

# Goldman Sachs Still On the Hook for Role in Financial Crisis

By: Debra Speyer

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Even after reaching a \$550 million settlement with securities regulators in July 2010, Goldman Sachs is still facing a host of legal problems regarding its role in the financial crisis, [Reuters](#) reports. Of concern for investors, many of the investigations relate to allegations Goldman Sachs may have misled investors and profited from the collapse of the mortgage market at the expense of its clients.

The key investigations are detailed below:

- A Justice Department investigation launched after the Senate's Permanent Subcommittee on Investigations referred its 640-page report on the financial crisis, which included a large section on Goldman's handling of mortgage-backed securities. The panel's chairman, Senator Carl Levin, said Goldman and its executives misled investors and Congress, but said it was up to federal prosecutors to determine if any crimes were committed. One deal involving collateralized debt obligations (CDOs) marketed as "Hudson," may provide prosecutors with the most compelling case for possible criminal or civil charges, according to two sources familiar with the matter.
- In June, New York City prosecutors subpoenaed the bank to explain its actions in the run-up to the financial crisis. The Manhattan district attorney, Cyrus Vance, is not seeking new documents, according to one source, but wants to ask further questions about the information in the Levin report.
- New York Attorney General Eric Schneiderman is investigating Goldman as part of a broader probe into the mortgage operations and securitization practices of seven banks.
- The Securities and Exchange Commission is also investigating Goldman's handling of mortgage-backed securities deals. When the SEC settled its case with Goldman last year, it expressly noted that that did not preclude further actions. One source said the SEC viewed the case as a continuing priority.

Investors should also be aware that Goldman's actions leading up to the financial crisis are not the only black mark on the company's record. The firm is also facing other legal challenges, including:

- Goldman said the Commodities Futures Trading Commission was investigating its role as a clearing broker for an unnamed SEC registered broker-dealer. The CFTC advised the bank that it intends to bring aiding and abetting, civil fraud, and supervision related charges against Goldman, related to its clearing services for the broker-dealer
- Most recently, Goldman acknowledged that the SEC was investigating the bank's compliance with the Foreign Corrupt Practices Act, a case linked to Goldman's dealings with Libya's sovereign wealth fund, according to the Wall Street Journal.

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## About Debra Speyer

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