

UK launches legal challenge against cap on bankers' bonuses

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The UK has launched a legal challenge with the European Court of Justice against the new rules capping bankers' bonuses to

the equivalent of one year's salary or two years with shareholders' approval.

The Government has argued that the proposals, which are designed to reduce bonuses, could actually increase basic salaries and break the current link between pay and performance. It added that it could end up forcing banks to pay higher salaries therefore making it harder to implement pay cuts when profits are falling and more difficult to claw back.

Despite lodging this challenge, the UK will implement the cap which is due to come into effect on bonuses awarded in respect of performance after 1 January 2014.

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