to do so.

"You can choose to engage in proprietary trading, or you can own a bank, but you can't do both," the official said.

Administration officials said they also want to toughen an existing cap on bank market share. Since 1994, no bank can have more than 10% of the nation's insured deposits.

The Obama administration wants that cap to include noninsured deposits and other assets.

The White House released no information on what those other assets might be, saying officials would work closely with Congress to set tougher caps designed to prevent the further concentration of financial-industry markets within a few behemoths.

U.K. Treasury officials were mulling the U.S. announcement on Thursday. "We will consider the proposals very carefully," a spokesman said.

The U.K. opposition Conservative party, meanwhile, welcomed the plan.

In a statement, Conservative Treasury chief George Osborne said, "I have said consistently that we should look at separating retail banking from activities like large-scale propriety trading—and that

Please turn to page 4

Reuters

President Barack Obama flanked by Treasury Secretary Tim Geithner (left), Rep. Barney Frank and former Fed Chairman Paul Volcker.

Goldman profit leaps as firm restrains pay

By Joe Bel Bruno
And Jessica Papini

NEW YORK—**Goldman Sachs Group** Inc. on Thursday reported blowout fourth-quarter earnings, in part because it restrained compensation amid a public outcry about excessive pay.

The investment bank's record-high profit of $4.95 billion for the fourth quarter far exceeded Wall Street estimates. The amount eclipsed the combined returns of rivals **J.P. Morgan Chase** & Co., **Morgan Stanley**, **Citigroup** Inc. and **Bank of America** Corp., and it highlights Goldman's revival from a financial crisis that toppled competitors.

Taking a toll

But the earnings report also revealed that Goldman is being swayed by intense criticism about compensation packages so soon after the U.S. bailout of the banking industry. After the earnings were released, President Barack Obama proposed limits on the size and risk-taking of the nation's biggest banks.

The most-watched topic in the report, compensation, took many on Wall Street by surprise. The bank set aside $16.2 billion for compensation for its employees in 2009, well below the record many expected the firm would announce.

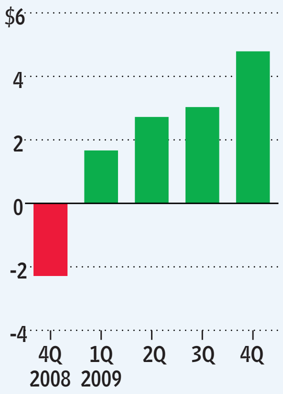
Goldman sought to deflect criticism by cutting back how much it put into its bonus pool and giving $500 million to charity. That reduced amount helped lift profits and kept the investment bank from toppling the record $20.2 billion in compensation it devoted to employees in 2007. The figure for 2009 represented 35.8% of revenues for the year, down from 48% a year earlier and the lowest level since the firm went public in 1999.

That said, Goldman's 32,500 employees, consultants and temporary workers will still receive compensation averaging about a half-million dollars for the year. It wasn't known how much Goldman Chief Executive Lloyd Blankfein would be paid for 2009, though the company's top 30 executives will receive their bonus in stock that can't be sold for at least five years.

Mr. Blankfein said the reduction in compensation, a "recognition of the broader environment, resulted in our lowest ever compensation to net revenues ratio." He went on to say that "despite significant economic headwinds, we are seeing signs of growth."

Please turn to page 4

Goldman Sachs
Net profit/loss, in billions



Source: the company