

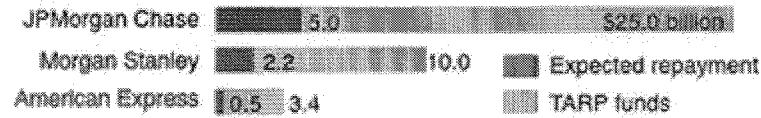
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Banks raising capital to repay Fed

Morgan Stanley, JPMorgan Chase & Co. and American Express Co. will soon begin repaying bailout money with new stock sales.

Loans received and expected repayment



SOURCE: The companies

AP

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Graphic shows amount of capital select banks will raise to repay outstanding TARP money

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Feds set to say which banks can repay bailout cash



By STEVENSON JACOBS and DANIEL WAGNER, AP Business Writers

1 hr 8 mins ago

NEW YORK – The government is set to announce as early as Tuesday morning which of the country's biggest banks will be able to repay billions in federal bailout dollars in a decision that risks creating a two-tier banking system — winners and losers.

Congress approved the \$700 billion Troubled Asset Relief Program eight months ago as financial markets teetered on collapse. Almost ever since, banks have been eager to pay back bailout money and cut the federal strings that come with it.

Combined, the repayments could exceed \$50 billion.

Experts say that figure reflects a measure of stability that has returned to the banking system but that the crisis isn't over. Some worry the repayments could widen the gap between healthy and v banks.

"We're going to find out who are the strongest kids on the block and who are not," said Bert Ely, longtime banking analyst.

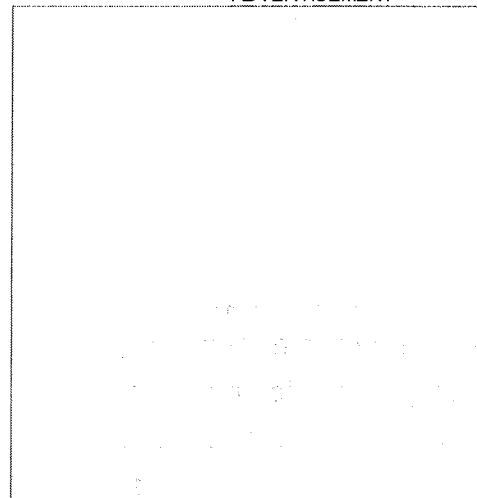
Banks started railing against the TARP almost immediately after they accepted the help. One CE Jamie Dimon of JPMorgan Chase & Co., called the money a "scarlet letter," referring to the publi backlash and federal scrutiny that came with it.

Banks that are expected to get a green light to repay bailout funds include JPMorgan, Goldman Group Inc. and American Express Co. They would be free of federal rules ranging from caps on executive pay to restrictions on dividend payments.

But weaker banks such as Citigroup Inc. and Bank of America Corp. would remain tethered to th government and face a problem — how to compete for business and top workers against rivals c more freely.

"Banks had been at an equal disadvantage," said Jack A. Ablin, chief investment officer at Harris

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Scott Talbott, top lobbyist with the Financial Services Roundtable, which represents the largest firms, said top salespeople and producers were already leaving banks for hedge funds and foreign banks. The growing gulf between TARP and non-TARP banks could speed that process, he said.

"It will impact sales people, and sales people are the life of the company," Talbott said. "If you can't make sales, you can't improve revenue. If you can't improve revenue, you can't improve your stock price. If you can't improve your stock price, you can't return the government's money. And that will just maintain the competitive disadvantage."

That's lost on the banks most heavily indebted to the bailout. Bank of America wants to repay the money "soon as possible, but the timing is up to the government," spokesman Scott Silvestri said.

A spokesman said Citigroup hasn't applied to repay TARP funds.

Simon Johnson, a former chief economist at the International Monetary Fund, said putting Citigroup and Bank of America at a disadvantage might be part of the government's plan.

"Both banks need to downsize, so this is going to cause them to lose talent if the constraints are effective," said Johnson, now at the Massachusetts Institute of Technology's Sloan School of Business. "That may be, given the political constraints, the most effective way to reduce systemic risk."

The Treasury declined to comment on whether it was concerned that bailout paybacks might increase the strain on weaker banks.

One person who says he isn't worried: Rep. Barney Frank, chairman of the House Financial Services Committee.

"Do you think there are people who don't already know that there are strong banks and weak banks that don't need TARP repayments to figure that out," Frank, D-Mass., said in an interview.

Wagner reported from Washington. AP Business Writers Madlen Read in New York and Jeannine Rocco in Washington contributed to this report.