Louvain School of Management

Post-crisis communication in the financial sector: A case study of Goldman Sachs

“How did Goldman Sachs used impression management strategies to defend its organizational legitimacy between 2008 and 2011 in response to reputational threats following the subprime crisis?”

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Declaration

During the preparation of this master's thesis, the authors utilized Chat Generative Pre-Trained Transformer for the following purpose:

1. **Rephrasing and summarize long sections of text:** We used AI to rephrase sentences and suggest synonyms to get a better understanding. We also used AI to summarize long sections of text to condense information.

2. After using ChatGPT, the authors diligently reviewed and edited the content produced by the tool. We take full responsibility for the final content presented in this thesis.

By signing this declaration, we affirm that the content of this master's thesis reflects our original work, augmented by the responsible use of AI.

Tom Jonlet, the 23rd of May 2025

Jérôme Dor, the 23rd of May 2025

This thesis was conducted under the supervision of Guilhem Bascle, professor at the Catholic University of Louvain. We extend our sincere gratitude to Mr. Bascle for his valuable guidance, availability, and the pedagogical rigor with which he supported and structured this project. His constructive feedback and constant encouragement greatly contributed to the quality and clarity of our work.

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Table of Contents

CHAPTER 1: Introduction

In April 2010, the Wall Street Journal announced on its front page that the Securities and Exchange Commission was prosecuting Goldman Sachs for fraud: Wall Street's most influential financial institution had apparently designed, sold, and bet against a structured product backed by subprime mortgages, without warning the clients concerned. The case, called ABACUS[1], was to become one of the **major symbols of post-crisis mistrust** of the most powerful investment bank in the world. Beyond the financial and legal stakes, the firm faced **intense pressure** in the realm of **public communication** and **reputational management**.

Faced with this reputational pressure, the firm's communication choices offer a revealing case to explore how powerful financial institutions seek to shape public perception and preserve legitimacy during systemic crises. This context of heightened scrutiny raises a critical question for understanding organizational legitimacy under crisis conditions:

"How did Goldman Sachs used impression management strategies to defend its organizational legitimacy between 2008 and 2011 in response to reputational threats following the subprime crisis?"

This thesis aims to study the firm's responses by regrouping the undertaken strategies, comparing them with existing theoretical frameworks, and assessing their effects on the various stakeholders.

The **relevance** of this studies lies on its ability to highlight the dynamic of power and discourse in a systemic crisis, **useful** because it offers valuable lessons for managers faced with a loss of institutional confidence, and its **originality** rests because it focuses not on the causes of the crisis but on the post-crisis legitimization mechanisms of an emblematic player.

Our case study of Goldman Sachs (2008-2011) makes **four main theoretical** contributions. First, it emphasizes the need during a systemic crisis to **integrate internal reforms and external communication** in a synchronized way. Secondly, it applies the concept of

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[1] The name ABACUS simply refers to a series of synthetic CDO (Collateralized Debt Obligations) designed by Goldman Sachs. It is an internal name given to a set of structured products enabling investors to bet on the performance of securities backed by sub-prime mortgages. (Free C, 2012)

‘intermediate compliance’ to explain how an organization facing a potential major reputation crisis can preserve its legitimacy without making fundamental changes to its model. Thirdly, it highlights the **importance of temporality**, showing that only responses that combine immediate symbolic gestures with deferred structural reforms can bring about lasting restoration. Lastly, it partially challenges the Situational Crisis Communication Theory, developed by Coombs (2007) by integrating the **dimensions of organizational power and narrative control.**

Based on these contributions, five concrete managerial recommendations are formulated: (1) offer a sincere apology accompanied by tangible corrective actions; (2) cooperate rapidly with regulators to reduce legal uncertainty; (3) adopt proactive communication while strictly controlling the public narrative; (4) separate crisis to avoid contagion effect; (5) combine visible symbolic gestures with lasting internal reforms to restore trust.

The thesis is divided into five chapters, built as a progressive journey to the heart of crisis management issues. The first chapter lays the theoretical foundations and presents the main issues addressed. The second offers a structured and analytical review of the scientific literature, grouping the contributions around four main themes. The third chapter sets out our chosen methodology and introduces the Goldman Sachs case, which is central to the analysis. The fourth chapter presents the results of the qualitative study, highlighting the key dynamics observed. Finally, the last chapter discusses in depth the theoretical and managerial implications of the results, while opening the discussion on the limits of the study and avenues for future research.

CHAPTER 2: Literature Review

SECTION 1: General Introduction

Crisis management has been the subject of growing interest in the academic literature for several decades, particularly about the communication and impression management strategies adopted by companies faced with contexts of strong institutional pressure. To provide clarity, we first define the concept of crisis. According to Coombs (2010), crisis is defined as: *"the perception of an unpredictable event that threatens important expectancies of stakeholders and can seriously impact an organization's performance and generate negative outcomes"*.

The study by Dunne et al (2020) forms the main basis of our literature review, as it proposes a detailed typology of the strategies used by the Big Four[2] audit firms to **influence public perception and maintain their legitimacy** during a post-banking crisis parliamentary hearing. This conceptual framework provides a nuanced reading of organizational responses to reputational threats, distinguishing between tactics designed to **protect against potential discredit and those which actively promote a positive image.**

Our decision to use Dunne et al. (2020) typology is justified by the close structural links between the Big Four firms studied in their research and Goldman Sachs. Like the audit firms studied by Dunne et al., Goldman Sachs belongs to the category of leading financial institutions, subject to **high public visibility and high expectations in terms of accountability and legitimacy**. As a systemic player in the global financial sector, the company operates in an institutional space like that of the Big Four: it is subject to considerable regulatory, media and political pressure, particularly in the post-financial crisis period of 2008-2011. It is precisely Goldman Sachs's structural proximity in terms of **size, influence** and **visibility** that justifies the adoption of Dunne et al.'s framework to analyse its strategic responses.

Alongside the framework of Dunne et al. (2020), this work draws significantly on the fundamental work of W. Timothy Coombs, whose Situational Crisis Communication Theory (SCCT) (Coombs, 2007, 2010) has become a cornerstone of the crisis communication

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[2] The Big Four refers to the four largest global accounting firms—Deloitte, PwC, EY, and KPMG—that provide a range of services (Chen, 2023)

literature. It classifies crises according to the attribution of responsibility and associates them with appropriate response strategies (denial, mitigation, reconstruction), thus providing a **context-specific roadmap for protecting or restoring the organization's legitimacy**. Coombs's model provides a context-specific understanding of how organizations seek to protect or restore their legitimacy. His work also focuses on stakeholder perceptions and past reputation, both of which are highly relevant in the case of Goldman Sachs.

Although this literature review **takes as its central axis** the typology of impression management strategies proposed by Dunne et al. (2020) and the fundamental work of Coombs (2007,2010), it does not limit itself to a simple parallel or confrontation with other authors. Beyond this theoretical dialogue around the strategies identified, this review also integrates several complementary themes that we have deemed essential for an in-depth understanding of crisis management in highly institutionalized environments.

Finally, this review will be structured around the major families of strategies identified in the literature: defensive strategies, assertive strategies and accommodative strategies. At each stage, the contributions of Dunne et al. (2020) and Coombs will serve as a central reference for understanding the symbolic and discursive mechanisms mobilized in crisis situations.

SECTION 2: Defensive strategies

2.1. Protecting image in the face of crisis

The defensive strategies identified by Dunne et al. (2020) occupy a central place in crisis management, insofar as they aim to **protect the organization against any form of imputation of responsibility or discredit.** These strategies enable the organizational player to retain a certain symbolic legitimacy, by detaching its image from elements deemed problematic.

The first strategy, at the heart of the defensive register, is *denial*. According to Dunne (2020), it consists of **denying any direct or indirect involvement in the crisis**. The strategy consists of denying any contribution to the crisis, claiming that nothing could have been predicted or anticipated. This definition is like the one proposed by Coombs (2007), for whom denial aims to **eliminate any association between the organization and the crisis**. Jin et al. (2010) also present denial as one of the main defensive strategies to use, especially when the organization has weak control over the crisis. The importance of this strategy is also mentioned by Pearson and Clair (1998), who point out that when an organization neither confirms nor denies information about critical incidents, rumors can fill the void and amplify the threat.

A second strategy developed by Dunne et al. (2020) is that of *dissociation*, whereby the organization **distances itself from the faulty entity or practice**. The error or failure is recognized, but it is attributed to external players or sub-systems over which the organization has no direct control. This corresponds to the scapegoating mechanism described by Clemente and Gabbioneta (2017), who identify *scapegoating* as a media frame used to **isolate responsibility and protect the core brand.** This notion is also supported by Coombs (1998), who classifies the scapegoat in the wider family of strategies aimed at protecting the organization's central legitimacy while offering peripheral actors. Pearson and Clair (1998), for their part, insist that the use of this strategy is often linked to attempts at symbolic decoupling[3] in response to structural failures in terms of responsibility, a point also supported by Boin et al. (2008), who describe how organizations can fragment responsibility in order to protect their core functions in the face of crisis-induced threats to legitimacy.

The logic of distancing the organization from the entities/principals responsible for the fault is reinforced by the so-called *external attribution* strategy. Highlighted by Dunne et al. (2020), the strategy is based on blaming exogenous factors for the emergence of the crisis. Here, the position is justified by **stressing the unpredictable or unavoidable nature of certain phenomena**, such as macroeconomic conditions or international accounting standards. This form of external attribution aims to construct a representation in which the organization would have been deprived of any room for maneuver. According to Coombs et al. (1995), one dimension that seems to explain basic crisis attributions is the external control, which is the degree to which external agents could control the crisis event. **A strong perception of external control should mitigate responsibility** for the crisis and damage to image, because the organization could do little or nothing to prevent the crisis.

[3] Process through which an organization distances its core identity from problematic practices while maintaining formal compliance (Pearson and Clair, 1998).

This strategy echoes the *justification strategy,* also defined by Dunne et al. (2020) as a way for organizations to describe an external cause for its action. On the same page, Coombs (1998) defines justification as a crisis management strategy attempting to **minimize the perceived damage associated with the crisis**, by asserting that there was no serious damage or injury or even claiming that the victims deserved what they got.

Another important defensive strategy according to Dunne et al. (2020) is *selectivity.* In this strategy, the organization chooses to communicate exclusively about **favorable elements**, such as the quality of internal procedures or the training received, while ignoring shortcomings or grey areas.

Through these different strategies, the authors show that the defense of reputation is not based solely on the frontal rejection of responsibility but can also **involve more subtle forms of symbolic disconnection or partial recognition**. The complementary contributions of the authors confirm the prevalence of these tactics in crisis management, particularly when the player is seeking to preserve an image of expertise or control while navigating a threatening institutional context.

2.2. Information control and institutional positioning

These defensive strategies often rely on careful informational framing, which aligns with the concept of strategic information management (Salvador & Ikeda, 2018). Similarly, partial recognition of institutional norms through external attribution or dissociation reflects an intermediate form of compliance (Bascle, 2016), where organizations adjust their discursive alignment without fully internalizing blame.

In their study of brand crises, Salvador and Ikeda (2018) emphasize the role of strategic information management as a lever for legitimization in a crisis context. They highlight the importance of what we will call *proactive intelligence*, i.e. an organization's ability to detect weak signals upstream from sources such as social networks, customer complaints or internal indicators. This vigilance enables the organization to **react quickly, giving the image of a responsive player, attentive to its environment and concerned about the expectations of its stakeholders.** Williams et al. (2017) affirm that this proactive orientation toward potential adversity is likely to reduce the short- and long-term negative social and economic impacts on businesses. In their study, they also point unanticipated dangers (occurring especially when levels of complexity are high), which required quick action to alert decision makers to the evolving situation to maintain operations within acceptable performance range.

While Dunne focuses on the discursive dimensions of impression management, Salvador and Ikeda and Williams et al. show how the strategic collection and exploitation of information can support this storytelling, making the organization more credible in its role as a responsible actor.

The two authors also stress **the importance of an organizational learning culture**, which involves analyzing and capitalizing on past mistakes as part of a process of continuous improvement. Although this notion is not explicitly theorized in the Dunne et al. study, certain elements of their analysis, such as the insistence on training, certification and quality control processes, can be read as implicit manifestations of this desire to show that the organization is learning from the crisis.

On a different note, Bascle (2016) proposes a more institutional reading of organizational responses by introducing the concept of *intermediate conformity*. According to this theory, organizations do not simply follow or reject the dominant norms, but **adapt their level of compliance according to circumstances, institutional pressures and the specific expectations of stakeholders**. This approach makes it possible to interpret certain strategies as forms of compromise between maintaining external legitimacy and preserving strategic autonomy.

This concept sheds new light on certain defensive strategies observed by Dunne et al. (2020), dissociation and external attribution, which **involve recognizing the existence of collective norms or responsibilities**, while symbolically distancing oneself from problematic practices. By adopting a stance that conforms to institutional expectations without acknowledging any direct involvement, the players studied by Dunne et al embody the logic of modulated conformity described by Bascle.

Salvador & Ikeda, on the one hand, and Bascle, on the other, enrich our understanding of crisis management strategies by emphasizing that organizational responses are not just rhetorical choices, but are also part of **structural arrangements**: monitoring systems, learning culture or institutional adaptation strategies. These perspectives provide a better understanding of the coherence between what the organization says and what it does - a major challenge if it is to maintain its credibility in post-crisis contexts.

SECTION 3: Assertive strategies

3.1. Assert value, presence and exemplary

In contrast to defensive strategies, which seek to reduce perceived responsibility, the assertive strategies identified by Dunne et al. (2020) aim to project a positive and enhancing image of the organization, by **actively asserting its qualities, values or role in society**. These tactics, while sometimes more discreet than attack or denial strategies, are nonetheless central to building a favorable impression. They correspond to a logic of proactive legitimization, particularly relevant in contexts of strong public or regulatory pressure.

The first of these strategies is *enhancement*, which consists of highlighting the organization's past successes, technical skills and efforts to improve. The aim of this approach is to reinforce the perception of competence and diligence, by **emphasizing the added value provided by the player, despite the crisis**. Similarly, Coombs (1995) proposes *bolstering*, a strategy drawing attention to an organization's positive attributes to protect its image, praising stakeholders, promoting better stakeholder relations while eliciting audience sympathy**.** On the other hand, Coombs explains that bolstering strategies offer a limited opportunity to strengthen an organization's reputational assets. They are most useful as a complement to core strategies.

Following the same logic, Dunne et al. (2020) define *exemplification* as a strategy involving the **projection of an image of integrity or moral value**. He describes two variants of exemplification: (a) reflection and (b) independence and ethics. Reflection refers to the Big Four auditors demonstrating that they have considered the causes of the banking crisis and suggested ideas to prevent its recurrence. Independence and ethics refer to the Big Four auditors describing how independence and ethics guide their work.

Dunne et al. (2020) also identify the strategy of *self-promotion*, which takes this logic of assertion a step further. Here, the organization directly claims its professional qualities, using a **discourse demonstrating its technical mastery**. This strategy, although like enhancement, is based on a **more explicit assertion of superiority or competence**. This finding is echoed by Williams et al. (2017), who show that organizations use self-promotion as part of resilience narratives to redefine themselves post-crisis. This framework is also supported by Rhee (2008), who found that positive internal communication and assertion of competence were perceived by stakeholders as signs of a trustworthy recovery.

The *internal attribution strategy*, discussed by Dunne et al. (2020), completes this logic by asserting that the positive developments observed in the environment - such as improved standards or tighter controls - are the fruit of the actions of the organization itself. By **taking credit for beneficial changes, the players reinforce their image of leadership and initiative**. This finding is consistent with that of Pang et al. (2006), who show in a case study how regional management teams used internal attribution in crisis planning to legitimize their decentralized strategies. Pearson and Clair (1998) also observe that this tactic reinforces the sense of organizational learning and ownership of reform, and Boin et al. (2008) add that internal attribution helps reframe crisis responses as **deliberate, systemic efforts** rather than isolated reactions. Rhee (2008) also found that positive internal communication and assertion of competence were perceived by stakeholders as signs of a **trustworthy recovery**.

Finally, a more interpersonal but no less important strategy is that of *ingratiation.* Dunne et al. (2020) observe that this form of symbolic seduction is **based on a principle of reciprocity**: by flattering the interlocutor, one hopes to obtain in return a more sympathetic ear, or even a reduction in hostility. This strategy is described by Jin et al. (2010), where the organization the organization strives to **strengthen its status and relations with the public**. Rhee (2008) found that it was particularly effective when employees engaged in symmetrical communication with external stakeholders, creating a **perception of transparency and goodwill**. This idea is extended by Ha (2013), who shows that the quality of the relationship between a company and its partners (particularly communications agencies) directly influences the **perceived effectiveness of the strategies used** and increases the satisfaction of the parties involved in the crisis response. Finally, the strategy of *expressing sympathy*, as described by Bundy and Pfarrer (2017), can be likened to Dunne et al. ingratiation strategy when it takes the form of emotional signals designed to ease tensions. Although the forms are different - one focused on emotion, the other on interaction - their purpose is similar: to **humanize the relationship with stakeholders to encourage a restoration of the bond.**

All these assertive strategies, as defined by Dunne et al. and the different authors, aim to take center stage in discourse, not just to react to the crisis, but to **assert a presence, a value and an exemplary status**. In this respect, they go beyond the defensive rationale by proposing a positive decomposition of the organizational image. The similarity with the reinforcement strategies of Coombs (2007) or the expression of sympathy (Bundy & Pfarrer, 2017) confirms the importance of these affirmative approaches in **crisis situations, where the challenge is not only to limit the damage, but also to preserve, or even increase, one's symbolic capital.**

3.2. Assertiveness as a pathway to renewal

Some crisis management strategies do not simply respond to the immediate emergency or preserve reputation but aim to **transform the organization based on the lessons learned from the crisis.** These strategies, known as post-crisis or renewal strategies, are part of a dynamic of positive change, often built around stories of reform, innovation or resilience. They enable the organization to reposition itself in its environment by mobilizing a vision of the future, rather than remaining a prisoner of the past.

From this perspective, the work of Jaques (2009) introduces the notion of a *discourse of renewal*, a framework in which organizations admit the mistakes they have made, implement concrete reforms and project a new, forward-looking image of themselves. This discourse of renewal is **based on transparency, accountability and commitment to continuous improvement.** It is less about restoring an old image than building a new identity. Ulmer and al. (2006) also add that the discourse of renewal is not focused on accusations or blame, but rather on instinctive, provisional and often value based responses to crisis. Bundy and al. (2016) also emphasize the strategy's “potential for opportunity, renewal and growth” as an outcome of crisis management.

This logic is like certain assertive strategies identified by Dunne et al. (2020), those of *exemplification* and *enhancement*, which enable the player to present itself as a model of professional responsibility or as a driver of sectoral improvement. The discourse is therefore not limited to a defense of what already exists but opens a path towards a legitimate decomposition.

Furthermore, Wenzel et al. (2020) mention a complementary strategy of *strategic innovation*, which consists of renewing the company's value proposition through new products, services or processes. Moreover, Wenzel et al. (2020) assesses that innovating can be an effective response to crisis. Although this strategy does not appear directly in Dunne et al., it is in line with the idea that **the crisis can be a catalyst for profound change**. When players assert their role in improving professional standards, for example, they are participating in a process of symbolic innovation that redefines their positioning.

Finally, we should mention the strategy of *persevering,* also identified by Wenzel et al. (2020), which consists of **maintaining essential activities despite adversity**. It is part of a form of operational resilience, maintaining the foundations of the organization while absorbing the effects of the crisis. This strategy can be indirectly linked to the posture of the auditors in the Dunne et al. study, when they insist on the continuity of their missions and the robustness of their internal processes, while recognizing the need to evolve.

In conclusion, post-crisis renewal strategies are distinguished by their transformative ambition. They draw on the lessons of the crisis **to rebuild lasting legitimacy**, no longer based on a return to normality, but of a redefinition of practices and commitments. Although the strategies of Dunne et al. do not explicitly fall into this category, some of them, such as exemplification or the internal attribution of progress, already reflect a desire to reposition themselves within a logic of renewal.

SECTION 4: Accommodative strategies

4.1. Apologies and corrective actions

In addition to protecting or enhancing the company's image, some crisis management strategies involve **explicitly acknowledging the fault, expressing sincere regret and proposing remedial action.** These so-called accommodative strategies are part of a process of accepting responsibility and restoring links with the stakeholders affected. Although riskier in reputational and legal terms, they may prove necessary when public pressure is strong, and the organization’s legitimacy is seriously threatened.

Dunne et al. (2020) identify *apology* as a strategy far from a total admission of fault, which is a partial, measured and targeted form of apology, focusing on specific processes rather than the organization. The aim is to demonstrate a degree of empathy or moral responsibility, without **exposing the actor to legal risks or a loss of professional authority.** De Blasio and Veale (2009), in their analysis, take a nuanced view of this strategy. Even if apology generates a positive overall impression, they express that neither excuses nor apology are necessarily indicative of acceptance or denial of responsibility, and that there are no significant differences between the levels of impression, making them indistinguishable in the eyes of the respondents. Thus, the empirical results of De Blasio and Veale (2009) show that its effectiveness is highly **dependent on the degree of clarity in the admission of responsibility and the perceived context of the crisis.** This highlights the practical limits of an ambiguous apology and calls for more explicit or engaging forms if we really wish to restore post-crisis reputation.

The experimental study by Pace et al. (2010) confirms the relevance of this strategy. They distinguish two forms of organizational apology. The first, apology with acceptance of responsibility, includes a clear acknowledgement of fault and is the most effective in appeasing stakeholders and protecting reputation. The second, the **"safe" or partial apology, expresses regret without admitting responsibility**, as defined by Dunne et al. (2020). Less engaging, it is perceived as less sincere and has a more limited impact on restoring the organization's image. Moreover, Pace et al. (2010) demonstrate empirically that simple apologies (such as "We're sorry") are not enough to produce a clear perception of acceptance of responsibility. In other words, without an **explicit acknowledgement of responsibility**, the reputational impact of an apology is limited. For his part, Coombs (2008) qualifies the systematic effectiveness of apologies. His results show that, for stakeholders not directly victimized, apology, sympathy and compensation strategies produce equivalent effects in terms of post-crisis reputation, perceived anger, and intentions to denigrate. He notes that in crises of low perceived responsibility, a **formal apology is not always necessary**, and that an expression of sympathy or compensation may suffice. However, when the fault is known, ethics demands an explicit apology, as avoiding responsibility in such cases would be unjustifiable (Coombs, 2008).

In 1998, Coombs also introduced the concept of *full apology* as the most accommodative strategy available. Unlike partial or symbolic apologies, which limit the acknowledgment of wrongdoing, the *full apology* explicitly accepts organizational responsibility, seeks forgiveness, and often includes compensation or concrete corrective action. Coombs positions this response at the most responsible end of the accommodative-defensive spectrum, arguing that it is particularly appropriate when the organization is clearly perceived as the cause of the crisis. In such cases, ethical considerations and stakeholder expectations converge to make the ***full apology* not only a reputational strategy but a moral imperative.** However, he also notes that this strategy entails significant reputational and legal risks, which may explain its relative rarity in practice despite its high potential for restoring trust and legitimacy (Coombs, 1998).

Another strategy commonly associated with this approach is *corrective action*, which consists of announcing and implementing internal reforms to avoid repeating past mistakes. Although this strategy is not directly developed by Dunne et al. (2020), it complements apology approach by **symbolically translating the acknowledgement of fault into an operational commitment**. Grunnan and Fridheim (2017) go even further, pointing out that crisis simulation exercises are a central lever for testing and improving organizational capacities to correct dysfunctions, while integrating these efforts into a strategic planning logic.

Thus, although the players studied by Dunne et al. adopt a measured stance, their partial and symbolic apologies are part of a wider range of accommodative strategies observed in the literature. These strategies reflect a moral inflection in crisis communication, where recognition of public expectations becomes a lever for rebuilding a form of legitimacy.

4.2. Stakeholder relationships as a strategic objective

Accommodative strategies, particularly apologies and corrective actions, can be understood as tools to restore **strain relationships with key stakeholders**. Maintaining good relations with stakeholders is a fundamental strategic element for a global bank like Goldman Sachs. In times of crisis, the quality of these relationships has a direct impact on an organization's ability to maintain its performance, manage internal conflicts and preserve the trust of concerned publics (Ha, 2013). A solid relationship with stakeholders helps ease tensions, smooth coordination and increase organizational satisfaction, all of which are decisive levers in a situation of media or regulatory stress.

Beyond communication, these relationships are part of a strategic management rationale. **Stakeholder relationship management** (SRM) is based on the idea that a company's competitive advantage depends not only on its ability to adapt to the environment, but above all on the quality of its relationships with its stakeholders (Zech, 2013). These relationships generate trust, reduce uncertainty, facilitate trade and strengthen organizational resilience to external shocks.

The Fortis case[4] study provide a striking illustration of the consequences of a disconnect between ethical rhetoric and practical reality. Despite an ambitious Corporate Social Responsibility policy, the bank **failed to maintain the trust of its stakeholders**, accelerating its collapse during the financial crisis. The rapid reconfiguration of power between stakeholders, unresolved conflicts of interest and lack of transparency led to a loss of management legitimacy and massive mobilization of minority shareholders, transforming the financial crisis into a **crisis of governance** (Fassin & Gosselin, 2011).

Crises tend to increase the influence of certain stakeholders, particularly those with institutional power, such as regulators. Alpaslan et al. (2009) argue that adopting a stakeholder-oriented governance model encourages organizations to proactively engage with relevant and powerful stakeholders during crises, rather than focusing solely on shareholder value. This model promotes **early and ethical responses** that consider the wider environment. Bundy et al. (2017) complement this view by showing that organizations prioritize stakeholders who demonstrate high power, legitimacy and urgency. In crisis situations, regulators generally meet all three criteria, making them **decisive players** in shaping organizational responses. Together, these perspectives underline the strategic necessity of **maintaining strong relationships with regulators to preserve legitimacy** and effectively manage crisis outcomes.

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[4] refers to the collapse of the Belgian Dutch financial group Fortis in 2008, following a series of risky strategic decisions and the global financial crisis (Fassin and Gosselin, 2011)

In a context where a financial institution's reputation is largely based on the perception of its integrity, these analyses show that **stakeholder management cannot be reduced to a compliance obligation.** It is a strategic asset essential to the survival and legitimacy of financial organizations.

SECTION 5: Key findings

All the works examined in this literature review highlight the diversity of strategies used by organizations to deal with a crisis. In situations of intense institutional pressure, as was the case for the Big Four analyzed by Dunne et al. (2020), impression management appears to be a central response, combining protection, legitimization and symbolic repositioning. Impression management forms the main analytical basis of our literature review, in that it proposes a structured and operational typology of discursive responses to the crisis, distinguishing between defensive, assertive and accommodative strategies.

Defensive strategies such as denial, dissociation, external attribution, selective highlighting or apologies, enable organizations to **reduce their exposure to blame, by symbolically or causally distancing themselves from the critical elements of the crisis**. Apology, although more ambivalent, is used as a limited concession to preserve a form of organizational morality without incurring legal risks.

Conversely, the assertive strategies: enhancement, self-promotion, internal attribution, exemplification and ingratiation, aim to **project a strong, competent and ethical image of the organization**. These strategies do more than simply manage the reputational threat; they transform it into an opportunity to assert the value, responsibility, and leadership of the player.

Some of these strategies are also part of a **process of renewal**. While Dunne et al. do not directly theories post-crisis transformation, these approaches reflect a **desire to learn from the crisis**, not to return to the previous state, but to establish a new legitimacy.

We also broaden the understanding of organizational responses by highlighting the dynamics of **informational management and institutional compliance**. These dimensions reinforce the idea that crisis communication is **not based solely on discourse**, but is also part of practices of monitoring, organizational learning and normative adjustment.

Moreover, **quality of stakeholder relations is a strategic lever in times of crisis**. Good relationships reduce conflict, improve perceived performance and strengthen organizational resilience by creating **trust and stability**. The Fortis case illustrates that a gap between stated ethical commitments and actual practices can lead to a breach of trust, a loss of legitimacy, and exacerbate the effects of the crisis.

In conclusion, this review confirms that crisis management strategies are multiple, often combined, and deeply linked to the institutional positioning of the organization concerned.

CHAPTER 3: Case Study

SECTION 1: Methodology

This research adopts a case study methodology as defined by Robert K. Yin (2018), which provides a rigorous framework for exploring complex contemporary phenomena in their real-life context. Yin identifies three conditions that justify the use of a case study: when the research seeks to answer **"how"** or **"why"** questions, when the researcher has little or **no control** over the events being studied, and when the boundaries between **the phenomenon and the context are not clearly defined.** For our case analysis, the three criteria defined by Yin (2018) are clearly present. First, the aim of this research is to answer "how" and "why" questions, particularly our research question, notably regarding Goldman Sachs' communication strategy following a crisis. Second, the researcher has **no control over the events being examined**: it is impossible to replicate the financial crisis or the company's responses. Finally, the phenomenon under study, crisis management at Goldman Sachs, **cannot be separated from its context**, including media pressure, regulatory responses, and the firm's public image. These factors confirm the relevance of the case study method in accordance with Yin's framework.

The chosen design is that of **a single-case study**, which, according to Yin, is appropriate when the case is either extreme, unique, or revelatory. Goldman Sachs represents an **extreme case** due to the intensity of public scrutiny, the reputation to maintain, the key position in the financial market it faced and a **revelatory** case because of the richness of available public materials. The case offers rare insight into the discursive strategies of a major financial institution navigating a legitimacy crisis. The unit of analysis is defined as the firm's external communication strategies during the 2008–2011 post-crisis period.

SECTION 2: Case Study

2.1. Goldman Sachs history

The Goldman Sachs Group, Inc was founded in New York in 1869, and over the decades has become one of the world's most powerful investment banks. It is headquartered in New York and operating worldwide through a network of offices in major financial centres. In the most prestigious business schools, securing a position at Goldman Sachs is considered a dream by many students, to the extent that some of them told *Business Insider*, some plan to complete nine or ten internships before even graduating. It is truly seen as the Holy Grail of the finance world (Business Insider, 2024).

Goldman Sachs' internal organization is based on four main segments: **Investment Banking, Institutional Client Services, Investing & Lending, and Investment Management**.

Each division is headed by one or more Managing Directors who report directly to the Executive Committee. At the top, the Chairman and CEO (Lloyd C. Blankfein at the time) steers global strategy with the support of a Management Committee, made up of the heads of the divisions, the CFO, the General Counsel and the Human Resources Director. This centralized governance ensures strong strategic coherence but has also been criticized for its opacity and concentration of decision-making power (Aluchna, 2014).

The Investment Banking division is split between financial advisory services (mergers and acquisitions) and underwriting activities (equity and debt underwriting). Institutional Client Services include client trading (Fixed Income, Currency and Commodities - FICC - and Equities). The Investing & Lending segment covers equity investments in debt securities, equities (notably private equity) and loans. Finally, Investment Management covers asset management for institutional and private clients, with revenues generated by management and performance fees (Goldman Sachs, 2008; 2009; 2010).

2.2. Key figures

Between 2008 and 2011, the firm went through a period marked by the global financial crisis, with sharply contrasting financial results. In 2008, Goldman Sachs posted a net profit of $2.3 billion, a significant drop on the previous year (Goldman Sachs, 2008). The year was marked by significant losses in lending activities, particularly in residential and commercial mortgage products, as well as in investments in corporate debt and listed equities. The return on equity (ROE) ratio fell to 4.9%, compared with over 30% before the crisis. In response to market instability, Goldman Sachs transformed itself into a bank holding company in September 2008, placing itself under the supervision of the Federal Reserve (Goldman Sachs, 2008). In the same month, Goldman Sachs also secured a **US$5 billion investment from Warren Buffett's Berkshire Hathaway**. This capital injection, paired with Buffett's endorsement, significantly **restored investor confidence** during the height of the crisis (Goldman Sachs, n.d.).

In 2009, the firm reported a significant rebound, with annual net revenues of **$13.39 billion and ROE of 22.5%** (Goldman Sachs, 2009). This performance was mainly due to exceptional results in the FICC segment, which generated $23.3 billion in revenues, against a backdrop of strong client activity and improving asset valuations. The Equities segment also grew, with revenues of $9.9 billion, despite a drop in commissions, due to rising equity markets and lower volatility. At the same time, the bank repaid the $10 billion received under the **TARP** (Troubled Asset Relief Program) set up by the US government in the wake of the crisis (Goldman Sachs, 2009).

In 2010, Goldman Sachs posted net sales of $39.2 billion and net income of $8.35 billion, for an ROE of 11.5% (Goldman Sachs, 2010). This decline compared with 2009 reflects a more difficult market environment, marked by lower client activity and increased pressure on spreads. Institutional Client Services revenues fell by 33%, and FICC revenues by 37%. The Investment Banking segment declined slightly, while Investing & Lending grew strongly, recording $7.5 billion in revenues, thanks to gains on equity investments and loans (Goldman Sachs, 2010). In 2010, the operating income of the company was $6.1 billion and net income of $4.4 billion, while employing 33,000 people (Aluchna, 2014).

2.3. The real estate bubble and Goldman Sachs' role

In the years preceding the financial crisis of 2007-2008, the US real estate market experienced exponential growth, fueled by a permissive credit policy and the massive securitization of *subprime* mortgages. The major investment banks, including Goldman Sachs, **played a central role** in this dynamic by structuring and selling **complex financial products backed by these loans**, Mortgage-Backed Securities (MBS) and Collateralized Debt Obligations (CDO) (Free, 2012; Goldman Sachs, 2007). A CDO is a structured product made up of **tranches of securitized assets**, often MBS, distributed according to different levels of risk and return. Investors **receive payments from the cash flows** generated by these assets but also assume the risk of default. In its synthetic version, the CDO does not directly own the underlying assets: it replicates their performance through Credit Default Swaps (CDS), derivatives that enable exposure to the risk of default **without owning the asset itself** (Free, 2012; Lucas and al., 2006).

Goldman Sachs was one of the most sophisticated players in structuring these products. To protect itself against potential losses on these risky positions, Goldman Sachs purchased CDS contracts from insurance giant AIG (American International Group). In this role, AIG effectively **guaranteed billions of dollars' worth of synthetic CDOs**. However, AIG had underestimated the magnitude of its exposure and lacked the reserves to cover the losses when the real estate market collapsed (FCIC, 2011). This relationship played a **crucial role in the transmission of risk** throughout the financial system, as Goldman Sachs aggressively demanded collateral payments from AIG while continuing to create and distribute new CDOs (Levin Report, 2011). In 2006 and 2007, as signals of deterioration in the subprime market accumulated, the firm began to significantly **reduce its exposure** to residential real estate-related assets. According to internal reports, it liquidated around $11 billions of positions between December 2006 and February 2007, while maintaining an active role in structuring new CDOs for third-party clients (Free, 2012; Goldman Sachs, 2008).

SECTION 3: Data sources

To build a robust and coherent academic foundation for our research on crisis communication, we collected approximately 40 peer-reviewed scientific articles using targeted keyword searches. These articles were retrieved from the AB/INFORM database, a well-established academic platform. We deliberately selected works from a diverse range of authors to ensure a rich and multifaceted theoretical framework, allowing for complementary and intersecting perspectives.

In parallel, we gathered around 40 media documents to reconstruct the timeline of events and analyze Goldman Sachs' public responses during the crisis period. This empirical dataset includes press releases, official statements, newspaper articles (primarily from *The Wall Street Journal* and *The Financial Times*), court rulings, regulatory reports, etc. These materials provided precise and timely insights into the firm's actions and communication strategies and allowed us to contrast them with the theoretical approaches identified in the academic literature.

In total, the final dataset includes around 80 empirical documents. This robust and diverse foundation enhances the credibility of the findings through data triangulation and analytical depth.

SECTION 4: Data analysis

The analytical approach combines the structured coding logic of the Fond Manage method (Point et al., 2011) with the inductive rigor of the Gioia method (Gioia et al., 2013). While Gioia offers a systematic procedure for category development, Fond Manage provides a typology specifically designed for analyzing organizational responses to reputational threats. In line with Yin's (2018) analytical strategy of "explanation building," this dual approach enables the development of theoretical insight grounded in empirical evidence.

In line with this, the analytical tables consist of three columns. The first column presents the transcript of the interview, with excerpts highlighted that are relevant to our research question.

The second column corresponds to the **first-order concept**, which is a summary, using language close to that of the interviewee, of the highlighted elements. Finally, the third column displays the **second-order concept**, which is a theoretical reformulation of the first-order concept based on notions drawn from scientific literature.

Retranscription	First-Order concept	Second-Order concept
GS Group Inc. -- one of the few Wall Street titans to thrive during the financial crisis -- was charged with deceiving clients by selling them mortgage securities secretly designed by a hedge-fund firm run by John Paulson, who made a killing betting on the housing market's collapse. Goldman vigorously denied the Securities and Exchange Commission's charges, setting up the biggest clash between Wall Street and regulators since junk-bond king Drexel Burnham Lambert succumbed to an insider-trading investigation in the 1980s, helping to define the era.	Complete denial from Goldman regarding the SEC accusations	Denial strategy

CHAPTER 4: RESULTS

There is no universally recognized starting point of the subprime crisis, but August 2007 marked the moment when markets began to realize that the situation would not be easily resolved and that the issue had spread beyond U.S. borders. The awareness among market participants was gradual. Markets declined aggressively over the long term, and it was with **the imminent collapse of Lehman Brothers**, 15 September 2008, that the crisis reached a true turning point (Fi backhouse, 2008). Starting from September 15, 2008, the day Lehman Brothers filed for bankruptcy, the S&P 500 lost approximately **28.8%** over the course of one month, dropping from **1,192.70** to **848.92 points** by October 27, 2008. (Yahoo, 2008). For this thesis, that moment is chosen as the analytical starting point, as it revealed the vulnerability of even the country's most prominent financial institutions, including Goldman Sachs. This moment offers a particularly relevant **entry point for examining the firm's crisis communication and reputation management strategies** during one of the most turbulent periods in modern financial history (Kenton, 2023). The strategies we will associate with the major events in this section are identified based on the literature reviewed in Chapter 2. To ensure a well-grounded theoretical foundation, we have defined these strategies ourselves using that same academic literature. The definitions can be found in Appendix A. and may be very helpful for a clear understanding of the strategies identified and selected.

1. Events following the collapse of Lehman Brothers in September 2008

1.1. Goldman Sachs' first public statement

Goldman Sachs **remained largely silent** in the public space from April to November 2008, **refraining from major interventions** even after Lehman Brothers' collapse. It was only during the Merrill Lynch Financial Services Conference in mid-November that CEO Lloyd Blankfein made his first extended public comments since April. He stated: "Goldman wouldn't rush into a deal amid the market turmoil. We're going to consider everything but won't be provoked into doing something rash that the company will spend years reversing." This communication reflects a ***Selectivity strategy***. Rather than acknowledging past criticisms or directly engaging with the ongoing controversy, the firm chose to emphasize its prudence and long-term vision. By selectively focusing on a controlled and rational positioning, Goldman highlighted only stabilizing and reassuring elements, omitting any reference to responsibility, prior inaction, or institutional pressure.

1.2. Federal Reserve's support programs

Two weeks after CEO Lloyd Blankfein made his first public comments on the crisis, the Federal Reserve launched a series of emergency support programs. On November 25, 2008, it announced the creation of a large-scale initiative to purchase mortgage-backed securities (MBS), with the aim of reducing mortgage rates, stimulating lending, and restoring investor confidence. On January 6, 2009, Goldman Sachs published a press release stating: *"We are pleased to report that, on December 30, 2008, the Federal Reserve announced that Goldman Sachs Asset Management, along with BlackRock Solutions, PIMCO and Wellington Management Company, has been selected to implement the program".* The announcement also emphasized the rational for this selection, stating that: "*Investment managers were selected based on each institution's operational capacity, size and overall experience in the MBS market.*" In doing so, Goldman Sachs employed a ***self-promotion strategy.*** The *self-promotion* strategy involves highlighting one's distinctive competencies, expertise, or achievements to reinforce credibility and legitimacy in the eyes of stakeholders; it aims to shape a positive image of the organization by emphasizing its ability to effectively manage complex situations.

1.3. James Schiro's nomination

The Board of Directors of Goldman Sachs announced, in March 2009, **the nomination of James J. Schiro** as an independent director, to be submitted for approval at the upcoming annual shareholders' meeting. In a press release, Goldman Sachs commented on the nomination and Schiro's qualifications: "*Jim Schiro's deep experience in the global capital markets, from successfully leading the transformation of a global insurance company to his previous auditing and financial reporting expertise, will be of tremendous value to our shareholders and our people,*" said Lloyd C. Blankfein. "*He is also active in a number of professional, international, and non-profit organizations,*" In the press release, the firm emphasizes James Schiro's "*deep experience in the global capital markets*" and, more specifically, his "*auditing and financial reporting expertise.*" These references suggest qualities of technical rigor and financial transparency. He contributes to conveying an image of integrity and responsibility, which aligns with the strategy of ***Exemplification.*** By emphasizing both his professional background and active engagement in non-profit and international organizations, Goldman Sachs aims to affirm its commitment to ethical standards and restore stakeholder trust.

1.*4. Goldman Sachs press release following the Federal Reserve's assessment*

On May 7, 2009, Goldman Sachs published a press release in response to the completion of the Federal Reserve's "stress tests,"[5] emphasizing that the firm did not require additional capital, despite having previously **received $10 billion** through the TARP Capital Purchase Program. The TARP Capital Purchase Program was a U.S. government initiative launched in 2008 to stabilize the financial system **by injecting capital into banks** (Calomiris & Khan, 2015). The stress tests were regulatory assessments designed to evaluate whether major financial institutions had enough capital to withstand a severe economic downturn, and to determine the need for further capital injections. The press release stated: *"With respect to Goldman Sachs, the test determined that the firm does not require further capital." [....] "We believe that we have met all of the requirements stipulated and are highly confident that we will soon repay the government's investment from the TARP's Capital Purchase Program."* In this communication, Goldman Sachs clearly mobilizes a ***self-promotion strategy***, which involves highlighting one's competencies and expertise. By stating that it does not require further capital and is ready to repay government support, the firm emphasizes its financial soundness and operational discipline.

1.5. Preemptive Communication to Manage Bonus Controversy

In October 2009, Goldman Sachs was preparing to announce record profits and substantial bonuses, less than a year after benefiting from the $10 billion TARP bailout. Anticipating public outrage, the firm launched a proactive media campaign aimed at softening its image and preemptively countering criticism. As described by the *New York Times*, *"hoping to*

[5] The Federal Reserve's stress test assesses whether banks are sufficiently capitalized to absorb losses during stressful condition.

defuse a politically combustible situation, Goldman officials have been mounting a soft-sell campaign that pushes the usually reticent company into the spotlight." The campaign involved publishing op-eds, granting interviews, and organizing public appearances by executives. For example, CEO Lloyd Blankfein publicly evoked his working-class background: *"I worked my way up, my first job was selling peanuts and popcorn at Yankee Stadium."* The intention was to humanize leadership and reposition the firm as more relatable. Goldman also issued statements acknowledging broader industry failures. A spokesperson said: *"We recognize that our industry let the public down. We understand why people are upset, and we're committed to earning back the trust of the American people."* Rather than revising its bonus policies, the firm thus sought to reframe the narrative by appealing to empathy and trust. Taken as a whole, the coordinated statements and actions carried out during this campaign can be interpreted as a form of ***Ingratiation*****,** a relational approach aimed at pleasing or flattering stakeholders to reduce hostility. Rather than explicitly acknowledging wrongdoing, the firm emphasized humility, personal background, and emotional resonance. These discursive efforts aimed to humanize its leadership and build rapport with the public, thereby making its controversial bonus plans more socially acceptable.

1.6. Goldman Sachs' reputation recovery efforts

In November 2009, despite the campaign launched by Goldman a few months earlier to restore its image, it seems that the effort met with clear limitations. Indeed, Lloyd Blankfein, Goldman's chief executive, told a corporate conference in New York that the bank regretted taking part in the cheap credit boom that had fueled the pre-crisis bubble. *"We participated in things that were clearly wrong and have reason to regret,"* said Mr. Blankfein. *"We apologize."* The article also says: "*Mr. Blankfein spoke hours before Goldman revealed plans to invest $500m over five years in business education, technical assistance and venture capital to help 10,000 small businesses across the US*" This episode reflects two impression management strategies. First, the apology remains relatively vague and avoids acknowledging any specific wrongdoing. This can be categorized as a ***partial apology***, a partial or targeted form of moral acknowledgment, expressing regret without full legal admission of fault. While intended to convey empathy, the apology remains vague and avoids taking responsibility for any specific wrongdoing, thereby limiting its effectiveness in restoring reputational trust. Second, ***Exemplification***, which involves projecting an image of moral worthiness and integrity. This is illustrated by the announcement of a $500 million initiative to support small businesses, which positions Goldman Sachs as a socially responsible actor committed to contributing positively to society.

1.7. Shifting blame in the AIG exposure scandal

While suspicions about Goldman Sachs' role in the subprime crisis had surfaced earlier (e.g., Taibbi, 2010), a Wall Street Journal investigation in December 2009 revealed concrete data: Goldman had exposure to about $33 billion of the $80 billion in mortgage-backed securities insured by AIG, a large insurance company bailed out by the U.S. government during the crisis. These instruments, known as Collateralized Debt Obligations (CDOs), bundled high-risk subprime mortgages. When the housing bubble burst, CDOs collapsed in value, and insurers like AIG couldn't cover the resulting losses. Goldman, a major counterparty to AIG, was deeply embedded in this system. In response, Goldman issued statements shifting the blame. A spokesperson said that "AIG was viewed as one of the most sophisticated financial counterparties in the world." and added: "What is lost in the discussion is that AIG assumed billions of dollars in risk it was unable to manage." The firm also claimed it had shown AIG ways to reduce risk, but "AIG refused to accept that the market was deteriorating." This illustrates **an external attribution strategy**, in which Goldman assigns responsibility to AIG, portraying itself as prudent while downplaying its own role. The aim is to protect the firm's legitimacy by deflecting reputational damage onto another actor.

1.8. Goldman Sachs rejects claims of wrongdoing

On January 13, 2010, Lloyd Blankfein, CEO of Goldman Sachs, testified before the **Financial Crisis Inquiry Commission (FCIC)**, a congressional body investigating the causes of the financial crisis. Alongside other Wall Street executives, he was questioned about the firm's role in selling complex mortgage-backed securities tied to subprime loans. Following the hearing, media outlets reported that Blankfein had admitted Goldman's conduct in selling these products was "improper". In response, the firm issued a press release the next day firmly denying this interpretation: *"Mr. Blankfein said no such thing."* The statement clarified that he had merely agreed, hypothetically, that if certain practices had occurred, they would have been improper, but that Goldman had done nothing wrong. It added that *"the firm could not have known the future direction of housing prices"* and defended its actions as part of standard market-making. This reaction reflects a ***denial strategy***, aimed at rejecting any attribution of wrongdoing and maintaining the firm's professional legitimacy.

1.9. Shareholder letter prior to SEC accusations

On April 7, 2010, amid growing scrutiny of Wall Street and just days before the SEC filed its lawsuit that will be explained in the next part of the results, Goldman Sachs published an eight-page letter to shareholders. It begins by stating: *"Our long-standing focus on clients, risk management and teamwork was largely responsible for our strong performance in 2009."* This attribution of success to internal values and practices reflects an ***internal attribution strategy***, emphasizing Goldman's organizational discipline.

The word *"client"* appears 56 times in the 2010 letter, compared to just 17 in 2008, reflecting a deliberate rhetorical shift. This emphasis presents Goldman as client-focused and attentive to stakeholder needs, consistent with an ***ingratiation strategy*** aimed at generating public approval. To address criticism of its trading practices, the firm writes: Our goal was, and is, to be in a position to make markets for our clients while managing our risk within prescribed limits." These reframing positions its actions as responsible intermediation, illustrating a ***justification strategy***. Goldman also minimizes its ties to AIG by stating: *"Our direct economic exposure to AIG was minimal."* By highlighting this detail and distancing itself from a highly criticized counterparty, the firm engages in ***disassociation***. These rhetorical choices collectively serve to highlight competence, control, and integrity, forming part of a broader ***self-promotion strategy*** aimed at safeguarding Goldman's institutional credibility during a moment of reputational risk. Given the range of impression management strategies mobilized in the letter and the timing of its publication, just one week before the SEC filed formal charges, it may reasonably be **suggested** that this communication was not entirely coincidental, but rather part of a broader effort to proactively shape the firm's public narrative ahead of anticipated legal scrutiny.

2. SEC announcement of charges against Goldman Sachs

On April 16, 2010, the U.S. Securities and Exchange Commission (SEC), the federal agency responsible for regulating U.S. financial markets and protecting investors, filed a **fraud complaint against Goldman Sachs**. The case concerned a complex financial instrument called ***Abacus 2007-AC1***, a Collateralized Debt Obligation (**CDO**) built from subprime mortgage loans**,** i.e., home loans granted to high-risk borrowers likely to default. CDOs pool such assets and repackage them into tranches sold to investors, often with varying risk levels.

The controversy centered **on Paulson & Co**, a hedge fund led by investor John Paulson, famous for having profited from the collapse of the subprime market. In this case, Paulson had a direct role **in selecting the risky mortgage assets** that composed the CDO, while simultaneously betting against them by **purchasing** Credit Default Swaps (CDS), derivatives that pay out when the underlying loans default. This created a serious conflict of interest: Paulson would benefit if the CDO failed yet was involved in choosing the very assets likely to do so.

The core issue, according to the SEC, was those investors, most notably ACA Capital[6], were not informed of Paulson's role. Goldman Sachs told them ACA was solely responsible for selecting the portfolio, **omitting Paulson's influence and its opposing financial position**. Investors thus believed they were buying into a product selected impartially, when in fact it had been constructed to fail, to Paulson's benefit.

Fabrice Tourre, a Goldman Sachs vice president, played a key role in structuring the deal and was accused of **deliberately misleading** ACA about Paulson's involvement. Internal emails revealed he was aware of the product's riskiness yet promoted it to clients. Although Goldman did not bet against the CDO, it earned $15 million in fees for structuring the transaction, enabling Paulson to profit an estimated $1 billion, without disclosing these dynamics to investors. In short, the SEC did not accuse Goldman of directly betting against

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[6] ACA Capital was a financial guarantor involved in the Abacus 2007-AC1 deal as portfolio selection agent. The firm faced major losses during the subprime crisis (FCIC, 2011)

clients, but rather of designing a biased product, hiding a major conflict of interest, and misleading investors, with the direct participation of a senior employee.

2.1. The SEC officially accuses Goldman Sachs of fraud

On April 16, 2010, the SEC publicly announced the charges against Goldman Sachs, as previously mentioned. What is particularly striking is that Goldman Sachs **issued two press releases on the very same day**. First, they released a very short statement. As stated in the press release: *"The SEC's charges are completely unfounded in law and fact and we will vigorously contest them and defend the firm and its reputation."* (Goldman Sachs, Press Release, April 16, 2010). This clearly refers to a ***Denial strategy***, as Goldman Sachs explicitly denies any wrongdoing or direct involvement in the alleged misconduct.

Later the same day, Goldman Sachs released a second, more detailed statement, declaring that they wanted to clarify some points: *"Goldman Sachs lost money on the transaction. Goldman Sachs, itself, lost more than $90 million. Our fee was $15 million. We were subject to losses, and we did not structure a portfolio that was designed to lose money. "* This statement serves as an attempt to distance the firm from any suggestion of intentional wrongdoing. By emphasizing the fact that it incurred losses itself and earned relatively modest fees, Goldman aims to present its actions as commercially legitimate and not predatory. The firm seeks to present itself not only as the sole actor responsible, but also as a **party that suffered from the transaction**. This approach aligns with a **Justification strategy**, which seeks to minimize the perceived harm associated with the event by reframing it as a misinterpreted or less damaging situation.

2.2. Internal reactions: Blankfein's voicemail and the board's silence

On April 18, two days after the SEC's announcement, Lloyd Blankfein shared a voicemail message addressed to all Goldman Sachs employees worldwide. The message sought to reassure staff and emphasize the firm's resilience, by invoking its **long-standing history and core values**: "*This is Lloyd on Sunday in New York, [...], I ask that you maintain the level of focus on our clients that is at the heart of Goldman Sachs' success over the past 140 years. We have faced challenges before and our people have always responded through their skills,* *talent and focus on our clients. We will do that now, and in the process, reaffirm everything that defines Goldman Sachs.*". This internal communication aims to consolidate employee morale and reinforce a shared identity during a period of reputational uncertainty. By invoking tradition, loyalty to clients, and internal competence, Goldman adopts a ***strategy of Enhancement***, seeking to highlight the organization's positive and enduring attributes in contrast to the current criticism.

Later in the message, Blankfein also addresses the substance of the SEC's complaint: *"The core of the SEC's case is the allegation that one employee misled two professional investors by failing to disclose the role of another market participant in a transaction. Importantly, we had assumed risk in the deal, and we lost money, just like the other two long investors"* In this statement, Goldman shifts the focus onto a single individual, referring implicitly to Fabrice Tourre. This reflects a ***Disassociation strategy***, as the organization seeks to distance itself from the problematic behavior by framing it as the result of an individual rather than systemic intent.

2.3. Goldman Sachs' media responses

In response to mounting media pressure and growing public scrutiny, Goldman Sachs launched a **media counter-offensive** on April 20, aiming to defend its position and reshape the narrative surrounding the SEC's allegations. As part of this effort, the firm emphasized the sophistication and autonomy of the participants in the Abacus transaction: *"All three firms that participated in the deal the SEC is probing were sophisticated investors and had a hand in selecting the mortgages they subsequently bet on."* This argument allows Goldman to deflect the idea of manipulation by stressing the experience and involvement of all parties, thereby framing the transaction as balanced and consensual. This reflects a ***Justification strategy***, as Goldman attempts to reduce its perceived responsibility by highlighting the mutual agency of the actors involved. Goldman also defends the absence of disclosure regarding Paulson & Co.'s role, by referring to standard industry practices: *"Goldman added that it wasn't required to disclose who provided input into the mortgage-selection process or what views their clients were taking on the portfolio. As normal business practice, Goldman does not disclose the identities of a buyer to a seller and vice versa, and the suit is unfounded* *in law and fact."* By appealing to legal norms and common practice, the firm seeks to limit the scope of the accusations to a misunderstanding of typical transactional confidentiality. This is a clear example of ***Selectivity***, as Goldman chooses to emphasize the procedural legitimacy of its actions while ignoring the ethical and reputational implications tied to the lack of transparency.

2.4. Dual Messaging from Goldman Regarding Fabrice Tourre

Moreover, on April 24, 2010, just days before the Senate hearing on April 27, 2010, Goldman Sachs released batches of emails by Mr. Tourre (former vice president at Goldman) to girlfriends **that revealed doubts about some mortgage securities** issued by the company and an occasionally dismissive attitude toward the investors buying them. At the same time, Goldman Sachs issued a statement **minimizing Tourre's responsibility**: "*Although the emails are unfortunate and embarrassing to the firm, we have consistently said and continue to say Mr. Tourre did nothing improper in connection to the transaction*. This sequence of actions may appear **contradictory**: on the one hand, Goldman Sachs disclosed personal and compromising emails, effectively portraying Tourre as responsible in the eyes of public opinion; on the other hand, the firm simultaneously defended him by affirming that he had committed no wrongdoing. Goldman Sachs strategically used Tourre's image to absorb media and political pressure while officially maintaining a stance of institutional integrity by publicly supporting him.

Our review of the existing literature on impression management assigns this response to any of the eleven strategies identified. Therefore, we propose to define this specific behavior as a distinct form of impression management, which we term ***"Image Buffering."*** *That we decided to define as: "A strategy consisting of in publicly exposing an individual affiliated with the organization to serve as a symbolic shield, absorbing reputational damage, while simultaneously offering institutional protection and support to preserve internal legitimacy.*" The dual action of exposure and protection creates a buffer zone between the organization and its external stakeholders, enabling the firm to deflect blame without fully disassociating from the individual.

2.5. Hearing before the U.S. Senate

On April 27, 2010, several senior executives of Goldman Sachs, including CEO Lloyd Blankfein, former mortgage department head Daniel Sparks, and managing director Michael Swenson, appeared before the **Senate Permanent Subcommittee on Investigations**. Throughout the hearing, the senators attempted to elicit expressions of regret or admissions of fault. However, the Goldman executives remained composed, polite, and unapologetic. When asked directly whether he regretted the firm's actions, Lloyd Blankfein responded: *"I heard nothing today that makes me think anything went wrong."* Daniel Sparks added: *"Regret to me means something you feel you did wrong; I don't have that."* Michael Swenson went further: *"I do not think that we did anything wrong."*

Despite the evidence presented (emails, internal communications...), the executives framed their actions as routine market practices, insisting that they had merely priced risk and provided investment products to sophisticated investors. In doing so, Goldman Sachs maintained a firm ***Denial strategy***, refusing to acknowledge any wrongdoing or moral failing, and asserting the legitimacy of its conduct. In the end, the only acknowledgment that came close to an admission of broader failure was Lloyd Blankfein's statement: *"What we and other banks, rating agencies and regulators failed to do was sound the alarm that there was too much lending and too much leverage in the system, that credit had become too cheap."* This general and collective formulation allowed Goldman to shift the spotlight away from its own actions and dilute its responsibility into a systemic context, a clear case of ***External Attribution***, redirecting blame toward the broader financial ecosystem rather than the firm itself.

3. From settlement to structural reforms

3.1 Creation of the Business Standards Committee

In a context of severe legitimation following the SEC complaint, Goldman Sachs announced on **May 14, 2010**, the creation of a **Business Standards Committee**, tasked with conducting a thorough review of the firm's internal practices. This announcement, made prior to the settlement with the SEC, marked an anticipatory attempt at strategic repositioning, grounded in the recognition of a **disconnect between the firm's self-perception and public opinion**. *"We recognize that there is a disconnect between how we view the firm and how the broader public perceives our roles and activities," said Lloyd C. Blankfein, Chairman and CEO of The Goldman Sachs Group, Inc. "This initiative is consistent with our obligation to ensure that our standards across our business activities are of the highest quality and represent the benchmark for our industry globally."*

Through this statement, Goldman Sachs employs a ***strategy of Exemplification*** presenting itself as a self-aware organization, capable of critical introspection and committed to raising ethical and professional standards. The firm explicitly expresses its ambition to become a reference point in matters of transparency, ethics, and conflict-of-interest management.

3.2. Legal resolution without admission of fault

On July 15, 2010, Goldman Sachs and the U.S. Securities and Exchange Commission (SEC) reached a settlement in the Abacus 2007-AC1 case. The firm agreed to pay **$550 million** to resolve civil fraud charges, the largest penalty ever imposed on a Wall Street bank at that time. However, the settlement's language was carefully crafted to avoid any explicit admission of fault. As the SEC stated: *"Without admitting or denying the allegations in the Commission's complaint, Goldman Sachs has consented to the entry of a final judgment…"* This formula allowed the firm to resolve the case without formally acknowledging responsibility. It illustrates a ***partial apology strategy***, a limited expression of regret aiming to show concern without incurring legal risk. This approach signals cooperation and responsiveness, while avoiding any suggestion of intent or misconduct. In the same statement, Goldman Sachs acknowledged that the **marketing materials** for Abacus were **"incomplete."** The firm stated: *"It was a mistake for the Goldman marketing materials to state that the reference portfolio was 'selected by' ACA Management LLC without disclosing the role of Paulson & Co. Inc. in the portfolio selection process and that Paulson's economic interests were averse to CDO investors. Goldman regrets that the marketing materials did not contain that disclosure."* *Here the firm also employs a clear* ***selectivity strategy***, concentrating solely on the non-disclosure of Paulson & Co.'s role. It avoids addressing deeper concerns, such as internal practices or potential conflicts of interest. By isolating the problem to a communication lapse, the firm maintains reputational control and preserves the legitimacy of its broader operations.

4. Analysis and Interpretation of Results

4.1. Distribution of the strategies identified

Having carried out a detailed analysis of the various strategies identified in the results; it is now time to propose an interpretation. To this end, we have designed a diagram summarizing all the Impression Management strategies observed. This visual highlight the frequency with which they appear and enables us to identify significant trends. It also provides a basis for establishing links between certain strategies, particularly those that recur frequently, to better understand their articulation in Goldman Sachs' post-crisis communication. Furthermore, the 11 identified strategies were classified according to their theoretical grouping: defensive, accommodative, and assertive. This categorization allows us to highlight broader trends to understand how Goldman Sachs either chose, or was compelled, to communicate during the post-crisis period spanning from 2008 to 2011.

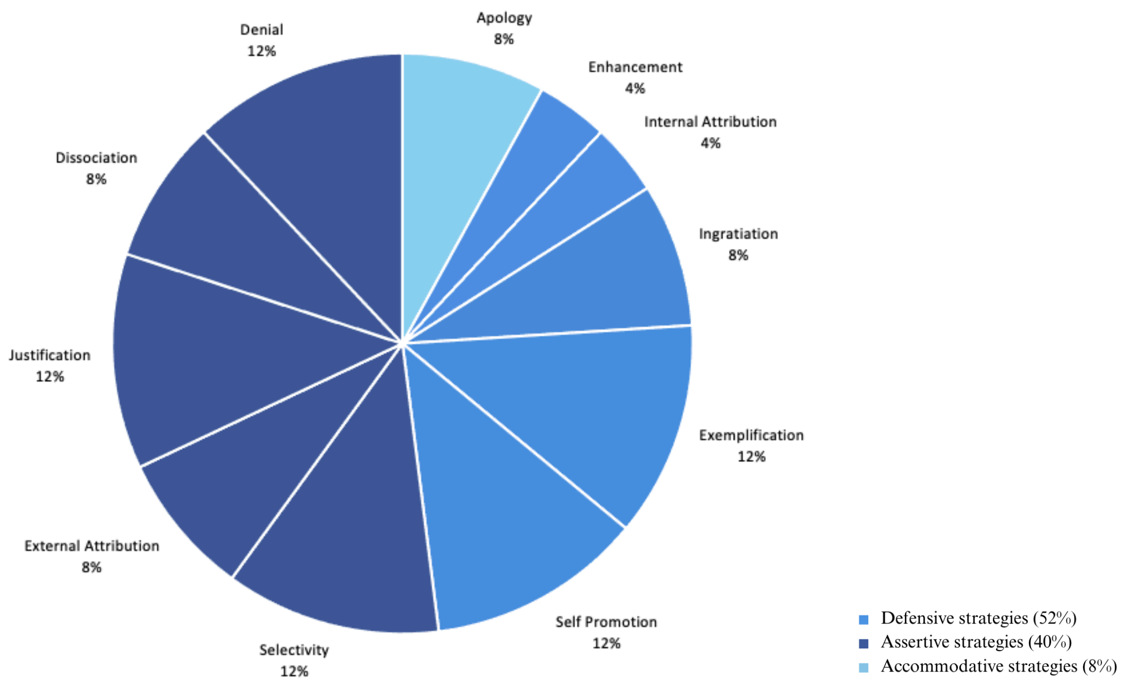

Figure 1. Distribution of Strategies Identified in Goldman Sachs' Post-Crisis Communications

(Source: Author's creation)

Although the pie chart (cf. figure1) initially suggests a **relatively balanced distribution** of strategies, a closer analysis reveals meaningful insights. Defensive strategies account for **52%** of the total, making them the most prominent category. These defensive strategies are typically used to protect the organization from reputational damage or to deflect responsibility. Their recurrence is **logically linked to the intensity of external accusations** faced by Goldman Sachs during the financial crisis. In other words, the firm's communication choices were largely reactive, shaped by repeated legal, political, and public challenges.

In contrast, assertive strategies, which aim to actively promote the firm's values, competence, or social role**, make up 40% of the responses**. These strategies are less about reaction and more about deliberate reputation enhancement. Their lower frequency suggests that Goldman Sachs had fewer opportunities, or less strategic leeway, to take the offensive in shaping its public image. Instead, much of the firm's effort appears to have been dedicated to fending off criticism rather than building a proactive or inspiring narrative.

This imbalance between defensive and assertive responses reflects a broader dynamic: a firm under pressure, **prioritizing protection over projection**. The diagram thus helps visualize not only the diversity of Goldman Sachs' tactics, but also the dominant posture it adopted, that of an institution in self-preservation mode, rather than one openly embracing transparency or transformation**.**

The final category represented in the diagram corresponds to accommodative strategies**,** which, in this case, are exclusively illustrated using *Apology*. According to the theoretical framework established in our literature review, we distinguish between two forms: partial apology and full apology. Notably, Goldman Sachs never issued a full apology**,** instead opting for **partial or targeted expressions of regret**.

This choice is far from trivial. A partial apology **typically focuses on a limited or technical aspect of the issue**, such as a lack of clarity in communication or procedural shortcomings, without explicitly admitting fault or legal responsibility. While it serves to convey empathy and responsiveness, it also strategically limits the firm's legal exposure and avoids reputational self-incrimination. The reliance on such limited apologies, rather than full acknowledgment of wrongdoing, is highly revealing of the firm's overall posture during the crisis: a stance of controlled vulnerability, where expressions of regret are used as rhetorical tools rather than genuine admissions of failure.

This insight becomes even more apparent when examining the internal structure of the defensive category, where a specific trio of strategies forms the backbone of Goldman Sachs' communication. Among the defensive strategies, three stand out not only for their individual frequency, each appearing in **12%** of the coded responses, but also for the coherent narrative they construct when used in combination: Denial, Justification, and Selectivity. These strategies operate in synergy. *Denial* serves to reject allegations entirely, *Justification* reframes the criticized action in a more acceptable light, and *Selectivity* directs public attention toward neutral or positive aspects, thereby avoiding contentious issues. Together, they allow the firm to manage accusations **without conceding any form of moral or legal responsibility**. This defensive triad is further reinforced using partial apology. In this context, partial apologies serve as softeners, strategically placed alongside Denial and Justification to humanize the message without altering its fundamentally defensive character. This constellation of strategies reveals a carefully calibrated discourse, aimed at maintaining institutional legitimacy while containing reputational fallout.

Across defensive, assertive, and accommodative strategies alike, a consistent pattern emerges: Goldman Sachs sought to preserve legitimacy **without exposing itself to institutional or legal fragility**. Even seemingly empathetic gestures, such as partial apologies or public-facing initiatives, were carefully framed to avoid compromising control over the narrative.

4.2 Impact of Strategies on GS Stock vs S&P Financials

To assess the effectiveness of the strategies adopted by Goldman Sachs, we chose to analyze **the variations in its stock price**. To deepen this analysis, we compared the performance of Goldman Sachs' stock with that of the **S&P 500 Financials**, a stock market index that includes the leading companies in the U.S. financial sector (Kenton, 2024).

This comparison is particularly relevant, as the crisis under study was primarily financial in nature and largely triggered by investment banks.

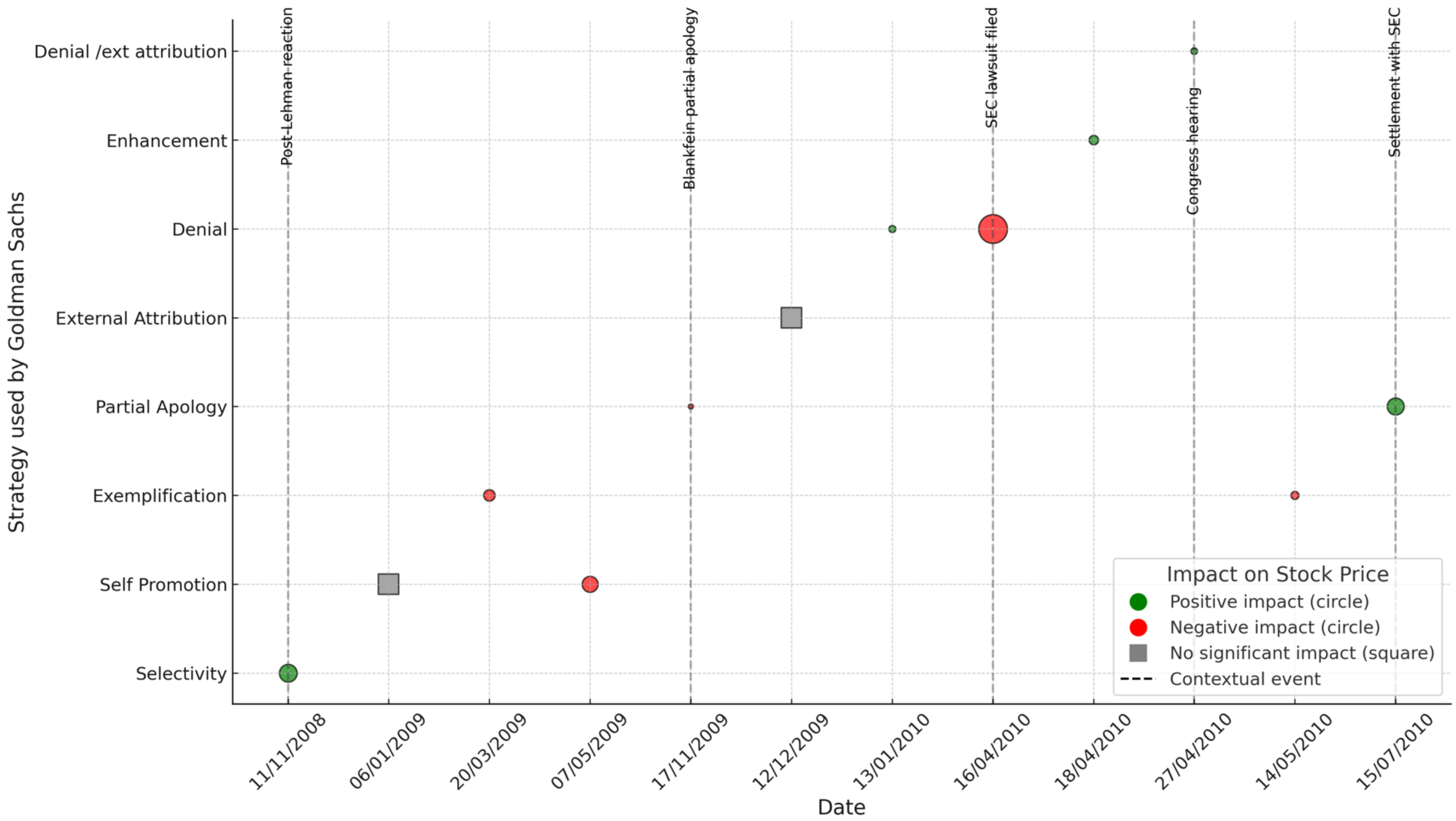

Figure 2. Impact of Crisis Communication Strategies on Goldman Sachs' Stock Price Compared to the S&P 500 Financials (2008–2011).

(Source: Author's own creation based on data from Investing.com*)*

The analysis of the table (cf. Figure2) shows that some communication strategies had limited, or even counterproductive, effects on the firm's market valuation. For instance, the **Denial** strategy used by Goldman Sachs following the announcement of the SEC lawsuit appears to have had a negative impact: while the **S&P 500 Financials** dropped by -3.84%, Goldman Sachs' stock plummeted by -12.79% in a single day. This sharp contrast suggests that denial was not sufficient to reassure investors or other stakeholders.

In contrast, one strategy that seemed more effective was implemented immediately after the collapse of **Lehman Brothers**, a major trigger of the financial crisis. On that day, Goldman

Sachs employed a **Selectivity** strategy, publicly emphasizing its strong financial position, limited exposure to subprime risk, and prudent risk management, while downplaying the severity of the broader market turmoil. The firm avoided acknowledging systemic risk or directly addressing the collapse of the banking system. This selective framing of the situation helped maintain market confidence: Goldman Sachs' stock rose by +4.87%, while the **S&P 500 Financials** index declined by -2.38%.

However, these findings should be interpreted with caution. Can a direct causal link be established between a specific communication strategy and a stock market movement? In times of crisis, markets are particularly volatile, and investor reactions may be influenced by numerous **factors behind stock price fluctuations**, many of which are difficult to identify or quantify. It is therefore challenging to assert with certainty that a given strategic action was the sole driver of a stock price variation. Nonetheless, our analysis allows us to formulate hypotheses regarding the potential impact of Goldman Sachs' strategies on market perception (Investopedia, 2025).

CHAPTER 5: Discussions and conclusions

SECTION 1: Summary of the results

Between the downfall of Lehman Brothers (September 2008) and the resolution of the SEC case (July 2010), Goldman Sachs implemented a meticulously crafted communication strategy. In the initial phases of the crisis, the firm concentrated on **reassuring the markets and projecting an image of stability**, carefully underscoring its long-term vision and financial robustness while steering clear of any direct engagement with the criticisms regarding its involvement in the crisis. This selective communication enabled the firm to **maintain control** over the narrative and convey a sense of competence.

As external pressures mounted, Goldman began to **emphasize the qualifications and integrity** of its new board members and leadership figures, thereby reinforcing its commitment to sound governance. Concurrently, it initiated programs aimed at portraying the firm as socially responsible and attuned to broader economic issues, including initiatives to support small businesses.

When confronted with public outrage and regulatory inquiries, Goldman responded by defending its actions, minimizing its exposure to key players such as AIG, and **highlighting industry standards and investor sophistication to rationalize its practices**. Internal communications emphasized unity and tradition, while public statements refuted any allegations of wrongdoing, frequently contesting media narratives and legal interpretations.

A particularly sophisticated tactic emerged in the management of the Fabrice Tourre incident: while compromising internal emails were disclosed just days prior to a significant Senate hearing, the firm simultaneously released a statement in his defense. This dual messaging effectively **diverted attention from the institution** while **preserving internal cohesion**.

In the last phase, Goldman settled the SEC case through a financial agreement that circumvented any formal admission of guilt, while publicly acknowledging **only a minor failure in communication**. This strategic response enabled the firm to mitigate the damage, reassure investors and regulators, and avert repercussions that could have threatened its long-term sustainability.
Overall, this multi-front crisis management enabled Goldman to **limit the short-term financial impact**, the share price returned to its pre-crisis level (September 2008) by the end of 2010, and to preserve its core business, despite serious but manageable damage to its public reputation. The firm thus survived the turmoil by **paying a mainly reputational and legal cost** (a $550 million good), while avoiding more irreparable consequences for its economic viability. This case study provides a nuanced overview of the effects of different strategies on stakeholders: it shows how certain responses helped to reassure investors or regulators, while others fuelled public distrust, a delicate balance that the company had constantly adjust between 2008 and 2011.

In conclusion, Goldman combined **defensive, assertive and accommodative strategies** as the crisis evolved. Each action had contrasting effects: some interventions, such as the 2009 apology accompanied by financial gesture, mitigated the political attacks and stabilised market perception, while the revelations of scandals (e.g., the announcement of SEC proceedings) led to sharp falls in share prices.

SECTION 2: Theoretical contributions

Our analysis of the Goldman Sachs case between 2008 and 2011 reveals several contributions to the literature on crisis management, extending, qualifying or clarifying existing theoretical frameworks. Far from simply illustrating known models, this study highlights the organizational and communicational dynamics specific to a powerful firm faced with large-scale public scandals. Four major theoretical contributions emerge, each based on a dialogue between several authors and an in-depth reading of the responses adopted by Goldman Sachs.

2.1. Integrating internal and external dimensions in crisis management

Analysis of the Goldman Sachs case shows that effective crisis management requires a **synchronised integration of internal reforms** (governance, culture, control mechanisms) and **external communications** (public discourse, image strategies, interactions with stakeholders). In November 2009, CEO Lloyd Blankfein made a public apology while announcing the creation of a 500-million-dollar fund for SMEs: this symbolic action was immediately noticed by public opinion and regulators, but it was also accompanied by a concrete organizational response, reflecting a dual commitment.

This type of approach confirms the need to articulate structural and symbolic dimensions, as argued by Bundy et al. (2017) who call for the dichotomy between the organizational perspective (focussing on internal capacities to absorb a crisis) and the societal perspectives (focussing on external perceptions). These authors stress the need to see crisis management as a joint social and organizational dynamic, particularly in high-profile cases such as Goldman Sachs.

This point is reinforced by Coombs (2007), who argues that response strategies must be based on the perceived coherence between actions and discourse, which was the case for Goldman when it combined strong symbolism (public apology, hiring of renowned experts) and visible internal reforms (Business Standard Committee 2011).

Wooten and James (2008), in their typology of post-crisis responses, also stress the importance of transformative leadership, capable of coordinating external repair actions with internal organization learning. This was the case at Goldman Sachs, which, after the crisis, introduced an ethical client evaluation system and reviewed its partner remuneration structure.

Finally, Wang's (2006) analysis of post-crisis knowledge management shows that a cross-functional approach to organizational learning helps companies to emerge from the crisis: Goldman, by publishing a full internal audit report, helped to institutionalise part of this approach. In this way, our case empirically illustrates the alignment between internal strategy and external communication and clarifies the literature by demonstrating that these two components, are only effective in combination, particularly in companies under intense public scrutiny.

2.2. Legitimisation through symbolic adjustments without fundamental change

In Goldman Sachs' responses to the crisis, there has been a consistent strategy **of façade compliance**, consisting of giving tokens of goodwill without making fundamental changes to its business model or acknowledging wrongdoing. For example, in July 2010, Goldman accepted a record fine of $550 million but did **not admit any legal culpability**, merely admitting an omission in a marketing document. Similarly, the firm temporarily reduced bonuses, but without calling into question the system of remuneration based on trading profits.

This posture is the perfect illustration of what Bascle (2016) calls an **intermediate compliance strategy**, whereby the organization complies with normative expectations to preserve its external legitimacy, while retaining **internal strategic flexibility**. The logic of this posture can also be seen in Grunnan and Fridheim (2017), who show that in powerful institutions, symbolic commitments can be enough to freeze institutional pressure. This also ties in with Pang et al (2012), who point out that organizations tend to respond to crises according to a logic of surface commitment, by displaying changes without necessarily institutionalising them.

The Goldman Sachs case reveals the sophistication of this logic: the company plays on ambiguity by aligning itself with the dominant post-crisis discourse ('social responsibility', 'customer first', etc.) while making no structural changes to its internal incentives or governance processes. In this way, it **temporarily calms the outrage without tying its hands in the long term.** This strategy is more effective in that it benefits from **an information asymmetry effect**[7], already highlighted by Coombs (2007) in contexts where stakeholders do not have the information they need to judge the sincerity of reforms. The contribution here is twofold: (1) it extends the empirical application of the concept of intermediate compliance to crisis management, and (2) it clarifies the conditions for the effectiveness of this strategy, particularly in organizations with significant reputational capital.

2.3. Temporality of responses: linking the symbolic and the structural for sustainable restoration

This paper highlights that the most effective responses combine visible action in the short term with substantial reforms[8] in the long term. This finding is in line with the work of Bundy and al. (2017) on the importance of post-crisis trajectories in rebuilding legitimacy.

The work of Sandin (2009) on ethics in crisis also warns against purely symbolic strategies, which risk undermining trust if they are not followed by concrete structural actions. The case of Goldman Sachs validates this hypothesis: the reform announcements (executive compensation, formation of an internal committee…) only had a positive effect on reputation insofar as they were made tangible, visible and consistent over time. This observation also illustrates the logic of '**trapped expectations**' developed by Bascle and Jung (2022), according to which a response that satisfies the public in the short term without any structural commitment exacerbates future vulnerability. In this sense, this contribution clarifies an important theoretical debate on the temporality of crisis responses: it is not a question of pitting communication against reform, but of articulating them in a logical sequence, in

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[7] Effect designating the negative consequences of an unequal distribution of information between economic agents. Healy, P. M., & Palepu, K. G. (2001)

[8] in-depth and lasting changes to practices or governance aimed at restoring legitimacy, as opposed to purely symbolic measures (Suchman, 1995).

which the symbolic prepares the ground for the substantial, and the substantial gives credibility to the symbolic. This dialectic, rarely modelled in a dynamic way in the literature, appears here to be central to any strategy for the sustainable restoration of post-crisis confidence.

2.4. Revisiting SCCT: organizational power, relational asymmetry and hybrid strategies

Analysis of the Goldman Sachs case calls for a **reconsideration of the normative assumption** of the Situational Crisis Communication Theory (SCCT). While Combs (2007, 1998) proposes a predictive model according to which the response strategy should be aligned with the level of perceived responsibility. Facing the SEC' accusations, Golman Sachs adopted a posture of **denial**, despite a high external perception of guilt. However, this strategy did not lead to any lasting deterioration in its institutional status. This observation is in tension with the experimental results of Pace et al (2010), who demonstrate that refusing to accept responsibility in a context of proven misconduct **increases public anger**. On the other hand, it is in line with the observations of Grunnan and Fridheim (2017) and Bhaduri (2016), who insist on the importance of the **symbolic and structural power of the organization** in defining the field of possibilities: a highly institutionalised company can afford more defensive responses without losing its legitimacy, thanks to its pre-existing relational capital. Furthermore, McDonald and Crawford (2012) show that cooperation between powerful players in a sector can mitigate the negative effects of diffuse crisis. In this sense, our study qualifies the SCCT by **showing that the optimal strategy depends not only on the type of crisis or the level of perceived responsibility, but also on the level of control over the narrative, the asymmetry between stakeholders, and the organization's capacity to influence**. This theoretical contribution therefore partially contradicts a dominant model, by incorporating power and context variables that help to explain why some companies successfully deviate from normative prescriptions in crisis situations.

SECTION 3: Managerial recommendations

3.1. Offer sincere apology accompanied by tangible corrective action.

At the start of a crisis, if the company bears some responsibility, it is advisable to admit the wrongs without delay to compensate for them with concrete measures. A clear public apology, accompanied by acts of reparation or solidarity, can appease outraged stakeholders and show that the organization is taking the crisis to heart. In the case studied, Goldman Sachs defused some of the popular and political anger in 2009 thanks to the CEO's apology and the introduction of a support programme for small businesses, an initiative that improved its image and reduced external pressure. For a leader, **combining words and deeds** in this way strengthens the credibility of the crisis response and can avoid an escalation of sanctions, while laying the foundations for reconciliation with stakeholders.

3.2. Cooperate with regulators and settle legal disputes quickly to reduce uncertainty.

In a crisis, particularly if there is a legal or regulatory dimension (investigation, lawsuit, external audit), it is in a manager's interest to adopt a **proactive attitude of cooperation** with the authorities and, if possible, to negotiate a rapid solution to the problem. Dragging legal baggage around for months or years maintain a harmful uncertainty that weighs on the share price and the confidence of partners. On the other hand, reaching an agreement or settlement within a reasonable timeframe helps to close a negative chapter and limit the volatility associated with the crisis. The example of Goldman Sachs demonstrates this: by agreeing to a settlement with the SEC in July 2010, including a fine of $550 million but without admission of guilt, the bank removed a sword of Damocles that was worrying the markets. This swift outcome was viewed positively by investors, with the press release stressing that it was a 'good result for the firm and its shareholders', and Goldman Sachs shares stopped falling once the outcome was known. For a manager in crisis, cooperating with the authorities, being transparent about the facts, and finding a negotiated solution (if necessary assuming financial penalties or corrective measures imposed) is often the best strategy for restoring a climate of confidence and preventing a crisis from dragging on to the detriment of the company.

3.3. Communicating proactively while controlling the message.

It is essential for a manager to speak out quickly in crisis to regain control of the media narrative. Proactive communication helps to clarify the facts, demonstrate that the company is taking the situation seriously, and reassure stakeholders. However, this **communication must remain measured**: confession that could aggravate legal liability must be avoid. Goldman applied this strategy by publishing letters to shareholders in January and March 2010, responding point by point to criticism while preserving its legal position, particularly in the context of the Rajat Gupta affair. By avoiding both complete silence and over-reaction, the bank was able to maintain a controlled image and maintain the confidence of investors and the authorities.

3.4. Separate crisis to limit the contagion effect.

When an organization is faced with several simultaneous crisis, it is strategic to deal with them separately to avoid them being perceived **as symptoms of global dysfunction**. Goldman Sachs illustrated this approach by **clearly separating its response to accusations** of fraud (ABACUS affair), the Tourre case, and the insider trading investigation involving a director (Gupta). By avoiding cross-referencing and using messages tailored to each case, the firm limited the spread of scandal from one case to the other. This strategy of compartmentalisation helped to preserve its overall image and avoid media amplification. A manager must organise his crisis communications by segment, with teams dedicated to each case, to prevent the problems from combining in the public mind to form a general crisis.

3.5. Combining symbolic gestures and structural changes.

For a response to the crisis to be credible, symbolic actions must be accompanied by **lasting internal reforms**. Goldman Sachs began by sending out strong symbolic signals (apology from the CEO, reducing bonuses, hiring of external figures), before implementing more far-reaching changes: strengthening of the code of conduct, creation of client evaluation committees, and improvement of control systems. This **temporal link** between immediate visibility and fundamental transformation had gradually restored the bank’s legitimacy. A manager must ensure that every message or public commitment is based on a concrete organizational reality. It is this consistency between the projected image and internal actions that enables a relationship of trust to be rebuilt with stakeholders over the short and long term.

SECTION 4: Personal developed competencies

4.1. Tom

Completing this thesis enabled me to develop solid academic skills, particularly in strategic analysis, critical mobilization of scientific literature and structuring a rigorous theoretical argument. I have strengthened my knowledge of qualitative methods, as well as my ability to analyze complex data to extract contributions to research and concrete recommendations. On a personal level, this work has given me real autonomy, greater organizational rigor and the ability to synthesize dense and sensitive information effectively.

The fact that this thesis was carried out by two people was an additional lever for development: it taught me how to collaborate over time, to compare ideas constructively, to divide tasks according to each person's strengths and to maintain intellectual coherence throughout the work. The dynamic of co-construction stimulated critical thinking, encouraged mutual support and strengthened personal commitment. It also prepared me for professional environments where success depends on cooperation, clear exchanges and collective management of complex projects.

4.2. Jérôme

This thesis has been a long process of nearly a year, during which I had to face numerous challenges that pushed me to step out of my comfort zone, learn continuously, adapt, communicate effectively, and, above all, reflect on myself. These difficulties taught me a great deal and helped me develop a wide range of valuable skills. First, the lengthy process of collecting scientific data for this thesis often felt, for several months, like a time-consuming effort with no visible outcome. This experience forced me to develop my skills in perseverance, critical thinking, and information management. I had to learn how to navigate complex academic databases, assess the relevance of sources, and remain patient and methodical even when progress seemed minimal.

Our joint thesis also required us to apply certain existing skills while developing new ones. Working as a team demanded strong adaptability, as we had to understand and adjust to each other's working styles, rhythms, and priorities. We learned to combine our ways of working, which enhanced our flexibility and our ability to find effective compromises. Clear and continuous communication was essential for expressing ideas, resolving disagreements, and keeping track of progress. Lastly, the project strengthened our mutual trust, which was crucial for delegating tasks, sharing responsibilities, and maintaining a positive and productive dynamic.

SECTION 5: Limits of the paper

This paper had several limitations that should be highlighted.

Firstly, the use of a **single case study** centred on Goldman Sachs, a particularly atypical player in terms of its size, reputation and resources, limits the generalisability of the results. The strategies identified in this specific context cannot be automatically transposed to other organizations, particularly smaller ones or those operating in other sectorial environments.

Secondly, the analysis adopting a retrospective approach of the 2008-2011 period is **subject to time bias**: certain dynamics or delayed effects may have escaped observation, and conditions specific to the time (post-crisis regulatory framework, societal expectations) influence the current scope of the conclusions.

Thirdly, **reliance on secondary sources**, the specialist press, public reports, and official communications, **can lead to biases of perception**, narrative or omission. The lack of access to internal data or interviews with key players is a notable limitation in area. Moreover, the very large quantity of sources available on Goldman Sachs' crisis management, whether press articles, official documents or scientific publications, forced us to **select**. We were therefore unable to deal with the entire existing corpus, **which limits the exhaustive scope of our study**.

Fourthly, our work is based on the application of a specific theoretical framework, that proposed by Dunne et al. (2020). While this analytical grid offers a structured and rigorous reading of impression management strategies, it also induces a certain **interpretative framing**. This theoretical choice, although accepted, may obscure other complementary or divergent approaches that could have enriched or nuanced the analysis.

Finally, the exploratory scope of this research must be born in mind: the aim was not to formulate universal generalisations, but to identify areas for reflexion based on an **emblematic case**. These limitations, far from reducing the value of the study, highlight its outlines and open relevant perspectives for future research.

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APPENDICES

Appendix A: definitions of the impression management strategies

Strategy	Theoretical Definition
Denial	Involves rejecting any involvement in the crisis, denying responsibility or direct connection with the events (Dunne et al., 2020; Coombs, 2007; Jin et al., 2010).
Disassociation	Aims to distance the organization from the faulty entity or practice, often through scapegoating or fragmented responsibility (Dunne et al., 2020; Clemente & Gabbioneta, 2017; Boin et al., 2008).
External attribution	Blames exogenous factors (e.g., economic conditions) for the crisis, reducing perceptions of organizational control (Dunne et al., 2020; Coombs et al., 1995; Bascle, 2016).

Justification	Attempts to minimize the crisis's severity or legitimize the organization's actions by claiming limited harm or deserving victims (Dunne et al., 2020; Coombs, 1998).
Selectivity	Focuses communication on favorable elements (e.g., procedures, training), while omitting problematic aspects to construct a positive narrative (Dunne et al., 2020).
Enhancement	Highlights past achievements, technical expertise, and improvement efforts to reinforce perceived competence (Dunne et al., 2020; Coombs, 1995).
Exemplification	Projects an image of integrity or moral responsibility, through ethical reflection or professional independence (Dunne et al., 2020; Bundy & Pfarrer, 2017).
Ingratiation	A relational approach aimed at pleasing or flattering stakeholders to reduce hostility (Dunne et al., 2020; Jin et al., 2010; Ha, 2013).
Internal attribution	Credits positive developments to the organization's own initiatives, reinforcing leadership and ownership (Dunne et al., 2020; Pang et al., 2006; Rhee, 2008).
Self-promotion	Explicitly asserts the organization's competence or technical superiority as proof of legitimacy (Dunne et al., 2020; Williams et al., 2017; Rhee, 2008).
Apology	**Full apology**: A clear acknowledgment of wrongdoing by the organization, accompanied by a request for forgiveness and often including compensation or concrete corrective measures. This is the most committed form of apology, effective in restoring legitimacy but legally risky. **Partial or targeted apology**: A partial apology focused on a specific aspect (such as procedures or communication), without explicitly admitting responsibility. It aims to show empathy while limiting legal exposure, though its impact is more limited.

Appendix B: Coding table

N° and name of the article	Date	Text	1st Order	2nd Order
1.Crisis on Wall Street: Goldman CEO Says Firm Won't Change Focus	12/11/2008	Goldman Sachs Group Inc. will consider mergers to make it a more diversified financial company, but only if the deals keep Goldman's focus and culture intact, Chief Executive Lloyd Blankfein said at a conference Tuesday. In his first extended public comments about the company since April, Mr. Blankfein acknowledged how the economic downturn has pressured Goldman, sending the firm's shares to lows unseen since 2003. But he suggested Goldman wouldn't rush into a deal amid the market turmoil. "We're going to consider everything," but won't be provoked into "doing something rash" that the company will spend years reversing, Mr. Blankfein said in response to an investor question at Tuesday's Merrill Lynch financial-services conference. Mr. Blankfein said bonuses and compensation are likely to come down at Goldman because of a broader business	Mergers for diversification, maintaining culture Avoiding rushed decisions in crisis	Justification Selectivity

		downturn. He added, however, that the "core strategy" of Goldman "is to be able to recruit and retain the best people . . . and compensation plays an important role." One question on investors' minds is whether Goldman will deal more directly with U.S. consumers, in part to gain access to a base of bank deposits. Mr. Blankfein seemed to knock down that idea, stressing that Goldman has little or no exposure to credit cards, auto loans, home-equity loans or other consumer loans, all of which could suffer if the U.S. falls into a significant recession. <u>In assessing whether Goldman would buy or merge with a big commercial bank, Mr. Blankfein said that while he would like to have lower funding costs, Goldman's balance sheet was conservatively positioned relative to its peers.</u> He added that sentiment about the wisdom of being a so-called universal bank -- with investment, commercial and retail-banking operations -- has waxed and waned over the past decade. <u>The leader of the New York bank spoke of "profound weakness" in the U.S. economy that has hit Goldman and other</u>	Balancing funding cost and financial positioning Recognizing broader economic struggles	Enhancement External Attribution

		firms. In discussing "the stresses and strains" of the economy in recent months, he said: "We feel them, too." Some analysts expect Goldman to lose money in the quarter ending Nov. 30, in part because of write-downs in principal investments and commercial real estate. Mr. Blankfein said he took some heart in that many financial problems are now known and are being discounted in Wall Street stock prices. He said the U.S. government's response has been strong and that markets often start to rebound before a turnaround is fully appreciated by investors.	Market adjustments and loss expectations	External Attribution
2. Goldman Sachs Asset Management Selected by the Federal Reserve to Purchase Mortgage-Backed Securities	06/01/2009	On November 25, 2008, the Federal Reserve announced that it would initiate a program to purchase mortgage-backed securities backed by the housing-related government-sponsored entities, Fannie Mae, Freddie Mac and Ginnie Mae. At that time, the Federal Reserve announced that purchases would be conducted by asset managers selected via a competitive process. We are pleased to report that, on December 30, 2008, the Federal Reserve announced that Goldman	Highlighting Sophistication of Clients,	Enhancement

		Sachs Asset Management, along with BlackRock Solutions, PIMCO and Wellington Management Company, has been selected to implement the program. Investment managers were selected based on each institution's operational capacity, size and overall experience in the MBS market. For more information, please visit the Federal Reserve Bank of New York Web site for a copy of the press release as well as an FAQ on the mortgage purchase program.	Highlighting experience	Self-Promotion
3. James J. Schiro Nominated for Election to Goldman Sachs Board	20/03/2009	New York, March 20, 2009 – The Board of Directors of The Goldman Sachs Group, Inc. (NYSE: GS) today announced the nomination of James J. Schiro for election as an independent director of the firm at the firm's annual meeting of shareholders in May 2009. If Mr. Schiro is elected, the Goldman Sachs Board would consist of 12 directors, ten of whom would be independent directors. Mr. Schiro would also serve on the Audit, Compensation and Corporate Governance and Nominating Committees of the Board upon election.	Strengthening Corporate Governance	Internal attribution

		<u>"Jim Schiro's deep experience in the global capital markets, from successfully leading the transformation of a global insurance company to his previous auditing and financial reporting expertise, will be of tremendous value to our shareholders and our people,"</u> said Lloyd C. Blankfein, Chairman and Chief Executive Officer of The Goldman Sachs Group, Inc. "We very much appreciate his willingness to serve on our board and I look forward to benefitting from his advice and counsel." Mr. Schiro is the Chief Executive Officer of Zurich Financial Services, an insurance-based financial services provider with a global network of subsidiaries and offices in North America and Europe as well as in Asia Pacific, Latin America and other markets. He previously served as Zurich's Chief Operating Officer – Finance. Prior to joining Zurich, Mr. Schiro had a distinguished career at Price Waterhouse and PricewaterhouseCoopers LLC that began in 1967. He was Chairman and Chief Executive Officer of Price Waterhouse from 1995 to 1998, and in 1998	Highlighting Leadership, Credibility	Enhancement /Exemplification

		he led the merger of Price Waterhouse and Coopers & Lybrand to form PricewaterhouseCoopers, for which he subsequently served as Chief Executive Officer. Mr. Schiro serves as a director of PepsiCo, Inc. and Royal Philips Electronics. He is also active in a number of professional, international and non-profit organizations, including The Geneva Association, the Institute of International Finance, the European Financial Services Round Table, the International Business Council of the World Economic Forum, the Advisory Board of the Tsinghua University School of Economics and Management, the Swiss-American Chamber of Commerce, the Institute for Advanced Study, St. John's University and the Lucerne Festival and American Friends of the Lucerne Festival. Mr. Schiro graduated from St. John's University with a degree in business administration and later received an honorary doctorate of commercial sciences from that institution. He also earned a degree from The Amos Tuck School Executive		

		Program at Dartmouth College and is a Certified Public Accountant. The Goldman Sachs Group, Inc. is a leading global financial services firm providing investment banking, securities and investment management services to a substantial and diversified client base that includes corporations, financial institutions, governments and high-net-worth individuals. Founded in 1869, the firm is headquartered in New York and maintains offices in London, Frankfurt, Tokyo, Hong Kong and other major financial centers around the world.		
4. Federal Reserve Determines Goldman Sachs Does Not Require Further Capital	07/05/2009	New York, May 7, 2009 - The Goldman Sachs Group, Inc. (NYSE: GS) - We are pleased that the Federal Reserve's Supervisory Capital Assessment Program has been completed. We view it as an important step to restoring investor confidence and financial stability. <u>As regulators have stated, underlying the stress test's methodology was a very conservative set of assumptions on potential revenues and losses in a more adverse market</u>	Defending Financial Resilience	Self-promotion

		<u>scenario than the already challenging environment. With respect to Goldman Sachs, the test determined that the firm does not require further capital.</u> <u>After a review of the repayment conditions issued by the Federal Reserve and the Treasury, we believe that we have met all of the requirements stipulated and are highly confident that we will soon repay the government's investment from the TARP's Capital Purchase Program.</u> The Goldman Sachs Group, Inc. is a leading global financial services firm providing investment banking, securities and investment management services to a substantial and diversified client base that includes corporations, financial institutions, governments and high-net-worth individuals. Founded in 1869, the firm is headquartered in New York and maintains offices in London, Frankfurt, Tokyo, Hong Kong and other major financial centers around the world.	Highlighting one's competencies and expertise	Self-Promotion
5. Goldman's Soft Sell: Its Warm, Fuzzy Side	15/10/2009	RÉSUMÉ Luigi Zingales, a finance professor at the University of Chicago Booth School of Business, said trying to explain to		

		the public billions in bonuses barely a year after Goldman got a $10 billion capital infusion from the government and bolstered its liquidity by converting to a bank-holding company is to many Americans the equivalent of "putting lipstick on a pig." TEXTE INTÉGRAL On Thursday, Goldman Sachs Group Inc. will announce that life is pretty much back to normal: billions of dollars in quarterly profit and record pay set aside for employees at the firm known for running circles around the rest of Wall Street. Hoping to defuse a politically combustible situation, Goldman officials have been mounting a soft-sell campaign that pushes the usually reticent company into the spotlight. For months, the New York firm has been working to dispel what it sees as misperceptions about itself to make its profit and bonuses go down easier, from a lobbying push in Washington to media interviews in which Goldman Chief Executive Lloyd Blankfein reminisces about his humble roots. His first job was selling peanuts and popcorn at Yankee Stadium. Company executives also have	Navigating Political and Public Sentiment	Ingratiation

		discussed increasing charitable contributions by the firm or by encouraging employees, according to people familiar with the situation.		
		Such a move could help Goldman repel any public backlash it suffers as a result of this year's bonuses, which will be decided near the end of the fourth quarter and paid out in January. In a development that might help frame the bonus debate in its favor, Goldman's third-quarter results are likely to show that the firm set aside less money toward compensation and benefits than it did in this year's previous quarters, said people familiar with the matter. The company's strong overall numbers this year, including a projected third-quarter profit of $2.17 billion, according to analysts surveyed by Thomson Reuters, mean Goldman can hit its annual bonus target even if it ratchets down pay at year-end.	Minimizing Business Disruption	Justification
		Goldman spokesman Lucas van Praag said the charm offensive is a necessary response to supercharged rhetoric and exaggerations that have swirled around the 140-year-old company since the financial crisis erupted. In June, a Rolling	Framing communication as response to exaggerations	External Attribution

		Stone magazine article -- which was passed up and down Wall Street -- called Goldman a "great vampire squid wrapped around the face of humanity, relentlessly jamming its blood funnel into anything that smells like money." New York Attorney General Andrew Cuomo's denouncement of banking-industry pay practices in a July report titled "No Rhyme or Reason" noted that 953 employees at Goldman got bonuses of at least $1 million in 2008. "In a world that seems to have turned upside down, where virtues are viewed as vices," said Mr. van Praag, "it is important we explain our business model to a wider audience, why what we do matters and why and how we pay our people." Of course, Goldman's critics aren't likely to leave the firm alone anytime soon no matter how hard it tries. Luigi Zingales, a finance professor at the University of Chicago Booth School of Business, said trying to explain to the public billions in bonuses barely a year after Goldman got a $10 billion capital infusion from the government and bolstered its liquidity by converting to a bank-holding company is to many Americans the equivalent		

		of "puttig lipstick on a pig." On Wednesday, Federal Reserve Gov. Daniel K. Tarullo told a Senate subcommittee that he is concerned banks and other firms "have not come to grips with the fact that things have changed. Things have changed in a basic way." Amid political disparagement of the pay culture on Wall Street, Goldman's fast rebound from the worst of the financial crisis has made it a lightning rod. Even though the firm repaid the government, it has access to short-term lending from the Federal Reserve's discount window that wasn't available before the collapse of Bear Stearns Cos. This year, Goldman has earned three times as much as it did in all of 2008, as it rides resurgent stock and credit markets and wrestles business away from rivals weakened during the past two years. As a result, the roughly 29,000 employees at the firm are on track to earn even more than they did in 2007, when the average payout of $661,490 set a new threshold for compensation in the securities industry. Mr. Blankfein, who got roughly $68 million in 2007 in what was a record for any Wall Street CEO,		

		could surpass that number this year. His big payday came largely in restricted stock. Goldman's share price is up more than threefold since it bottomed out in January, including Wednesday's jump of $5.05, or 2.7%, to $192.28 in 4 p.m. New York Stock Exchange composite trading. Much of the public-relations effort has been led by the 55-year old Mr. Blankfein, a Goldman lifer who became chairman and CEO in 2006 when predecessor Henry Paulson left to become Treasury secretary. Last year, Mr. Blankfein and other top Goldman executives announced they would take no bonus for 2008, bringing the company positive publicity and making it much more difficult for rival firms to dole out lavish pay on their managements. As the pay debate intensified, Mr. Blankfein made the first of what would become several speeches about compensation, telling the Council of Institutional Investors in April that pay structures "should encourage real teamwork and discourage selfish behavior, including excessive risk-taking, which hurts the longer-term interest of the firm	Explaining about the pay structure	Justification

		<u>and its shareholders."</u> At Goldman's annual shareholder meeting in May, Mr. Blankfein's platform was packaged into a set of pay principles. Mr. Blankfein also has been spending more time meeting lawmakers in Washington, lobbying for more effective systemic regulation. Employees in the firm's Washington office have been working overtime to fight what Goldman claims are misunderstandings, including that the firm pocketed billions of dollars as insurer American International Group Inc. teetered. During the first six months of 2009, Goldman spent $1.3 million lobbying lawmakers, according to the Center for Responsive Politics. That outpaced the firm's spending for all of 2005, the first year of President George W. Bush's administration. In July, Goldman confirmed as part of its announcement of $3.44 billion in profits for the second quarter that employees would get their fair share if the company continued chugging along. Goldman has a "pay-forperformance culture," Goldman Chief Financial Officer David Viniar told analysts. The sky-high net		

		income fueled a surge of sour media coverage. Since then, Mr. Blankfein has granted interviews to numerous publications, including some with a readership that differs from Goldman's core audience.		
6. Goldman's success is a double-edged sword	17/10/2009	RÉSUMÉ (ABSTRACT) All of this applies to the financial sector as a whole. What of the winners within the sector, led by Goldman? TEXTE INTÉGRAL A year ago, the fortunes of the world and its banks were in horrible alignment. A banking crisis drove the worst and most sudden shock to economic activity since the second world war. The banks must be saved, virtually everyone agreed, or the economy would tip into a second Great Depression. Are they still in such alignment? The presiding emotion holds that they are not. While the banks' losses last year took the economy down, the belief now is that their profits are keeping the economy from recovering. Newspapers around the world announced the stunning profits of JPMorgan and Goldman Sachs with banner headlines. Populist resentment on both left and right is running high.		

		Latest quarterly earnings are certainly impressive. JPMorgan made $3.6bn, the most since before the crisis in 2007. Goldman made $3.2bn, almost its all-time record. Both beat expectations. More attention, however, went to bonuses. Goldman, still by far the most admired and most envied bank on Wall Street, has put $16.7bn aside for bonuses this year. Juxtapose this with high unemployment and bearish consumer sentiment, and people are envious. Combine it with the aid that Goldman and other banks received from governments to get through last year's crisis, and people get angry. Goldman, in particular, has a public relations problem on its hands. Rolling Stone magazine's description of it as a "vampire squid" has stuck. But what does the state of the financial sector mean for investors? This is more complicated. While a few "winners" from the crisis have done well, other banks still appear deeply troubled. Citigroup and Bank of America announced losses this week, and JPMorgan said it was concerned by the risk of higher consumer credit losses. Smaller commercial banks might find such losses harder to		

		swallow. There is also the looming issue of US commercial real estate, which accounts for about 21 per cent of banks' balance sheets, and where losses seem certain. Renewed bank failures could tip the US and world economies back into deep trouble. So the interests of the economy and the banks remain aligned. Governments are thus continuing to help banks by lending to them at very low rates and pushing down volatility in markets. This makes life easier for all banks. How should investors deal with this? The long-term prognosis is poor. At some point the government aid will have to be removed, and that will throw many calculations into jeopardy. But the short run may be different. Financials currently account for about 22.7 per cent of the developed world's market capitalisation, according to FTSE indices. This is up from a low of 15.2 per cent in March this year, when the sector appeared to face wholesale nationalisations. But it stood at 25 per cent for much of this decade and reached 28 per cent during the credit bubble. Banks are not yet blatantly overvalued. There is even an argument, made by		

		Mark Lapolla of Sixth Man Research in California, that banks will outperform in the near future. State aid cannot be removed yet, making their earnings safer than those of other companies, while big investment institutions remain underweight financials. Put these together, and financial shares could climb higher. But all of this applies to the financial sector as a whole. What of the winners within the sector, led by Goldman? According to London's Global Wealth Allocation, Goldman's book value (its assets minus its liabilities on its balance sheet) has more than doubled since the end of 2006, while the book value of the US as a whole has been flat. And its market capitalisation has risen more than 140 per cent from its low in November, while the value of the US market is up about 40 per cent since then. That makes it look as though Goldman's performance has come to some extent at the expense of the broader economy. But the period of sharp outperformance has coincided with the departure from the market, or the hobbling, of almost all Goldman's strongest competitors. Companies make more money if they		

		have fewer competitors. Judged with cold rationality, it appears the survivors from last year's crisis are doing what they are paid to do - trying to exploit their newfound monopolistic power. It follows that investors should buy their stock. There is no better investment than the stock of a monopoly. It also follows that governments, acting in the public interest, will need to curb that monopoly power. Even free marketeers must nervously agree with this. Whether governments have the stomach to do it, and if so how they do it, are crucial questions. But unless the intervention comes very soon, then the outperformance of financials should continue for a while longer, in spite of mounting credit losses		
7. Goldman apologises for crisis and pledges \$500m to small business	18/11/2009	Sum is about 2.3% of bonus and salary pool Goldman Sachs apologised for its role in the financial crisis yesterday and pledged \$500m over five years - or about 2.3 per cent of its estimated bonus and salary pool for 2009 - to help 10,000 US small businesses recover from the -recession.	Apology for behaviour	Partial Apology

		The moves come as the bank tries to defuse a political and public backlash over its plans to share billions of dollars among top dealmakers after rebounding sharply from the turmoil and earning record profits in the first nine months of the year.		
		Lloyd Blankfein, Goldman's chief executive, told a corporate conference in New York that the bank regretted taking part in the cheap credit boom that had fuelled the pre-crisis bubble. "We participated in things that were clearly wrong and have reason to regret," said Mr Blankfein. "We apologise."	Expressing regret	Apology
		Mr Blankfein also told the conference he wished he had not told the UK's Sunday Times newspaper that Goldman did "God's work" - a remark that was seized upon by the bank's critics - and said it had been meant as a joke.		
		Mr Blankfein spoke hours before Goldman revealed plans to invest $500m over five years in business education, technical assistance and venture capital to help 10,000 small businesses across	Plans to invest in small business	Exemplification

		the US. The yearly amount of about $100m to be spent on the initiative - which will be overseen by a panel co-chaired by Warren Buffett, a Goldman investor - is equivalent to a good trading day at Goldman. In the third quarter, the bank had 36 days in which traders made more than $100m. Mr Buffett told the Financial Times that the small business programme was not a response by the bank to recent criticism. "This is a big initiative," he said. "This is not a one-day or one-year wonder. It's a continuous programme." Goldman stressed that the small business drive had been planned for a year. In choosing to help small businesses, Goldman has identified one of the US administration's policy priorities. Tim Geithner, Treasury secretary, is hosting a summit today with members of Congress, small companies, financial regulators and banks to work on ways to kickstart lending to the sector Goldman has set aside $16.7bn for compensation	Denying reactionary motive behind program	Denial

		in the first nine months of the year. Brad Hintz, an analyst at Alliance Bernstein, recently estimated total compensation expenses in 2009 would reach \$21.8bn. Credit: By Francesco Guerrera and Justin Baer in New York and Tom Braithwaite in Washington		
8. Goldman Fueled AIG Gambles --- Wall Street Firm's Role Shown in Journal Analysis; It Says Problems Hidden	12/12/2009	Goldman Sachs Group Inc. played a bigger role than has been publicly disclosed in fueling the mortgage bets that nearly felled American Insurance Group Inc. Goldman was one of 16 banks paid off when the U.S. government last year spent billions closing out soured trades that AIG made with the financial firms. A Wall Street Journal analysis of AIG's trades, which were on pools of mortgage debt, shows that Goldman was a key player in many of them, even the ones involving other banks. Goldman originated or bought protection from AIG on about \$33 billion of the \$80 billion of U.S. mortgage assets that AIG insured during the housing boom. That is roughly twice as much as Societe Generale and Merrill Lynch, the banks with the biggest exposure to AIG after Goldman, according to an analysis of ratings-		

		firm reports and an internal AIG document that details several financial firms' roles in the transactions. In Goldman's biggest deal, it acted as a middleman between AIG and banks, taking on the risk of as much as $14 billion of mortgage-related investments. Then Goldman insured that risk with one trading partner -- AIG, according to the Journal's analysis and people familiar with the trades. The trades yielded Goldman less than $50 million in profits, which were mostly booked from 2004 to 2006, according to a person familiar with the matter. But they piled risks onto AIG's books, which later came to haunt the insurer and Goldman. The trades also gave Goldman a unique window into AIG's exposure to losses on securities linked to mortgages. When the federal government bailed out the insurer, Goldman avoided losses on its trades with AIG covering a total of $22 billion in assets. A Goldman spokesman says that up until AIG was rescued by the government, the insurer "was viewed as one of the most sophisticated financial counterparties in the		

		world. <u>It wasn't until the government intervened in September 2008 that the full extent of AIG's problems became apparent." "What is lost in the discussion is that AIG assumed billions of dollars in risk it was unable to manage," the Goldman spokesman added. An AIG spokesman declined to comment on the firm's trades with Goldman.</u> More clarity has emerged recently over the roles that firms such as Goldman played, as complex deals carried out by banks are now being untangled in legal and regulatory inquiries. Last month a government audit of part of the AIG bailout described Goldman's middleman role. One of Goldman's trades with AIG involved a financial vehicle called South Coast Funding VIII. South Coast was one of many pools of bonds backed by individual homeowners' mortgage payments that Wall Street turned into collateralized debt obligations or CDOs. Merrill Lynch, now part of Bank of America Corp., underwrote the South Coast CDO in January 2006 by stuffing it with packages of home loans originated by firms such as Countrywide Financial Corp., the big California	Goldman assignes responsibility to AIG	External Attribution

		lender. Once a CDO debt pool is assembled, it is sliced into layers based on risk and return. Merrill sold the safest, or top layer, of deals like South Coast to large banks, including in Europe and Canada. The banks wanted protection in case the housing market tanked. Many turned to Goldman, which effectively insured the securities against losses. Then, to cover its own potential losses, Goldman bought protection from AIG, in the form of credit-default swaps. Goldman charged more than AIG for the protection, so it was able to pocket the difference, making millions while moving the default risks to AIG, according to people familiar with the trades. The banks eventually realized they didn't need to use Goldman as a middleman. The trades seemed prudent at the time given AIG's strong credit rating and the fact that AIG agreed to make payments to Goldman, known as collateral, if the value of the CDOs declined. The trades were also low risk for Goldman as long as AIG stayed afloat. Other banks also acted as middlemen, including Merrill Lynch, which did roughly $6		

		billion of these deals compared to $14 billion for Goldman, according to people familiar with the trades and the analysis of banks' exposures to AIG. "It seems shocking to me that Goldman would become so exposed to AIG and kept doing deals with them and laying on the risk," says Tom Savage, a former chief executive of AIG's financial products unit who left in 2001 before the explosive growth of insuring mortgage-debt pools. The middleman trades began to unravel in mid 2007 when the U.S. mortgage market started slumping. Goldman was the first of AIG's trading partners to notify AIG that the CDOs were losing value and demand collateral. Other banks including Societe Generale and a unit of Credit Agricole that had bought insurance from AIG eventually did the same. A Goldman spokesman said that between mid-2007 and early 2008, Goldman showed AIG "market price levels" at which trades could be undone, allowing AIG to decrease its risk, but "AIG refused to accept that the market was deteriorating." When Goldman didn't get as much collateral as it		

		wanted from AIG, in 2007 and 2008 it bought protection against a default of AIG itself from other banks. AIG officials were skeptical of the prices Goldman presented, according to the minutes of a February 2008 AIG audit committee meeting, which noted that Goldman was "unwilling or unable to provide any sources for their determination of market prices." Additional calls for collateral from Goldman and other banks eventually led to AIG's September 2008 bailout and led the New York Federal Reserve two months later to fully cover $62 billions of insurance contracts Goldman and 15 other banks had with the financial products unit of AIG. Goldman's other big role in the CDO business that few of its competitors appreciated at the time was as an originator of CDOs that other banks invested in and that ended up being insured by AIG, a role recently highlighted by Chicago credit consultant Janet Tavakoli. Ms. Tavakoli reviewed an internal AIG document written in late 2007 listing the CDOs that AIG had insured, a document obtained earlier this year by CBS News. The Journal analysis of that		

		document in conjunction with ratings-firm reports shows that Goldman underwrote roughly $23 billion of the $80 billion in mortgage-linked CDOs that AIG agreed to insure. One such deal was called Davis Square Funding VI. That CDO, assembled by Goldman in March 2006, contained mortgage securities underpinned by subprime home loans originated by firms such as Countrywide and New Century Mortgage Corp., one of the first subprime lenders to fail in 2007. A big investor in Davis Square's top layer was Societe Generale, which bought protection on it from AIG, according to the internal memo. The French bank was the largest beneficiary of the New York Fed's Nov. 2008 move to pay off banks in full on their AIG insurance contracts. A company financed largely by the New York Fed ended up owning both the Davis Square and South Coast CDOs. Societe Generale received payments from AIG and the New York Fed totaling $16.5 billion. Goldman received $14 billion for its trades that were torn up, including $8.4 billion in collateral from AIG. A representative of Societe Generale declined to		

		comment. The special inspector general for the Troubled Asset Relief Program, which recently reviewed the New York Fed's effort to stanch collateral calls last year, said Goldman officials said the company believed it would have been fully protected had AIG been allowed to fail because of collateral it had amassed and the additional insurance it had bought against an AIG default. The auditor, however, questioned that conclusion. The report said Goldman would have had a difficult time selling the collateral and that the firm might have been unable to collect on the additional insurance.		
9. Goldman Sachs Clarifies Various Media Reports of Aspect of FCIC Hearing	14/01/2010	New York, January 14, 2010 - The Goldman Sachs Group, Inc. (NYSE: GS): Today certain media reports have erroneously stated that, during testimony at the Financial Crisis Inquiry Commission in Washington, D.C. yesterday, Lloyd Blankfein said Goldman Sachs' practices with respect to the sale of mortgage-related securities were "improper." Mr. Blankfein said no such thing.	Denial of Allegations	Denial

		Mr. Blankfein was responding to a lengthy series of statements followed by a question that was predicated on the assumption that a firm was selling a product that it thought was going to default. Mr. Blankfein agreed that, if such an assumption was true, the practice would be improper. Mr. Blankfein does not believe, nor did he say, that Goldman Sachs had behaved improperly in any way.		
		In fact, his answer to the various statements explained the market making function and how our practices were entirely appropriate. As he stated in his testimony, the firm could not have known the future direction of housing prices	Defending practices and lack of foresight	Justification
		The Goldman Sachs Group, Inc. is a leading global financial services firm providing investment banking, securities and investment management services to a substantial and diversified client base that includes corporations, financial institutions, governments and high-net-worth individuals. Founded in 1869, the firm is headquartered in New York and maintains		

		offices in London, Frankfurt, Tokyo, Hong Kong and other major financial centers around the world.		
10. Goldman Lists New 'Risk': Bad Press --- Company Sees Negative Media Coverage as a Potential Threat to Its Business; Aggressive Responses	02/03/2010	RÉSUMÉ The unusual disclosure in a 12-page section of "risk factors" ranging from rocky financial markets to natural disasters is the latest sign of Goldman's whipping-boy status among rivals, lawmakers and angry Americans because of the firm's giant profits. TEXTE INTÉGRAL Goldman Sachs Group Inc. added something new to the laundry list of financial risks it faces unflattering attention. In its annual report, the New York company said "adverse publicity" could have "a negative impact on our reputation and on the morale and performance of our employees, which could adversely affect our businesses and results of operations."	Goldman acknowledges reputational risk	External Attribution
		The unusual disclosure in a 12-page section of "risk factors" ranging from rocky financial markets to natural disasters is the latest sign of Goldman's whipping-boy status among rivals, lawmakers and angry Americans because of the firm's giant profits. "Goldman has become one giant pinata	Goldman singled out for criticism	External Attribution

		to whack," said Charles M. Elson, director of the John L. Weinberg Center for Corporate Governance at the University of Delaware, adding that he couldn't recall a previous instance where a company cited bad publicity as a risk to its business. "It's reflective of the rather bizarre political climate in which we operate." A Goldman spokesman declined to comment. Some corporate-governance experts said the move isn't surprising given all the unwelcome attention Goldman has received since the financial crisis erupted. In July, a Rolling Stone article compared Goldman to a "great vampire squid wrapped around the face of humanity." The phrase has been widely repeated in other publications and online, along with Chief Executive Lloyd Blankfein's comment to a U.K. newspaper in November that the firm is doing "God's work." "They've determined that these kinds of stories could have a material impact on their stock price, and view it as something they need to make investors aware of," said Michael Ryan, president of advisory firm Proxy Governance.	Attributing good things	Exemplification

		Goldman has long viewed its communications department as a risk-related function, meaning executives realize that a misstep in how it deals with the media, or an issue could cause unnecessary damage to the company's brand. As a result, Goldman's communications chief is heavily involved with top executives and the firm's inner workings. Goldman has aggressively responded to stories it views as false or exaggerated. But the approach has drawn mixed reviews. In its filing, the firm took another swipe at fault-finding coverage, while acknowledging that the attention could rattle employees and customers. <u>Goldman also said its board rejected demands from shareholders that the firm investigate excessive pay and take steps to recoup some of the awards given to executives.</u>	Rejecting shareholder demand for pay investigation	Denial
12. Goldman Tells Its Side of '09 --- Shareholder Letter -- Firm's Longest -- Defends Client Commitme	07/04/2010	RÉSUMÉ Some financial-company CEOs are using the letters to clear the air about controversies that erupted during the financial crisis, from compensation to their responsibilities in return for receiving government aid. TEXTE INTÉGRAL The year 2009 was one		

nt, AIG Dealings		that some Goldman Sachs Group Inc. executives would like to forget. Yet the firm is reliving some of its biggest controversies in its longest-ever annual letter to shareholders. The eight-page note, being released today, presents Goldman's point of view directly to shareholders ahead of the firm's May 7 annual meeting. For example, criticized for putting the bank's own interests ahead of customers, Goldman Chairman and Chief Executive Lloyd Blankfein and President Gary Cohn say in the letter that clients are at the top of the pecking order. <u>The two executives used the words "client" or "clients" a total of 56 times, up from 17 in their 2008 shareholder letter. "The firm's focus on staying close to our clients and helping them to navigate uncertainty and achieve their objectives is largely responsible for what proved to be a year of resiliency across our businesses, and by extension, a strong performance for Goldman Sachs,"</u> the executives wrote. <u>Goldman reiterated that it didn't "bet against" clients using short positions it took on before</u>	Presents Goldman as client-focused.	Ingrigation

		the residential real-estate market crashed. Goldman was one of the first Wall Street firms to reduce its real-estate exposure, even as some clients were sticking with their bullish bets. The short positions "served to offset our long positions," Messrs. Blankfein and Cohn wrote in the letter. "Our goal was, and is, to be in a position to make markets for our clients while managing our risk within prescribed limits." Goldman shares doubled last year, and closed at $172.90 on the NYSE on Tuesday. "We thought it was important to discuss our business, the opportunities we see through our work with our clients and various issues that merit broader discussion and a presentation of the facts, particularly in the last year," said Goldman spokesman Samuel Robinson. As this year's annual-meeting season approaches, some analysts and investors are paying close attention to shareholder letters. Some financial-company CEOs are using the letters to clear the air about controversies that erupted during the financial crisis, from compensation to their responsibilities in return for receiving	Positions its actions as responsible	Justification

		government aid. Earlier this month, J.P. Morgan Chase &Co. Chairman and CEO James Dimon wrote a 36-page letter to shareholders of the New York bank, blasting the "demonization" of big firms. J.P. Morgan's letter last year was 28 pages long; Goldman's 2008 letter was just four pages. Goldman's letter includes explanations of its payouts to employees and trading relationship with insurer American International Group Inc. More than one page is devoted to AIG. Goldman is under the public microscope for receiving nearly $13 billion from AIG after the insurance giant was bailed out by the government in 2008. In the case of the $13 billion, Goldman says it didn't retain much of the money, using it instead to meet various AIG-related obligations Messrs. Blankfein and Cohn wrote that the firm's "direct economic exposure" to AIG was minimal, though Goldman and other companies benefited from the rescue because a failure of AIG would have been "extremely disruptive to the world's already turbulent financial markets."	Minimizing exposure and framing systemic risk	External Attribution

13. Goldman Director in Probe --- Prosecutors Examine Trades by Galleon in Bank's Shares as Investigation Widens	15/04/2010	Wall Street's most powerful firm is being drawn into the government's sprawling insidertrading investigation. Prosecutors are examining whether a Goldman Sachs Group Inc. board member gave inside information about the firm to Galleon hedge-fund founder Raj Rajaratnam during the height of the financial crisis, people close to the situation told The Wall Street Journal. Goldman's name emerged in a government letter listing companies whose trading, by Mr. Rajaratnam and others in the Galleon case, the U.S. is investigating. The March 22 letter said the government is scrutinizing trades by Mr. Rajaratnam and others in Goldman Sachs from June 2008 through October 2008, a time when Goldman shares gyrated amid the bankruptcy of Lehman Brothers Holdings and concerns about the future of all major investment banks. As part of that focus, the government is examining whether Rajat Gupta -- a current Goldman director, former head of McKinsey &Co. and close associate of Mr. Rajaratnam's -- shared inside information about Goldman, the people close		

		to the situation say. No criminal charges or other allegations have been filed against Mr. Gupta, nor is there any indication that investigators are looking at his own stock trading. A spokesman for Mr. Gupta said, "Mr. Gupta is unaware of any examination of any such issue and has done nothing wrong." Mr. Rajaratnam, who has pleaded not guilty to criminal insider-trading charges, declined to comment through his spokesman. Though Goldman is just one of several stocks newly emerging in the investigation, the big banking firm stands out because it executed trades for Galleon over the years, and Messrs. Gupta and Rajaratnam were in a separate business partnership several years ago. It isn't clear what specific evidence the government may have gathered related to trading in the shares of Goldman or other companies listed in the March 22 court filing, which was a response to a request by Mr. Rajaratnam's lawyers for more information about the government's evidence. The letter identified 22 companies, some not previously made public, in which the U.S.	Denying wrongdoing by board member	Denial

		attorney in Manhattan is scrutinizing trading by Mr. Rajaratnam and other alleged co-conspirators. The letter from prosecutors said, "We fully anticipate that the Government's ongoing investigation and review of information will lead to further evidence relating to the charged crimes, including identification of additional uncharged co-conspirators." The letter described the trading the government was investigating in various stocks as "almost all . . . clearly disclosed in the wiretap applications, intercepted calls, and consensually recorded calls." Defense lawyers in the Galleon case have argued that wiretaps shouldn't be admitted as evidence. The development marks a turning point in the Galleon matter, which has so far focused on the role of hedge funds, technology executives and traders in the alleged insider-trading scheme. The focus on Mr. Gupta marks the first time the probe has involved a major Wall Street firm. Goldman's shares swung from roughly $180 in June 2008 to below $100 in October of that year. Amid that tumultuous period, in September 2008, Warren		

		Buffett's Berkshire Hathaway Inc. invested \$5 billion in Goldman, shoring up confidence in the firm's prospects. The stock has since rallied to \$184.92. Many of Galleon Group's dozen or so hedge funds traded Goldman stock almost every day, with some buying while others were selling, an individual familiar with the matter said. Galleon's rapid-fire trading has stymied investigators in the past. In 2007, the SEC was investigating whether there was insider trading at Galleon. Amid active in-and-out trading by Galleon, the SEC was unable to immediately bring charges. In the criminal complaint against Mr. Rajaratnam, prosecutors say he told another defendant to trade in and out of a stock to cover their footsteps. Beginning last October, the U.S. charged 21 people in the Galleon matter, 11 of whom have pleaded guilty. Mr. Rajaratnam and former fund manager Danielle Chiesi, who are at the center of the case, maintain their innocence and have said they will fight the charges. The case is scheduled for trial in federal court in New York in October. Goldman and		

		Galleon have had ties for some time. Galleon conducted trading business with Goldman. Mr. Rajaratnam was acquainted with Goldman executives in addition to Mr. Gupta, people close to the situation say. Goldman's activities separately are under scrutiny in a Securities and Exchange Commission civil investigation of whether there was insider trading in some health-care transactions. SEC investigators are looking at whether there were leaks about health-care mergers in the past three years, including roughly a dozen involving bankers and others at Goldman since 2006, people close to the situation say.		
14. Goldman Sachs Responds to SEC Complaint	16/04/2010	New York, NY, April 16, 2010 -- The Goldman Sachs Group, Inc. (NYSE: GS) responds to a complaint filed by the SEC today. <u>The SEC's charges are completely unfounded in law and fact and we will vigorously contest them and defend the firm and its reputation.</u> The Goldman Sachs Group, Inc. is a leading global investment banking, securities and investment management	Denial of Allegations	Denial

		firm that provides a wide range of financial services to a substantial and diversified client base that includes corporations, financial institutions, governments and high-net-worth individuals. Founded in 1869, the firm is headquartered in New York and maintains offices in London, Frankfurt, Tokyo, Hong Kong and other major financial centers around the world.		
15. Goldman Sachs Makes Further Comments on SEC Complaint	16/04/2010	New York, April 16, 2010 - The Goldman Sachs Group, Inc. (NYSE: GS) said today: We are disappointed that the SEC would bring this action related to a single transaction in the face of an extensive record which establishes that the accusations are unfounded in law and fact. We want to emphasize the following four critical points which were missing from the SEC's complaint.	Denial of Allegations.	Denial
		Goldman Sachs Lost Money On The Transaction. Goldman Sachs, itself, lost more than $90 million. Our fee was $15 million. We were subject to losses and we did not structure a portfolio that was designed to lose money.	Affirming that the operation also damages the company	Justification

		Extensive Disclosure Was Provided. IKB, a large German Bank and sophisticated CDO market participant and ACA Capital Management, the two investors, were provided extensive information about the underlying mortgage securities. The risk associated with the securities was known to these investors, who were among the most sophisticated mortgage investors in the world. These investors also understood that a synthetic CDO transaction necessarily included both a long and short side. • ACA, the Largest Investor, Selected The Portfolio. The portfolio of mortgage backed securities in this investment was selected by an independent and experienced portfolio selection agent after a series of discussions, including with Paulson & Co., which were entirely typical of these types of transactions. ACA had the largest exposure to the transaction, investing $951 million. It had an obligation and every incentive to select appropriate securities. • Goldman Sachs Never Represented to ACA That		

		Paulson Was Going To Be A Long Investor. The SEC's complaint accuses the firm of fraud because it didn't disclose to one party of the transaction who was on the other side of that transaction. As normal business practice, market makers do not disclose the identities of a buyer to a seller and vice versa. Goldman Sachs never represented to ACA that Paulson was going to be a long investor. Background In 2006, Paulson & Co. indicated its interest in positioning itself for a decline in housing prices. The firm structured a synthetic CDO through which Paulson benefitted from a decline in the value of the underlying securities. Those on the other side of the transaction, IKB and ACA Capital Management, the portfolio selection agent, would benefit from an increase in the value of the securities. ACA had a long established track record as a CDO manager, having 26 separate transactions before the transaction. Goldman Sachs retained a significant residual long risk position in the transaction		

		IKB, ACA and Paulson all provided their input regarding the composition of the underlying securities. ACA ultimately and independently approved the selection of 90 Residential Mortgage Backed Securities, which it stood behind as the portfolio selection agent and the largest investor in the transaction. The offering documents for the transaction included every underlying mortgage security. The offering documents for each of these RMBS in turn disclosed the various categories of information required by the SEC, including detailed information concerning the mortgages held by the trust that issued the RMBS. <u>Any investor losses result from the overall negative performance of the entire sector, not because of which particular securities ended in the reference portfolio or how they were selected.</u> The transaction was not created as a way for Goldman Sachs to short the subprime market. To the contrary, Goldman Sachs's substantial long	Blaming sector decline for investor losses	External Attribution

		position in the transaction lost money for the firm. The Goldman Sachs Group, Inc. is a leading global investment banking, securities and investment management firm that provides a wide range of financial services to a substantial and diversified client base that includes corporations, financial institutions, governments and high-net-worth individuals. Founded in 1869, the firm is headquartered in New York and maintains offices in London, Frankfurt, Tokyo, Hong Kong and other major financial centers around the world.		
16. U.S. Charges Goldman Sachs With Fraud --- SEC Alleges Firm Misled Investors on Securities Linked to Subprime Mortgages; Firm Vows to Fight the Charges	17/04/2010	RÉSUMÉ According to the SEC, Mr. Tourre wrote in an email shortly before the bonds were sold that "the whole building is about to collapse anytime now." TEXTE INTÉGRAL Goldman Sachs Group Inc. -- one of the few Wall Street titans to thrive during the financial crisis -- was charged with deceiving clients by selling them mortgage securities secretly designed by a hedge-fund firm run by John Paulson, who made a killing betting on the housing market's collapse. Goldman vigorously		

		denied the Securities and Exchange Commission's charges, setting up the biggest clash between Wall Street and regulators since junk-bond king Drexel Burnham Lambert succumbed to an insider-trading investigation in the 1980s, helping to define the era. "The SEC's charges are completely unfounded in law and fact," Goldman said in a statement, promising to "contest them and defend the firm and its reputation." The civil charges against Goldman and one of its star traders, 31-year-old Fabrice Tourre, represent the government's strongest attack yet on the Wall Street deal making that preceded, and some say precipitated, the financial crisis that gripped the nation and the world. Goldman's shares fell 13%, one of the steepest slides since the firm went public in 1999, erasing some $12 billion of market capitalization. The SEC lawsuit likely strengthens the position of President Obama as he tries to push financial-overhaul legislation through Congress. He vowed Friday to veto any version of the bill that doesn't bring the derivatives market "under control." Regulators say	Denial of Allegations	Denial

		Goldman allowed Mr. Paulson's firm, Paulson &Co., to help design a financial investment known as a CDO, or collateralized debt obligation, built out of a specific set of risky mortgage assets -- essentially setting up the CDO for failure. Paulson then bet against it, while other investors in the CDO weren't told of Paulson's role or intentions. "The product was new and complex, but the deception and conflicts are old and simple," said Robert Khuzami, the SEC's enforcement chief. Mr. Paulson and his firm aren't named as defendants. The hedge-fund firm said in a statement that it wasn't involved in marketing the bonds to third parties. "Goldman made the representations, Paulson did not," Mr. Khuzami said. Mr. Paulson took home nearly $4 billion for correctly betting on a housing collapse. The SEC said Mr. Tourre was "principally responsible" for piecing together the bonds and touting them to investors. According to the SEC, Mr. Tourre wrote in an email shortly before the bonds were sold that "the whole building is about to collapse anytime now." He described		

		himself in the email as the "Only potential survivor, the fabulous Fab . . . standing in the middle of all these complex, highly leveraged, exotic trades he created without necessarily understanding all of the implications of those monstruosities!!!" But he was hardly alone, the SEC alleges: The deals were signed off by senior Goldman executives, though the SEC didn't specify how high up it believes the knowledge extended. In the past year, Goldman -- the most profitable firm on Wall Street -- has emerged as a lightning-rod symbol of excess amid the crisis. The massive, taxpayer-funded rescue of the financial markets helped catapult Goldman to a huge profit rebound last year and stirred widespread resentment of the firm's bonuses. Goldman paid out approximately $20 billion in bonuses to employees in 2009. And late last year in a profile in London's Sunday Times, Goldman's chief executive, Lloyd Blankfein, described himself as "doing God's work," a remark that Goldman later explained was made in jest. Still, the quip inflamed Goldman critics who said it showed the firm was tone deaf		

		about concerns over its business practices and rich pay. Goldman is one of the few the U.S. has accused of misleading investors in the subprime-mortgage debacle, although it is one of many that created and sold securities that cratered when the housing market collapsed. The Dow Jones Industrial Average fell 125.91 points, or 1.13%, to 11018.66, as investors worried that other financial firms could be on a collision course with the SEC over Wall Street's behavior. The SEC's charges against Goldman came the same day that the agency's inspector general issued his latest report on the SEC's failures to uncover long-running frauds. Friday's report said the SEC suspected that Texas financier R. Allen Stanford was running a Ponzi scheme as early as 1997, but took more than a decade to pursue him seriously. Mr. Stanford is fighting the charges. The deal at the center of the SEC's lawsuit came as Goldman and other firms were deeply involved in making, buying and and building complex investments out of subprime loans, just as the market for those loans was beginning to weaken		

		perilously. Critics of such deals say that they enriched the firms but magnified what became the worst financial crisis since the Great Depression. As the housing market sank in 2007 and 2008, investors in the deal, known as Abacus 2007-AC1, suffered losses of more than $1 billion, according to the SEC. The sinking market gave Paulson a profit of about $1 billion. Goldman was paid about $15 million for structuring the bonds and pitching them to investors. Goldman is a major trader of stocks and bonds on behalf of Paulson In a statement, Goldman said it suffered a $90 million loss on the transaction. Goldman also said that investors were provided with extensive information about the securities in the portfolio. Mr. Tourre, the trader facing civil charges as part of the SEC action, couldn't be reached for comment. He currently works as executive director in Goldman's international unit. Goldman employees were stunned by the suit, even though Goldman has been cooperating with the SEC's probe of CDOs. Traders at the company's headquarters in lower	Claiming own loss and full disclosure Cooperation	Justification Exemplification

		Manhattan stopped working when the headline "SEC Charges Goldman Sachs With Fraud On Subprime Mortgages" flashed across TV screens Friday morning. Goldman has vehemently denied putting its own interests ahead of its clients.' In a letter to shareholders last month, President Gary Cohn and Mr. Blankfein wrote: "Our goal was, and is, to be in a position to make markets for our clients while managing our risk within prescribed limits." But it was common knowledge among Goldman executives that the firm created mortgage bonds so clients could bet against housing. Other securities firms also used synthetic CDOs to offset risk taken on through credit-default swaps with hedge-fund clients, including Deutsche Bank AG, Bank of America's Merrill Lynch and UBS AG, according to people familiar with the matter. Goldman and Paulson have worked closely together ever since the hedge-fund firm was established in 1994. By mid-2006, Mr. Paulson and his fund had purchased protection on billions of dollar of potentially toxic mortgages, and he wanted	Clients first	Justification

		to expand his bearish wager. Goldman and Deutsche Bank were among the firms that agreed to put together deals for Paulson. The hedge fund chose a list of securities to form the foundation of the CDOs, zeroing in on those it saw as particularly risky. In at least some deals, potential buyers of the mortgage bonds were consulted, along with credit-rating firms. In contrast, Bear Stearns, which later collapsed in the crisis, turned down the hedge fund, say people familiar with the matter. One senior Bear banker said at the time that the deal would be unethical to sell investments to clients if Mr. Paulson was involved in assembling the deals, these people said.		
17. SEC v. Goldman Sachs: Bank Battle to Save --- Goldman Denies Fraud Charges and Reaches Out to Clients; Hot Seat for Blankfein, Firm Assailed as	19/04/2010	RÉSUMÉ According to Goldman's latest proxy statement, Messrs. Blankfein and Cohn each had total compensation of more than $50 million in 2007, the year the $2 billion financial instrument called Abacus 2007-AC1 was created. TEXTE INTÉGRAL <u>Goldman Sachs Group Inc. is mobilizing for a counterattack against the U.S. government's fraud accusations amid mounting concerns the</u>	Goldman prepares defense against SEC case.	Justification

'Morally Bankrupt':		firm could lose business to Wall Street rivals. On Sunday, the New York company again denied the Securities and Exchange Commission's allegations that it duped clients by selling them a financial instrument secretly designed by hedge-fund firm Paulson &Co., which then made a $1 billion profit by betting on the deal's downfall. Goldman said all three firms that participated in the deal the SEC is probing were sophisticated investors and had a hand in selecting the mortgages they subsequently bet on. Goldman added that it wasn't required to disclose who provided input into the mortgage-selection process or what views their clients were taking on the portfolio. "As normal business practice, Goldman does not disclose the identities of a buyer to a seller and vice versa, and the suit is unfounded in law and fact," a Goldman spokesman said. On Sunday, U.K. Prime Minister Gordon Brown said he would instruct the Financial Services Authority to conduct an immediate special investigation into how Goldman's alleged actions affected British banks. "There is a moral	Repetitive denial Goldman defends its role in Abacus deal. Goldman explaining that what it did was normal	Denial Justification Denial/ Justification

		bankruptcy reflected in what I am reading about and hearing about," Mr. Brown told the BBC's Andrew Marr show. There were few signs Sunday the crisis is forcing executives to launch a large-scale damage-control campaign with customers and shareholders, though Goldman on Friday emailed its staff and its sprawling "alumni network," which includes many hedge-fund clients, and was in contact with clients all weekend, trying to dispel any concerns. The mess is especially awkward for Goldman's powerful chairman and chief executive, Lloyd C. Blankfein, and close friend Gary D. Cohn, president and chief operating officer at the firm. Both men pushed hard as Goldman evolved over roughly the past decade from an elite private partnership with a reputation as a sober adviser on corporate mergers to a take-no-prisoners public company increasingly focused on using its own capital to drive its business for clients and its own accounts. Mr. Cohn turned the once-sleepy mortgage department into a major trading operation, putting the firm's capital	Emailed staff and alumni network to dispel concerns	Ingratiation

		to work for clients, buying assets and reselling them later, often for a tidy profit. By last year, investment banking generated just 11% of Goldman's net revenue of $45.17 billion, down from 33% in 1999, the year the company went public. In 2009, Goldman got nearly 90% of its $19.83 billion in pretax earnings from trading and principal investments. According to Goldman's latest proxy statement, Messrs. Blankfein and Cohn each had total compensation of more than $50 million in 2007, the year the $2 billion financial instrument called Abacus 2007-AC1 was created. Goldman was paid $15 million to arrange the deal but suffered a $90 million loss after taking a bullish position on it. Although news of the SEC's allegations wiped more than $12 billion off Goldman's stock-market value, neither executive's job appears to be jeopardy. Goldman's board has embraced the firm's overhaul under Mr. Blankfein and his predecessors. Messrs. Blankfein and Cohn weren't named in the complaint, and it was unclear whether they knew about the trade. The SEC hasn't alleged that	Goldman executives received high pay in 2007	Justification

		they knew. In addition, no direct link has surfaced connecting the firm's top two executives to the collateralized debt obligation. Messrs. Blankfein and Cohn weren't part of a Goldman management committee that was sent a company memo in 2007 describing the deal, according to people familiar with the matter. Still, Mr. Blankfein and other top Goldman executives can expect to be grilled by analysts and lawmakers this week and next. Goldman is scheduled to report first-quarter earnings Tuesday, followed by an analysts' conference call led by Chief Financial Officer David Viniar. Mr. Blankfein is set to testify in general terms about the financial crisis to the Senate Permanent Subcommittee on Investigations on April 27, people familiar with the matter said. The Democratic-led panel has been hostile territory for financial executives. Some financial-services industry experts said the SEC's accusations could be impossible for Goldman to overcome. "Even if unfounded . . . the impact is profound," said Dee Soder, an executive coach in New		

		York whose clients include financial executives. Brad Hintz, an analyst at Bernstein Research, estimated Friday that the SEC's lawsuit could cost Goldman as much as $706.5 million in civil fines and investor payments.		
19. SEC v. Goldman Sachs_ What the Committee Knew --- Mortgage Deal That Set Off Case Got Rapid Approval by Goldman Panel	20/04/2010	The 2007 mortgage deal that set off controversy at Goldman Sachs Group Inc. was quickly approved by a group of roughly a dozen senior executives in a routine meeting in a drab conference room, according to people familiar with the matter. That group of senior-level executives -- which included those helping to manage Goldman's mortgage, credit and legal operations -- has surfaced as an important participant in the Securities and Exchange Commission's securities-fraud case against Goldman, which has rocked the firm and Wall Street. The Goldman group that approved the deal was led by Daniel Sparks, Goldman's mortgage chief, according to people familiar with the matter. Mr. Sparks, who left the firm two years ago, referred questions about the case to the firm.		

		In a civil lawsuit filed on Friday, the SEC accused Goldman and a young mortgage trader of misleading investors by not notifying them of the role of hedge-fund investor John Paulson, who was dubious about the housing boom, in selecting what went into the mortgage deal, which later cratered. But the decision by the group of executives -- Goldman's "Mortgage Capital Committee" -- indicates that the involvement in the deal went far higher than Fabrice Tourre, the young trader accused of fraud, according to the complaint. Goldman and Mr. Tourre are fighting the charges. The SEC complaint doesn't name any of the members of the mortgage committee at the time. But it alleges that a memorandum by the committee the day it approved the deal shows it had full knowledge of Mr. Paulson's role in selecting the deal's investments. The March 12, 2007, memo by the committee said: "Goldman is effectively working an order for Paulson to buy protection on specific		

		layers of the [deal's] capital structure." Goldman says it made the proper disclosures and has noted that it lost $90 million on the deal, despite having pocketed a $15 million fee from Paulson & Co. for arranging it.	Losses due to the deal	Justification
		"The core of the SEC's case is the allegation that one employee misled two professional investors by failing to disclose the role of another market participant in a transaction," said Goldman CEO Lloyd Blankfein said in a recent message to employees. The firm "assumed risk in the deal, and we lost money," he added.	Losses due to the deal	Justification
		But Goldman invested the money only because sales of the deal didn't play out as planned, forcing Goldman to step up with its own money, people familiar with the matter say. The SEC didn't respond to requests for comment on why it didn't include members of the Mortgage Capital Committee in its lawsuit. A Paulson spokesman declined to comment.	Attributing the fault to the sale of the deas	External Attribution

		The deal, dubbed "Abacus," has proven controversial because it was sold to investors bullish on the housing market-but created to allow a key client to bet on a housing downturn. At least one other bank, Bear Stearns Cos., turned down working with Mr. Paulson on such a deal, according to people close to the matter. A senior Bear Stearns trader met with the Paulson team in 2007 but turned down the idea, these people said, believing it wasn't proper to sell to investors a deal prompted by another investor who was betting against the securities. Other committee members in 2007 included Kevin Gasvoda, who was in charge of issuing new mortgage-securities products, and Peter Aberg, an investment banker at the firm who advised the mortgage group on some acquisitions it made during that period, say people familiar with the matter. Jonathan Sobel, who ran the mortgage group before Mr. Sparks did and maintained an office there even after he stepped down, also was a member, these people say.		

		Rounding out the panel were representatives from the legal, credit and compliance departments, which assisted the mortgage unit in its day-to-day business, these people added. It wasn't clear whether Messrs. Gasvoda and Aberg, who didn't respond to requests for comment, were at the meeting where Abacus was approved. Mr. Sobel, whose presence also couldn't be determined, couldn't be reached. The committee's job was to vet potential new products and transactions, being wary of deals that exposed Goldman to too much risk, say people familiar with its workings. With the mortgage market primed for a meltdown, there was much to discuss at any given meeting. Some, like the mortgage deal in the SEC complaint -- which according to the SEC complaint lost investors $1 billion -- were so small that the discussion about them wasn't even memorable, a person familiar with the matter recalls. It was approved the same day it was presented to the group, the SEC complaint suggests. More significant		

		deals that risked greater amounts of Goldman's own capital were the subject of more detailed discussion, people familiar with the matter say. Those bigger deals at times were vetted by the firm's overall capital committee -- a panel that was overseen by Chief Financial Officer David Viniar and Chief Administrative Officer Edward Forst, according to people who were there at the time -- for further analysis. The Abacus deal didn't rise to that level, according to one of those people. The March day in 2007 during which Abacus was approved was a chaotic time for Goldman's 400-person mortgage division, with numerous transactions -- some with conflicting objectives -- being undertaken each day, according to people who were there at the time. The market for "subprime" mortgage loans, those held by higher-risk borrowers, had begun to slide. Some of Goldman's subprime-mortgage traders had taken a markedly bearish position that would lead to		

		nearly $4 billion in gross profits for the year, according to people who were familiar with the firm's finances at the time. But Goldman also held sizable bullish, or long, positions in pools of mortgage bonds called collateralized bond obligations, or CDOs that Mr. Sparks wanted to sell, say people who were there at the time. CDOs typically were backed by bundles of mortgage bonds and other assets, including complex derivatives based on the bonds' performance. Goldman's mortgage group had hedge-fund clients to serve, and at least one of them -- the New York hedge fund Paulson & Co. -- was in the market for a new type of CDO that would enable it to pile on additional short, or bearish, bets on subprime loans. So, when Paulson's sales contact at Goldman conveyed their interest to the mortgage division, Mr. Tourre and others scrambled to accommodate it, says a person who was there at the time.		

		Abacus was presented to Goldman's mortgage-capital committee on March 12, 2007, according to the SEC complaint. It was approved the same day, according to someone who was there at the time, after an unmemorable discussion.		
20. SEC v. Goldman Sachs: 'This Is Lloyd ... Maintain Focus' --- Blankfein Voicemail Looks to Bolster Morale; Putting the SEC's Case 'in Context'	20/04/2010	RÉSUMÉ Goldman issued two statements on Friday vowing to "vigorously" defend itself against allegations that it failed to properly disclose to investors in a 2007 collateralized-debt obligation that the hedge fund Paulson &Co. selected the mortgage collateral for the CDO. TEXTE INTÉGRAL NEW YORK -- Goldman Sachs Group Inc. Chief Executive Lloyd C. Blankfein said the firestorm over civil-fraud charges leveled by the Securities &Exchange Commission is "certainly uncomfortable," but urged employees to remain focused. Mr. Blankfein, in his first comments since regulators charged the bank, said in a voicemail sent to employees worldwide that the firm will "act diligently to address the complaint with facts." Analysts are expected to confront Mr. Blankfein about the SEC complaint when the firm	Denial of Allegations Committing to factual response to charges	Denial Exemplification

		reports quarterly earnings on Tuesday, and he also is scheduled to testify before the Senate's Permanent Subcommittee on Investigations next week. Goldman issued two statements on Friday vowing to "vigorously" defend itself against allegations that it failed to properly disclose to investors in a 2007 collateralized-debt obligation that the hedge fund Paulson &Co. selected the mortgage collateral for the CDO. At the time, Paulson was betting that the CDO would lose value. The following is a transcript of Mr. Blankfein's voicemail that was reviewed by Dow Jones Newswires: "This is Lloyd on Sunday in New York. Following my message to you on Friday, I wanted to update all of you and let you know that we have been taking all appropriate steps to defend the firm and its reputation. As we prepare for the opening of markets around the world, I want to remind all of you of the fundamental values that have served Goldman Sachs throughout our history: teamwork, excellence and service to our clients. <u>The extensive media coverage on the SEC's complaint is certainly uncomfortable,</u>	Consider media pressure.	External Attribution

		but given the anger directed at financial services, not completely surprising. Still, it is important to put the SEC's action in context. The core of the SEC's case is the allegation that one employee misled two professional investors by failing to disclose the role of another market participant in a transaction. Importantly, we had assumed risk in the deal and we lost money, just like the other two long investors. I will repeat what you have heard me say many times in the past: Goldman Sachs has never condoned and would never condone inappropriate activity by any of our people. On the contrary, we would be the first to condemn it and take immediate and appropriate action. Our responsibility as a financial intermediary requires it and our commitment to integrity and the firm's business principles demand it. We will continue to keep you posted with information about this matter. Tonight we will be sending you a summary that you may share with your clients. In the meantime, be assured that our global team, including the Board of Directors and the Management Committee,	Claiming shared loss and assumed risk Denial of Allegations	Justification Denial

		is working diligently to address the complaint with the facts. To that end, in the next few weeks, Goldman Sachs will have the opportunity to appear before Congress and discuss our role and participation in the mortgage market more broadly. We look forward to discussing our strong record of prudent risk management. As you return to work on Monday morning, I ask that you maintain the level of focus on our clients that is at the heart of Goldman Sachs' success over the past 140 years. We have faced challenges before and our people have always responded through their skills, talent and focus on our clients. We will do that now, and in the process, reaffirm everything that defines Goldman Sachs."	Highlighting legacy, competence and client focus	Enhancement
21. SEC v. Goldman Sachs: A D.C. Insider Joins the Team --- Goldman Hires Former White House Counsel; Charged Employee	21/04/2010	Goldman Sachs Group Inc. retained one of Washington's most prominent Democratic lawyers as it gears up to defend itself from civil charges of defrauding investors. At the same time, the company deregistered the employee charged in the case. Greg Craig was White House counsel under President Barack Obama until January, serving as the	Goldman hires top legal defense	Exemplification

Deregistered		president's top lawyer and a key player in the administration's efforts to close the Guantanamo Bay prison for terror detainees. Mr. Craig is now in private practice at Skadden, Arps, Slate, Meagher &Flom's Washington office. Goldman said it brought in Mr. Craig to assist in regulatory and legal affairs and declined to say what specific work he would do. Mr. Craig didn't respond to a request for comment. Goldman may have retained Mr. Craig for more than the immediate case, which would pit him against his former employer. Goldman's problems in the capital go beyond the charges by the Securities and Exchange Commission. Many lawmakers have attacked the company and other Wall Street banks for their roles in the alleged excesses that led to the financial crisis. Mr. Craig, a former aide to late Sen. Edward Kennedy, was a prominent corporate attorney at Williams &Connolly, a Washington law firm, before joining the Obama campaign. President Bill Clinton tapped him in 1998 to lead his defense during congressional impeachment proceedings.		.

		His work for Goldman was first reported by Politico. Under an ethics executive order issued by Mr. Obama and federal law, Mr. Craig is barred from lobbying before any part of the executive branch for two years. That doesn't cover Congress. Under the terms of the ethics order, Mr. Craig could lobby lower-level SEC career officials but couldn't contact senior people at the SEC, such as the five commissioners, who are political appointees. White House spokesman Bill Burton said Tuesday Mr. Craig is expected to abide by the rules established by the president. Mr. Burton said the White House wasn't consulted beforehand about Mr. Craig's new job . Also, Goldman deregistered Fabrice Tourre, the employee charged with fraud by the SEC, with the U.K.'s main financial regulator. A Goldman spokeswoman said the company decided to deregister Mr. Tourre with the Financial Services Authority because the London-based employee is on indefinite paid leave and therefore won't be interacting with Goldman's clients. Employees of financial institutions need to be registered with the FSA in	Goldman distances itself from Tourre	Dissociation

		order to speak with clients and conduct other business. Goldman's deregistration of Mr. Tourre came the same day that the FSA announced it was launching "a formal enforcement investigation" of Goldman's U.K. subsidiary "in relation to recent SEC allegations." Goldman said it plans to fully cooperate with the FSA in its investigation. Some questioned whether Goldman is distancing itself from him. Thomas Ajamie, a defense lawyer in Houston, said "it's too soon to know" how the relationship between Goldman and Mr. Tourre will progress, but that placing someone on leave "is sometimes the first step" to a company distancing itself from an employee also accused of wrongdoing. A spokesman for Goldman declined to comment on the relationship. On Tuesday, a Republican House member raised other questions over the relationship between the SEC and Democratic activists. In a letter to SEC Chairman Mary Schapiro, Rep. Darrell Issa (R., Calif.), the top Republican on the House Oversight and Government Reform Committee, said the	Full cooperation with regulators	Exemplification

		timing of the case raises "serious questions" about the regulator's independence and impartiality. He said activity by Democratic activists after the SEC announcement suggests the agency's action might have been timed to help Democrats. According to the letter, after the suit was announced, organizing for America, a spinoff group from President Barack Obama's campaign, sent millions of supporters an email message from the president urging "support for 'Wall Street Reform.'" In addition, the Democratic National Committee purchased advertising that would appear whenever a Google user searched for the phrase "Goldman Sachs SEC." The ad read: "Help Pres. Obama Reform Wall Street and Create Jobs. Families First!" according to the letter. Ms. Schapiro said following congressional testimony Tuesday that the Goldman charge was "absolutely not" motivated by political concerns. The White House has said it had no advance knowledge of the announcement. The DNC rejected suggestions that it had tried to coordinate its political advertising with		

		the SEC. A DNC official said the vendor the party uses to purchase Google ads bought terms related to Goldman after news had broken about the SEC charge. Lawmakers also are exploring ways to alter the Obama administration's proposed bank tax to increase its impact on firms such as Goldman Sachs. At a hearing on Tuesday, Sen. Bill Nelson (D., Fla.) said it is an "outrage" that Goldman and others reaped billions from the federal bailout of American International Group Inc.		
22. SEC v. Goldman Sachs: A Political Backlash May Cost Business --- Britain's Clegg Calls for Dropping Goldman From Role as U.K. Adviser, but Darling Defends Relationship With Bank	21/04/2010	Goldman Sachs Group Inc. is in danger of losing business with a key group of clients as a result of the fraud allegations it faces: governments in Europe and the U.S. Politicians in the U.K. and Germany are starting to call on their governments to cut ties with Goldman, which has long been one of the top financial advisers to European policy makers. U.K. Liberal Democrat leader Nick Clegg, riding high in opinion polls less than three weeks before national elections, said Tuesday that Goldman "should now be suspended in its role as one of the		

		advisers to the government until these allegations are properly looked into." His comments follow Prime Minister Gordon Brown's recent characterization of Goldman's alleged behavior as "morally bankrupt." "We should let the business relationship with [Goldman] rest until the allegations are cleared up," lawmaker Frank Schaffler of Germany's Free Democratic Party, part of Chancellor Angela Merkel's governing coalition, told German newspaper Handelsblatt on Tuesday. Mr. Schaffler's office confirmed the comment. <u>The New York-based bank denies allegations by the U.S. Securities and Exchange Commission that it committed fraud by withholding important information from investors to whom it sold mortgage-related securities.</u> But the political backlash in Europe and the U.S. threatens to damage the network of political ties with policy makers that the bank has carefully built up on both sides of the Atlantic over two decades.	Denial of fraud allegations	Denial

		Goldman declined to comment on the European politicians' remarks. In a message to employees on Sunday, Lloyd C. Blankfein, Goldman's chairman and chief executive, said the bank was "taking all appropriate steps to defend the firm and its reputation." Fair or not, the growing perception in Europe that Goldman used cutthroat tactics to turn a profit could make it an unpalatable partner for politicians who are facing voter pressure to clamp down on risk-taking by the financial sector, analysts say. The firm is among the leading arrangers of government bond issues in Britain, Germany and many other European countries, and has a played a prominent role in privatizations in both countries. In the U.S., the poisonous atmosphere surrounding Goldman Sachs has done more than just provide fodder for "Saturday Night Live." Anger toward Goldman was at play when the Treasury Department selected a manager to oversee the	Avoiding direct public response	Disassociation

		sale of the government's $32 billion stake in Citigroup Inc. Career officials at the Treasury chose Morgan Stanley to manage the account, and said the decision was based on the firm's ability to do the work. But at the time of the decision, an administration official said there was recognition inside the government that choosing Goldman, which has similar expertise, could trigger a firestorm. The SEC probe has resonated in Europe because the Goldman transaction in question led to write-downs at British and German banks that later needed taxpayer bailouts. Royal Bank of Scotland Group PLC of the U.K. lost $841 million on the deal, while IKB Industrie Bank AG of Germany lost $150 million, according to the SEC. RBS and IKB declined to comment. With the U.K. in the midst of a heated election campaign, the charges against Goldman have made the bank an attractive target. Mr. Clegg, speaking at a news conference in London, called the SEC's		

		allegations against Goldman "extremely serious" and a sign of "how reckless and greedy the global banking industry had become" in the run-up to the 2008 financial crisis. The Conservative Party also joined in, seizing on Mr. Brown's criticism of Goldman. "Why is he still using them as advisers?" asked Mark Hoban, a top Conservative finance official. U.K. Treasury chief Alistair Darling rejected calls to ostracize the U.S. bank. "I don't think you can stop doing business with a firm because an individual is accused of doing something," Mr. Darling said in an interview with Bloomberg News. Mr. Darling's spokeswoman confirmed the remarks. Conservatives and Liberal Democrats are competing to oust Labour leader Mr. Brown from power in elections due May 6. In Germany, Bavarian conservatives also said government dealings with Goldman should be put on ice.		

		The German finance ministry said it will examine the SEC case against Goldman before deciding on what steps, if any, to take. A finance ministry official said it was "completely open" whether possible steps might include dropping Goldman as an adviser or securities underwriter, because Berlin is still waiting for information about the case from the SEC. Chancellor Merkel's spokesman Ulrich Wilhelm said over the weekend that Germany might take legal action, depending on its assessment of the allegations against Goldman. German authorities are waiting for further information from the SEC, officials in Berlin said Tuesday. Goldman has already faced criticism in Europe this year for a series of transactions with Greece that exploited loopholes in EU accounting rules and had the effect of understating Greece's budget deficit. The transactions, which took place nearly a decade ago, have helped undermine financial markets' confidence in Greece's official statistics,		

		contributing to a debt crisis that has pushed Greece to the verge of a bailout by the European Union and the International Monetary Fund. Analysts at BNP Paribas said last week's SEC accusations are "a massive blow" to Goldman's reputation, "which was already under pressure due to the Greek swap episode and other issues." <u>Goldman's Mr. Blankfein drew ire from U.S. and European officials late last year by quipping that the bank does "God's work." The head of Goldman's German operations, Alexander Dibelius, sparked more controversy in January by saying banks "do not have an obligation to promote the public good."</u> Bankers from rival firms have complained in recent months that Goldman's worsening public image is adding to the political momentum behind a regulatory clampdown on the whole sector.	Controversial self-justifying statements	Self-Promotion
23. SEC v. Goldman Sachs_ Goldman's Tourre Is	22/04/2010	Goldman Sachs Group Inc. executive Fabrice Tourre, charged last week by the Securities and Exchange Commission is expected to appear at a		

Expected at Hearing		high-profile Senate hearing next week, a person familiar with the situation said. But Mr. Tourre could yet seek to withdraw as a witness. Mr. Tourre is scheduled to testify Tuesday before the Senate Permanent Subcommittee on Investigations, at a hearing on the role of investment banks in the financial crisis. The panel also has been looking at the roles of credit rating firms, mortgage originators and securitizers. Mr. Tourre was invited to testify and accepted before the SEC's civil fraud case was filed last week, the person said. Other Goldman executives, including CEO Lloyd Blankfein, also are expected to testify. The executives, including Mr. Tourre, are likely to offer a wide-ranging defense of their actions in structuring the deal that the SEC is attacking. In the civil case filed last week, the SEC alleged Goldman and Mr. Tourre deceived clients by selling mortgage securities that were		

		secretly designed by a hedge-fund client who was betting the securities would drop in value. Mr. Tourre's testimony -- if he goes ahead with the appearance -- would put him on the hot seat and could conceivably increase his legal exposure. His appearance also could highlight potential conflicts between his legal interests and Goldman's. Goldman declined to comment. A spokesman for the Senate panel also declined to comment. Mr. Tourre couldn't be reached. As part of its probe, the panel has been looking into a series of transactions in which Goldman was betting against securities it was selling to the public. Goldman executives, including Mr. Blankfein, have said they did nothing wrong	Denial of any wrongdoing	Denial
24. Credit Raters' Emails Show Concerns --- Tension Over Goldman's Abacus Deals; 'I Am Getting Serious	23/04/2010	RÉSUMÉ Yet even as the subprime mortgage market was in full collapse in late 2007, Moody's officials still were focused on maintaining their large market shares for various classes of securities, while continuing to push mortgage securities through the approval		

Pushback' Writes a Moody's Analyst		process, the documents show. TEXTE INTÉGRAL WASHINGTON -- New documents from a congressional inquiry shows the tense relationship between credit-ratings firms and Goldman Sachs Group Inc. as they structured risky deals like the one featured in the recent fraud allegations against the investment bank. Such debates between credit raters and issuing companies are commonplace. The newly released internal emails and other communications depict Goldman bankers tussling with analysts at Standard &Poor's and Moody's Corp. over the process of rating mortgage-backed securities. The Senate documents, which were released ahead of a Senate Permanent Subcommittee on Investigations hearing Friday, include the Abacus series of securities deals, one of which led the Securities and Exchange Commission to charge the firm and one of its bankers with misleading investors. "I am getting serious pushback from Goldman on a deal that they want to go to market with today," notes one Moody's analyst in an April 2006 email. The		

		analyst was being asked by Goldman to give more favorable terms than the ratings firm was offering. In another email dated May 2006, an S&P analyst talked openly about a weakness in the Abacus deal, though it couldn't be determined what that shortcoming was. "It was a known flaw not only in that particular Abacus trade, but in pretty much all Abacus trades . . .." S&P is a unit of McGraw-Hill Cos. Critics of the ratings firms say their ratings helped contribute to a bubble in the housing market and the financial crisis that followed by giving shaky mortgage securities their highest credit ratings. Erosion in the raters' internal rating standards occurred as the complexity of mortgage-related securities was growing -- along with the revenues available to the ratings firms from the exotic deals, the committee said. <u>The Senate Permanent Subcommittee on Investigations says the ratings increasingly were affected by "gaining market share and revenues and pleasing investment bankers bringing business to the firm." A spokesman for Goldman declined to comment.</u> Moody's spokesman Michael Adler	Refusal to address criticism.	Selectivity

		said his firm "is committed to delivering the highest quality opinions about the securities we rate." He added: "We look forward to the opportunity to provide the committee with our perspective." An S&P spokesman said the firm "has a long tradition of analytical excellence and integrity. We have also learned some important lessons from the recent crisis and have many a number of significant enhancements to increase the transparency, governance, and quality of our ratings." Emails show that some people within the ratings firms were becoming concerned with potential fallout. One internal email from S&P in June 2005 warns that "Screwing with criteria to 'get the deal' is putting the entire S&P franchise at risk -- it's a bad idea." Another from August 2006 says raters have "become so beholden to their top issuers for revenue they have all developed a kind of Stockholm syndrome which they mistakenly tag as Customer Value creation." Yet even as the subprime mortgage market was in full collapse in late 2007, Moody's officials still		

		were focused on maintaining their large market shares for various classes of securities, while continuing to push mortgage securities through the approval process, the documents show. In one email, in October 2007, a Moody's manager notes that mortgage-securities market share by deal count dropped; "Any reason for concern, are issuers being more selective to control costs (is Fitch cheaper?) or is it an aberration.)." The committee plans a hearing on Friday that will feature a range of witnesses, including top executives of the rating firms. The subcommittee chairman, Sen. Carl Levin (D., Mich.), said he hopes that the hearings will provide momentum for a financial overhaul bill that is inching its way through the Senate. Another S&P email regarding one Abacus deal says, "not only have these trades consumed tons of my time, but they have generated an enormous amount of stress since I'm the one that has to break the news that these trades are wrong . . . which makes us look like idiots." Investigators concluded that the email refers to erroneous ratings.		

25. SEC v. Goldman Sachs: Board Juggling Its Two Crises, Silently --- The SEC Case and Earlier Gupta Matter Occupy the 12 Goldman Directors but They've Had No Public Comment	23/04/2010	SUMMARY The 12-member board met Monday but has made no public statements about the fraud lawsuit filed against Goldman by the Securities and Exchange Commission or the examination by federal prosecutors of whether director Rajat Gupta gave inside information about the firm to Galleon hedge-fund founder Raj Rajaratnam. As trouble mounts for Goldman Sachs Group Inc., directors have remained silent. The 12-member board met Monday but has made no public statements about the fraud lawsuit filed against Goldman by the Securities and Exchange Commission or the examination by federal prosecutors of whether director Rajat Gupta gave inside information about the firm to Galleon hedge-fund founder Raj Rajaratnam. It isn't clear what Goldman directors were told about the SEC's fraud accusations before the federal lawsuit was filed last week or when they learned about the investigation into Mr. Gupta's trading. A Goldman spokesman declined to comment, and several members of the board didn't respond to requests for comment.	Silence on legal investigations	Selectivity

		One former Goldman investment banker said it "wouldn't be shocking to me" if directors didn't know that the company got a so-called Wells notice notifying it of possible civil charges by the SEC. "A certain volume" of such warnings "come in the door," he said. Like other securities firms, Goldman also regularly gets warnings from various regulators about accusations of employee misbehavior. People familiar with Monday's board meeting said directors remain firmly behind Goldman Chairman and Chief Executive Lloyd Blankfein. Some corporate-governance experts and former directors said the boardroom silence at Goldman is troubling and could expose directors to shareholder lawsuits alleging insufficient oversight of management. "That's a disclosable development," said Jay Lorsch, a Harvard Business School professor and former director at CA Inc., referring to the Wells notice. When the software maker got such a notice in 2004, "everybody agreed" that it should be divulged, he said. Other governance specialists disagreed. "Disclosing a Wells notice		

		isn't required," said Paul Lapides, director of the Corporate Governance Center at Kennesaw State University in Kennesaw, Ga. "The board has to make a decision whether it's material or not," he added. "A lot of Wells notices go nowhere." 1 of 4 People familiar with the Goldman board's thinking said directors aren't required to disclose a Wells notice if they don't believe it constitutes a material event. The company has said the SEC probe wasn't considered material. Goldman previously disclosed in general terms various regulatory investigations related to the subprime meltdown. A Goldman spokesman said: "We consider the receipt of a Wells notice as one of the factors to take into account in deciding whether disclosure of a matter is required. In this case, we took into account the receipt of the Wells notice together with the other facts and circumstances known to us at the time and concluded that additional disclosure was not required." Goldman has denied any wrongdoing related to the SEC's civil-fraud suit, which alleges that Goldman cheated clients by selling them a	- Framing disclosure as discretionary process Denial of wrongdoing	Justification Denial

		financial instrument secretly designed by hedge-fund firm Paulson &Co., which made a $1 billion profit by betting on the securities' downfall. Goldman has said it wasn't required to disclose who was involved in the creation of the synthetic collateralized debt obligation or whether their bet was bullish or bearish. The U.S. government's examination of Mr. Gupta, former head of McKinsey &Co., centers on whether he gave inside information about Goldman to Mr. Rajaratnam near the worst of the financial crisis, including a $5 billion investment by Warren Buffett's Berkshire Hathaway. Mr. Gupta is stepping down as a Goldman director at the shareholder meeting May 7. It isn't unusual for directors to find themselves on the hot seat "whenever potential securities-law violations, disclosure issues or serious fraud issues are involved," said Eleanor Bloxham, head of the Corporate Governance Alliance, a consulting firm in Columbus, Ohio. "The heat is even more intense if there has been a previous violation of a similar nature which was supposed to have been corrected." In a 2003	Defending limited disclosure choices	Justification

		settlement with the SEC over conflicts of interest in research and investment banking, Goldman agreed to improve oversight and investor disclosures. The current controversy may result in shareholder suits aimed at determining "what the board did or didn't do to oversee internal controls" after the settlement, she said. <u>As part of the settlement, Goldman agreed to broad changes in the company's structure and disclosure, though the moves primarily affected research and investment banking.</u>	Structural changes post-settlement	Internal Attribution
26. SEC v. Goldman Sachs_ Disclosures for CDO Deals Differ About Their Selections, Conflicts	23/04/2010	Wall Street banks provided spotty disclosures about how mortgage securities were selected for deals like the one in the government's civil fraud suit against Goldman Sachs Group Inc., according to a review of marketing and offering documents for more than a dozen mortgage deals. But in a few of the deals, banks told potential buyers that they may have been created with the input of market players with contrary interests, according to he review by The Wall Street Journal. The Securities and Exchange Commission has accused Goldman of		

		misleading investors in a mortgage deal called Abacus 2007-AC1 because the bank didn't disclose to investors that a hedge fund with a bearish view of the housing market helped select a portfolio of mortgage securities that underpinned the deal. Marketing materials and offering documents for the Abacus deal stated that a third-party asset manager, ACA Management LLC, selected the assets. Goldman, which has denied wrongdoing, doesn't deny that a hedge fund that bet against the deal helped identify the assets for the Abacus portfolio. But it maintains that "market practice did not entail disclosure of a short investor's participation," according to documents it submitted to the SEC in September 2009. Goldman also said it was common for market participants to "routinely provide input" when portfolios of securities were being assembled. The Abacus deal was one of dozens of "synthetic" collateralized-debt obligations that were created during the waning years of the U.S. housing boom in 2006 and 2007. They were called	Disclosure rules used as defense Normalizing hedge fund input	Justification Justification

		synthetic because they were largely comprised of side bets on mortgage securities as opposed to holding actual bonds. During that period, hedge funds and in-house traders at banks that wanted to make "short" bets identified many subprime mortgage securities they thought would quickly go bad in a housing downturn. In helping to facilitate their clients' bearish trades, investment banks created some synthetic CDOs that would effectively take the opposite side of those bets. The banks sold pieces of the CDOs to "long" investors, which would lose money if defaults among the portfolios of securities rose above certain levels. There wasn't a consistent approach to how these types of CDOs were assembled, or what was disclosed about them, according to lawyers and the Journal's review of documents. "We're in untested waters here," says Joel Telpner, a partner at Jones Day in New York, who was commenting generally about disclosures in CDO offering documents. Unlike offerings of		

		publicly traded stocks and bonds, "in the private-placement world, the rules about what has to be disclosed and where have never been as clear." In Abacus 2007-AC1, Goldman engaged ACA to be the arbiter of what assets went into the portfolio. ACA was given a list of securities originally identified by the hedge fund, Paulson & Co., made modifications to it, and conferred with Paulson in assembling the final list, according to the SEC's complaint. In 2005 and 2006, Deutsche Bank AG assembled about a half-dozen synthetic CDOs with the acronym "START" that were linked to mortgage securities that hedge funds or bearish traders wanted to short, say people familiar with the matter. No third party like ACA was involved in selecting assets for the START CDOs, and investors could reject securities they didn't like or suggest alternatives for the portfolios before they were finalized, the people said. Deutsche Bank didn't disclose that many of the securities in the START portfolios were originally		

		identified by hedge funds or proprietary traders with a bearish view of the market, according to people familiar with the matter and offering documents reviewed by the Journal. In a statement, Deutsche Bank said for these CDOs, "both long and short investors were given the opportunity to select the specific collateral to which they were seeking exposure and mutually agreed on the CDO portfolio." The bank added that an outside manager wasn't used, which it said "eliminated the potential for deception with respect to the role of such a manager." In other CDOs that were arranged by multiple banks and managed by third-party asset managers, a hedge fund called Magnetar Capital invested in risky parts of the deals and made short bets against parts of the CDOs. When Magnetar was looking to buy pieces of the CDOs in 2006 and 2007, executives at the hedge fund met with banks and third-party managers to discuss the deals, according to people familiar with the matter.		

		According to the Journal's review, offering documents for several CDOs that Magnetar bought didn't mention the hedge fund's role and stated only that a named third-party manager had selected the assets. Some of the documents did state, however, that an investor holding the riskiest piece of the CDO may make bets against assets in same portfolio. Magnetar this week told its investors in a letter that it "did not control asset selection in CDOs in which it participated" but said it "often communicated" with the bank and asset managers when the deals were being put together. Other CDO marketing and offering documents reviewed by the Journal flagged potential conflicts surrounding the selection of assets. A marketing document for a synthetic CDO arranged by Citigroup Inc. called Jackson 2006 stated that the selection of mortgage securities for the deal "may have taken into account certain factors and interests that could be inconsistent with or adverse to the interests" of investors in the CDO. It isn't known if hedge funds		

		were involved in this transaction. <u>Goldman included 14 pages of "risk factors" in the offering circular for the Abacus 2007-AC1 deal. It disclosed all of the securities in the Abacus portfolio so that investors could make their own decisions about the risk of the assets, it toldhe SEC.</u>	Highlighting extensive risk disclosures	Self-Promotion
28. SEC v. Goldman Sachs_ Investigators Interview Tourre --- Goldman Releases Emails He Sent to Girlfriends Expressing Mortgage Doubts	26/04/2010	Congressional investigators interviewed Fabrice Tourre, the Goldman Sachs Group Inc. trader accused of fraud by the Securities and Exchange Commission, as the company prepared for a showdown with lawmakers at a hearing Tuesday. Mr. Tourre met in a daylong session Saturday with investigators from the Senate Permanent Subcommittee on Investigations. Mr. Tourre and four Goldman executives, including Chairman and Chief executive Lloyd C. Blankfein, are set to testify before the panel, which is scrutinizing the role of investment banks in the financial crisis. The SEC alleged in a civil fraud lawsuit filed April 16 that Goldman and Mr. Tourre sold a financial instrument called Abacus		

		2007-AC1 without disclosing that a hedge-fund firm betting on its decline helped to pick some of its underlying mortgages. Goldman denies wrongdoing, saying all its clients were sophisticated investors and got the information they needed. Over the weekend, signs of stress emerged in the relationship between Mr. Tourre and Goldman. On Saturday, Goldman released batches of emails by Mr. Tourre to girlfriends that revealed doubts about some mortgage securities issued by the company and an occasionally dismissive attitude toward the investors buying them. Goldman also released translations of portions of emails that originally were in French, including some messages with details about Mr. Tourre's personal life. The scope of the released documents led to widespread speculation that Goldman was seeking to make more senior executives who also are caught in an uncomfortable political	 Denial with blame-shifting to investors Revealing trader's private, damaging emails	 Justification Dissasocation

		and public-relations spotlight look better by comparison to the 31-year-old trader. "Although the emails are unfortunate and embarrassing to the firm, we have consistently said and continue to say Mr. Tourre did nothing improper in connection to the transaction," a Goldman spokesman said Sunday. Mr. Tourre's lawyers didn't respond to requests for comment. Goldman also released emails by Mr. Blankfein and other executives in which they discussed the firm's efforts to avoid losses in the event of a meltdown in subprime mortgages and cheered their successes. While some of the emails were embarrassing, they mostly confirmed what was already widely known in late 2007: Goldman outmaneuvered its rivals on Wall Street by foreseeing the meltdown and protecting itself with profitable trades. Mr. Tourre used colorful language in his emails. In one message, he wrote that he sold a product to "widows and orphans," comparing an investment	Maintaining trader's innocence despite controversy	Denial

		he helped create to "Frankenstein turning against his own inventor." Tuesday's hearing caps an 18-month-long investigation by the Senate subcommittee, while providing the backdrop for a possible Senate vote this week on a far-reaching overhaul of financial regulation being pushed hard by the White House. Goldman is likely to face tough questions at the hearing that go beyond Mr. Tourre, according to people familiar with the matter. Lawmakers are likely to ask whether Goldman was packaging mortgage investments that it thought were likely to perform poorly. They will also look into the firm's broader strategy of profiting from the subprime mortgage market's collapse. In its own recounting of events released Saturday, Goldman said it didn't make a large bet on the direction of the mortgage market, noting that the firm merely was trying to reduce its risk. <u>Goldman described itself as a relatively small player in the mortgage market and said it suffered losses in 2008 when the broader</u>	Minimizing role and highlighting losses	Justification

		housing market turned down. But Senate investigators appear likely to focus on 2007, when Goldman made money, and there could be wrangling over how much. The subcommittee's chairman, Sen. Carl Levin (D., Mich.) on Friday accused Goldman and other investment banks of being "self-interested promoters of risky and complicated financial schemes that were a major part of the 2008 crisis." Senate investigators have discovered a number of emails in which Goldman executives used the term "LDL. » The letters mean "Let's discuss live." The phrase occurred when Goldman executives began to discuss sensitive issues in emails, according to people familiar with the situation. At other times, executives would criticize each other for putting information in emails. A Goldman executive declined to comment Sunday on the abbreviation. At Saturday's interview with investigators, Mr. Tourre was accompanied by three lawyers, including white-collar		

		securities lawyer Pamela Chepiga, a partner in the New York office of Allen &Overy LLP. Mr. Tourre faces pressure at Tuesday's hearing to avoid contradicting what he and others have said about the transaction at the center of the lawsuit. Mr. Tourre is on indefinite paid leave from Goldman.		
29. SEC v. Goldman Sachs: Goldman's Take-No-Prisoners Attitude --- Mortgage Division Cast Bets Boldly; Awaiting 'Big One'	26/04/2010	Goldman Sachs Group Inc.'s mortgage traders, under the spotlight because of the U.S. government's fraud lawsuit against the securities firm, made markets in more than just bonds during the real-estate bubble. They also cast bets on a White Castle hamburger-eating contest. In December 2007, after the firm distributed multimillion-dollar bonus checks in part thanks to bets on a mortgage meltdown, about 10 Goldman mortgage traders, surrounded by dozens of cheering colleagues, wolfed down the burgers, according to attendees. Bystanders wagered cash on how many burgers the traders could eat.		

		The annual event resembled a scene out of "Liar's Poker," a book depicting bawdy antics of bond traders at Salomon Brothers in the 1980s. In fact, the 2007 contest was held just a few floors away from where the Salomon traders worked when that firm leased space in the same Manhattan building. It was a lower-stakes version of what went on every day in the group: aggressive, take-no-prisoners trading. Mortgage-backed bonds, including complex derivatives that tracked pools of risky loans, were traded for big money in Goldman's 400-person mortgage unit. In 2007, the group wagered that mortgage prices would plunge, creating a nearly $4 billion windfall, according to people familiar with the matter at the time. Goldman now says net revenues from residential mortgage-related products were less than $500 million -- perhaps reflecting losses from other areas. Still, the traders hoped their big returns would lead eventually to a ticket to "Hitters Row," the 50th-		

		floor enclave in Goldman's One New York Plaza building where the firm's top securities-business executives worked. Recently, the group's profile has risen. The financial world is riveted on the Securities and Exchange Commission lawsuit filed earlier this month against Goldman, which is accused with one of its traders in the mortgage group of creating a product secretly designed to fail for the benefit of a favored hedge-fund client. Goldman has repeatedly denied any wrongdoing, but the unit will be a focus of testimony this week before the Senate's Permanent Subcommittee on Investigations, which is examining the causes of the financial crisis. Young traders in Goldman's mortgage unit were told to take a cue from Tom Brady, the New England Patriots quarterback regarded as methodical and cool under pressure, say people who were in the unit. For a group filled with Red Sox and Patriots fans -- and led by a Texas A&M University graduate who traveled back to his alma	Repeated denial of wrongdoing	Denial

		mater for football games -- the analogy struck a chord. But there was little time for watching sports during chaotic 2007, when mortgage bonds melted down and paved the way for 2008's full-blown financial panic. Traders worked punishing hours in a drab office space with long rows of computer terminals and phones. Daniel Sparks, the Houston-born Goldman lifer who ran the mortgage department, usually arrived by 7:30 a.m. Michael Swenson and David Lehman, co-heads of the structured-products group, arrived shortly afterward, say people who were there at the time. Messrs. Sparks, Swenson and Lehman declined to comment for this article. Late nights were frequent. "I'm still stuck at work at 10PM, but it's been six years since I've been functioning on this schedule, so who cares," wrote trader Fabrice Tourre in a Jan. 31, 2007 email to a friend. "I feel like I'm losing my mind and I'm only 28!!" wrote Mr. Tourre, who is a defendant in the SEC's lawsuit.		

		Mr. Tourre and his lawyers have declined to comment and are fighting the regulatory charges. Short and bespectacled, the French-born Mr. Tourre, who worked with hedge funds and banks in trading complex bond products, didn't especially stand out, say people who were there at the time. Like other traders, he wore khaki or dark pants and button-down shirts, these people say. His background, which included a master's degree in engineering from Stanford University, was typical of the quantitative leanings of many co-workers. As the market for risky subprime home loans deteriorated during 2007, some traders were rattled. Many were shocked on April 2, when subprime lender New Century Financial Corp. filed for bankruptcy. "Is this the big one?" traders asked, say people who were there at the time, as they watched Mr. Sparks confer with Mr. Swenson, known as "Swenny," at his computer terminal.		

		In the months that followed, as more lenders filed for bankruptcy and hedge funds appeared troubled, the notion of "the big one" -- a major event that would crack the market -- became fodder for dark humor, say these people. If a struggling asset manager posted a low-quality bond as collateral for quick cash, the Goldman traders would dub it a "hairy security," say these people. Mr. Sparks, they say, was relieved to have sold many of his group's riskiest holdings during the spring, albeit at a loss. Despite the annual White Castle frenzy, in which the proceeds were given to charity, many of the traders were health nuts. Many noshed on egg whites, fruit, and turkey sandwiches, ordered up by the group's assistants or taken from the pantry down the hall. Joshua Birnbaum, a Goldman trader from Oakland, Calif., played a major role in the short, or bearish, bet that led to nearly $4 billion in gross profits for Goldman, these people say. In February, Mr. Birnbaum, then 35 years old, briefly lost his		

		cool and slammed down a phone receiver, say these people, when a more senior bond trader insisted on unwinding some of his trades to cut risk. Months later, Mr. Birnbaum argued to the firm's top brass that Goldman should buy as much as $10 billion in subprime assets, according to an email, even though a plunge in risky home loans was roiling credit markets. There is "an extraordinary opportunity for those with dry powder," he wrote in a late August email to Goldman Co-Presidents Gary Cohn and Jon Winkelried, among others. He was overruled, say people familiar with the matter at the time. Messrs. Birnbaum, Cohn and Winkelried didn't respond to requests for comment. Mr. Birnbaum was disciplined on and off the trading floor, colleagues say. A healthy eater with a daily workout regimen, he wouldn't touch the food at a McDonald's despite being famished after a long flight that July, recalled Kyle Bass, a friend and hedge-fund manager, in an interview		

		at the time. Mr. Birnbaum also avoided participating in the burger-eating contests. During the summer, Mr. Birnbaum made time for fun, spending time in the Hamptons, studying French to impress a date, and planning renovations to his loft apartment in Manhattan's trendy SoHo neighborhood, say people who knew him then. Mr. Tourre recognized that the subprime boom was nearing an end, even as he arranged to sell mortgage products to the firm's clients, according to emails released by Goldman. In January 2007, he described creating a thing "which has no purpose, which is absolutely conceptual and highly theoretical." He added: "It sickens the heart to see it shot down in mid-flight . . . it's a little like Frankenstein turning against his own inventor." At the time, Mr. Tourre was putting together a synthetic collateralized debt obligation called Abacus 2007-AC1. Unlike securities that are backed by actual mortgages, the synthetic CDO represented a bet on a set		

		of "reference" mortgage-backed securities. The SEC alleges Mr. Tourre didn't tell clients that hedge-fund firm Paulson & Co. helped select the reference securities and was betting against them. "The whole building is about to collapse any time now," Mr. Tourre wrote to his girlfriend. "Only potential survivor, the fabulous Fab . . . standing in the middle of all these complex, highly leveraged, exotic trades he created without necessarily understanding all of the implications of those monstruosities!!!" according to an email in the SEC case. "Anyway, not feeling too guilty about this." Two months later, he wrote in another email to his girlfriend: "According to Sparks, that business is totally dead, and the poor little subprime borrowers will not last so long!!!" Still, Mr. Tourre created Abacus deals, including the one that become world-famous when the SEC filed its lawsuit. In a June 2007 email, Mr. Tourre told his girlfriend he had just landed in Belgium, where he managed to "sell a few abacus bonds to widows		

		and orphans that I ran into at the airport." Goldman says it disclosed all material information, adding that its clients were sophisticated investors who knew what they were getting into.	Clients were informed and sophisticated.	Justification
30. Goldman Sachs Hearing: Senators Seek, Fail to Get an Apology --- Bankers Face a Day of Grilling in Senate but Profess No Regrets for Actions as Markets Swooned; Trappings of a Perp Walk	28/04/2010	RÉSUMÉ The senators recently completed their own 18-month investigation and came armed with emails, performance reviews and other internal Goldman documents exposing the inner workings of the bank's mortgage-related securities business. TEXTE INTÉGRAL WASHINGTON -- Senators appeared determined to wring contrition out of the top ranks of Goldman Sachs Group Inc. Tuesday. They probably left the hearing room disappointed. During a full day of grilling executives on the investment bank's high-risk mortgage business, members of the Senate Permanent Subcommittee on Investigations prodded and provoked. But they couldn't persuade current or former Goldman executives to say that their business was irresponsible or that it helped push the country into recession. "I heard nothing today that makes me think anything went wrong," said	Refusal to admit fault	Denial

		Goldman Chief Executive Lloyd Blankfein when asked about transactions that raised hackles among senators. "Regret to me means something you feel you did wrong -- I don't have that," said Daniel Sparks, former head of Goldman's mortgage department. "We did not cause the financial crisis," said Michael Swenson, a Goldman managing director. "I do not think that we did anything wrong." The hearing had all the trappings of a Capitol Hill perp walk. The senators allowed a mob of photographers to surround the witnesses before the proceedings began. Four protesters wandered through the room in prison stripes, wearing masks bearing the faces of Mr. Blankfein and trader Fabrice Tourre, who has become famous for referring to himself in emails as "Fabulous Fab." "Too big to fail, but not too big to go to jail," the protestors chanted before the opening gavel. The Goldman men sat stony-faced, ever polite but never contrite. Several suggested they were in fact the victims, railroaded by Congress for performing a normal market function -- pricing risk and providing investment opportunities	Refusal to admit fault Anything wrong Risk management	Denial Denial Justification

		for grown-up investors. When they bet against the housing market, they were hedging their own firm's risk, they said. The event came on the heels of a Securities and Exchange Commission civil suit accusing Goldman and Mr. Tourre of defrauding clients who bought one of the bank's mortgage gumbos. (In his written statement, Mr. Blankfein described the day the SEC announced its suit as "one of the worst days in my professional life.") Goldman and Mr. Tourre deny wrongdoing. The senators recently completed their own 18-month investigation and came armed with emails, performance reviews and other internal Goldman documents exposing the inner workings of the bank's mortgage-related securities business. Their conclusion (a rare bipartisan one, at that): Goldman hawked risky mortgage-backed securities even as it was quietly betting its own money that those securities would fail. Before each witness waited a binder, half a foot thick, filled with investigative exhibits. Sen. Carl Levin (D., Mich.), the subcommittee chairman, read scornfully from one such email sent		

		to Mr. Sparks about two Goldman bankers who nailed a particular deal. "They structured like mad and traveled the world, and worked their tails off to make some lemonade from some big old lemons," the email said. "You got no regrets? You ought to have plenty of regrets," Sen. Levin scolded Mr. Sparks. The senators seemed to enjoy reading aloud the glowing self-appraisals the executives wrote in their own performance reviews, in which they claimed credit for helping Goldman profit from the declining housing market. They dwelled on Goldman documents that described the firm's own subprime deals in occasionally scatological terms. The top Republican on the panel, Sen. Tom Coburn of Oklahoma, cited several instances where, he said, Goldman bankers and traders appeared to be taking steps that were in the best interests of Goldman, not of their own clients. <u>The closest thing to a mea culpa the senators could elicit, however, was an acknowledgment that Wall Street writ large might have allowed lending standards to get a little "loose" during the housing boom, in Mr. Sparks's</u>	Blaming others	External Attribution

		words. "What we and other banks, rating agencies and regulators failed to do was sound the alarm that there was too much lending and too much leverage in the system -- that credit had become too cheap," Mr. Blankfein testified		
31. SEC v. Goldman Sachs_ SEC Questions 'Not Us' Firm --- Executives of Investment Company Had Rejected Goldman Deal as Too Risky	29/04/2010	The Securities and Exchange Commission in recent weeks has questioned executives of a little-known firm that played a key role in the business of arranging mortgage investments, as part of the agency's probe into now-controversial deals struck at the height of the housing bubble. GSC Group Inc. was one of several firms that helped banks, including Goldman Sachs Group Inc., put together deals that allowed investors to bet on the housing market. The New Jersey investment firm turned down Goldman's request to select assets for the debt deal at the center of the agency's fraud lawsuit against Goldman, according to a person familiar with the matter and an email released by a Senate subcommittee this week. The concern: The deal was too risky for		

		investors, according to the person and the email. GSC received a subpoena from the SEC last summer and held subsequent discussions with the agency, including in recent weeks, according to an executive at the firm. "GSC's involvement here is strictly as a witness, and we're cooperating with the SEC," said Daniel Ross, a lawyer for the firm. A spokesman for the SEC declined to comment. Goldman and an employee on the deal who also was sued, Fabrice Tourre, have denied wrongdoing. GSC was founded in 1994 as Greenwich Street Capital Partners Inc., a private-equity unit of Travelers Group. In 1999 it became an independent company and now goes by GSC. GSC, which manages about $8 billion, counts among its senior investment professionals five Goldman alumni, including GSC's chief executive and chairman, Fred Eckert. Goldman regularly offered GSC a chance to work on its debt deals earlier this decade,		

		according to someone close to the matter. A representative of GSC said executives who ran the firm's mortgage unit didn't come from Goldman and the unit didn't have a special relationship with the bank. A Goldman spokesman said the firm had no comment. In January 2007, Goldman bankers approached GSC to select mortgage-backed securities for a complex deal known as a synthetic collateralized debt obligation that it was creating at the behest of hedge-fund manager John Paulson. At the time, Mr. Paulson was bearish on the mortgage market, according to an email released this week by a Senate subcommittee questioning Goldman executives and according to the SEC complaint. GSC turned away the business. "As you know, a couple of weeks ago we had approached GSC to ask them to act as portfolio selection agent for that Paulson-sponsored trade, and GSC had declined given their negative views on most of the credits that Paulson had selected,"		

		said the email, from Mr. Tourre in late-January 2007. Goldman eventually tapped ACA Management LLC to select the securities for the deal, which was named Abacus 2007-AC1. The SEC alleges Goldman and Mr. Tourre didn't inform investors that Mr. Paulson's firm, Paulson & Co., played a role in picking the assets and that Goldman and Mr. Tourre misled ACA about Paulson's position. The deal quickly lost value, leading to investor losses in excess of $1 billion and gains to Paulson of about $1 billion. GSC worked with Goldman on a $1.6 billion mortgage-linked deal called GSC ABS Funding 2006-3g that closed in January 2007. GSC also was involved in Anderson Mezzanine Funding 2007-1, a $307.5 million mortgage-linked CDO underwritten by Goldman in March 2007 that soured quickly after it was sold, according to documents released by the Senate subcommittee.		

		GSC agreed to manage the collateral of several mortgage-linked CDOs that hedge fund Magnetar Capital had input on from 2006 to 2007, according to documents reviewed by The Wall Street Journal and people familiar with the matter. Magnetar purchased a risky "equity" slice of these and other CDOs overseen by third-party managers and bought credit default swaps on other parts of the same CDOs or similar deals that would help Magnetar profit in a housing downturn. Those deals also tumbled in value. A spokesman for Magnetar declined to comment. GSC stopped helping create new mortgage CDOs two years ago amid a downturn in the market, according to the firm.		
32. Goldman in PR push to fight crisis	03/05/2010	RÉSUMÉ (ABSTRACT) <u>A person familiar with Mr [Mark Fabiani]'s approach said he would work to create a "counter-narrative" to rebuild Goldman's image and bring a more "disciplined approach" to the bank's public relations efforts.</u> TEXTE INTÉGRAL Banks ; Fabiani to create 'counter-narrative' ; Bank	Proactive creation of a counter-narrative	Enhancement

		also looks to rebuild branding Goldman Sachs has hired Mark Fabiani, an aggressive, politically connected crisis management expert who spearheaded President Bill Clinton's efforts to navigate the Whitewater scandal, to fortify its presence in Washington. The premier Wall Street bank has also solicited ideas for a long-term brand-building campaign from several advertising agencies in an effort to address its continuing public relations and legal crisis. Lloyd Blankfein, chief executive, said at the weekend that Goldman was digging itself out of a "hole" that was partly of its own making. This was because, he claimed, the investment bank did not have a strong enough relationship with the American public. To address those concerns, Goldman confirmed on Friday that it was working with Mr Fabiani, a veteran of the Clinton-Gore administration whose firm has previously been brought in to help movie studios and hedge funds. A person familiar with Mr Fabiani's approach said he would work to create a "counter-narrative" to rebuild Goldman's image and bring a more "disciplined approach" to	Expert in communication to face the crisis Showing its value and its cntributions	Exemplification Self-promotion

		the bank's public relations efforts. "What has happened, has happened. You can't put the genie back in the bottle. People will evaluate you by how you handle the issue going forward, and that is why maintaining one's credibility is critical," the person said. In an interview with Charlie Rose on PBS on Friday, Mr Blankfein said the American public did not have a good enough understanding of Goldman's role in the US economy as a "catalyst for growth." In the past two weeks, Goldman's image has come under severe strain. On April 16, the Securities and Exchange Commission filed a civil fraud complaint against the bank and one of its employees. Last week, seven current and former Goldman employees, including Mr Blankfein, submitted to 11 hours of antagonistic questioning at a Senate hearing. By Friday, it emerged that the US Attorney's office in Manhattan had begun reviewing evidence to determine whether prosecutors should open a criminal probe into the matter. The SEC alleges that Goldman and one of its bankers, Fabrice Tourre, constructed a debt security and subsequently	Willingness to	

		misled two derivatives investors about the significant role played by a US hedge fund in selecting the mortgages that would determine the product's performance. Goldman and Mr Tourre emphatically deny any wrongdoing. Late last year, before these legal troubles burst into view, Goldman initiated an advertising agency review to solicit ideas for a marketing campaign. Among the agencies presenting were Young &Rubicam and Ogilvy &Mather, both part of the WPP Group, and Strawberry Frog. Peter Stringham, chief executive of Y&R Brands, discussed Goldman's situation in a presentation at a Cass-Capco institute presentation in London on April 19. Mr Stringham singled out several famous brands that had created the public impression they were arrogant, untrustworthy or unapproachable. Goldman and AIG were among the most alienating brands in the US, Mr Stringham said, along with defence contractor Halliburton, and Washington DC, 'brand'. According to the agency's "brand asset valuator", the Goldman Sachs brand was suffering from negative public	increase public perception	Enhancement

		perceptions in the same way as the brand of Tiger Woods, the professional golfer who became engulfed in controversy last year following the revelations of adulterous affairs. Part of Goldman's problem is explaining complicated financial products to a wider public. There are precedents. In the 1980s, when Drexel Burnham Lambert and its star trader Michael Milken became magnets for criticism on Wall Street, the term "junk bonds" had an entirely negative connotation. The firm ran a series of ads explaining how "junk bonds" had helped finance the start-up of great US companies. Credit: By Stephanie Kirchgaessner in Washington and Greg Farrell in New York		
33. The Goldman Sachs Case: Goldman Unit Is Disciplined On Short Bets	05/05/2010	The Securities and Exchange Commission and the regulatory arm of NYSE Euronext disciplined an equities unit of Goldman Sachs Co. on Tuesday for alleged violations of rules on short selling stocks. In December 2008 and January 2009, Goldman Sachs Execution Clearing LP allegedly failed to buy enough shares to cover short positions held by customers, according to a notice from NYSE		

		Regulation. The issue was compounded as the firm continued to accept hundreds of short-sale orders in stocks in which it hadn't obtained enough shares to cover clients' existing short positions. Short selling is a practice in which investors borrow shares and sell them to another investor, aiming to buy them back after their value has gone down and pocketing the difference. The practice is legal, but U.S. regulators have tightened up rules to ensure that investors hold the shares that they are lending out. Tuesday's disciplinary action represents the first case pressed by regulators based on new rules put in place in the fall of 2008 to curb so-called naked short selling, in which investors short stocks that they don't possess. The action comes as Goldman Sachs grapples with SEC charges of fraud tied to its dealings in the mortgage market, where the Wall Street bank stands accused of stacking the deck against its own clients. A spokesman for the agency declined to comment on whether Tuesday's disciplinary action tied into the scrutiny of Goldman's mortgage business. Goldman Sachs Execution Clearing and		

		Goldman Sachs Co. are units of parent company Goldman Sachs Group Inc. The firm neither admitted nor denied the findings announced Tuesday. Both NYSE Euronext and the SEC censured Goldman Sachs Execution Clearing, and the firm will pay $450,000 in fines, split between the SEC and NYSE Regulation. A spokesman for Goldman Sachs said the issue was the result of "an inadvertent, manual processing error" following the change to short-selling rules in October 2008. There was no financial impact on clients, he said.		
34. The Goldman Sachs Case: Goldman Visits the Court of Public Financing --- Municipal-Debt Issuers Hear the Bank's Side of the Case; Still, Concerns Abound as Executives Scramble to Buff Image	05/05/2010	In the weeks since Goldman Sachs Group Inc. was sued over alleged fraud, the firm has engaged in a charm offensive to keep customers from defecting. But it hasn't always worked. <u>Goldman sent out emails to clients on the day of the allegations, April 16, giving its defense. Since then, Goldman executives have crossed the country to meet with clients. One Goldman insider said colleagues crammed roughly two months of</u>	Reinforce the relations with customers	Ingratiation

		client visits into two weeks. Last week, the $9 billion Oklahoma Teachers Retirement System voted to put Goldman's asset-management unit "on alert" for possible termination pending a review of the allegations as "an organizational concern." Other clients say they are concerned as well. The Securities and Exchange Commission accused the firm of failing to disclose the role of a short seller in constructing a pool of mortgage-related assets sold to investors. Goldman has denied wrongdoing, saying its disclosures were adequate. A related criminal investigation disclosed last Friday and congressional hearings on April 27 focusing on the charges have intensified scrutiny of the firm. The action by Oklahoma, which was earlier reported by Reuters, shows how state and local governments can be sensitive to such issues for political reasons. Goldman has ranked No. 5 in U.S. municipal underwriting in the years 2007 through 2009, according to Thomson		

		Reuters. This year it ranks No. 6. Such issues by state and local governments and authorities, many of them tax-exempt, are used for public purposes such as schools, sewers and water systems-financing projects often launched by elected officials and closely scrutinized by tax payers. Some public-finance experts say politics often plays a role in underwriter selections. "I think in the municipal world, people are more sensitive to some of these issues just because of the political environment in which they live," says municipal-bond lawyer Dee Wisor of the Denver firm Sherman & Howard LLC. Goldman declined to comment for this article. "People are talking and this can't help them," said Brian Thomas, chief financial officer of the Metropolitan Water District of Southern California, which has issued notes through underwriters including Goldman. Goldman has met clients "to discuss any concerns they may have with the	Reinforce client relations	Ingratiation

		firm," according to Brad Hintz, a securities analyst at Sanford C. Bernstein & Co. who met with top Goldman executives Friday. The upshot: Goldman has seen "no degradation of business," has been winning assignments it expected to win and "trade flows remain in line with expectations," he added. Some Goldman clients say they will have to see the whole case unfold before making longer-term decisions. "We're at this time very pleased with the services they provide," said James Fuller, chief financial officer of the Municipal Electric Authority of Georgia, which issued $2.7 billion of debt with Goldman as a senior manager in March. "We would like to see the situation play out and see what happens before we make any rash decisions." Other public officials aren't waiting. Chriss Street, the Treasurer-Tax Collector of Orange County, a member of the county's public-finance advisory committee, last Friday called for "hearings to review the appropriateness of retaining Goldman Sachs" as an Orange County, Calif., underwriter.	Business is going well	Self-promotion

		In an email to Huntington Beach, Calif., Treasurer Shari Freidenrich, who heads the public-finance panel and is running for the Orange County Treasurer post that Mr. Street is vacating, Mr. Street cited the fraud charges filed in April. In her reply, Ms. Freidenrich told Mr. Street that he was free to bring up the issue at the panel's next meeting on Thursday. "Then the board can decide if it would like to place this on a subsequent board agenda." Ms. Freidenrich referred a call to a county spokesman, who said that while Goldman is on a list of qualified underwriters, the firm hasn't done financing work for the county since 2006 and isn't under consideration for current assignments.		
36. Goldman and Washington's Wall Street Takeover; The SEC's case is weak, but it helped the government justify sweeping	22/05/2010	When President Obama signs the new financial regulation act the government will assume sweeping new powers over Wall Street. The passage of this bill did not occur in a vacuum. The administration carefully laid the groundwork by inculcating public fear that the great financial houses betray investors by rigging securities to fail. Exhibit A: the SEC's		

new powers over the financial industry.		recent fraud case against Goldman Sachs. The agency's complaint alleges that Goldman Sachs defrauded the investors in its Abacus 2007-AC1 fund by not disclosing the role played in the fund's creation by John Paulson, a hedge fund operator who stood to make an immense profit if the fund failed. It might be a great conspiracy case -- if the SEC could come up with a plausible conspiracy. Mr. Paulson wanted to make a billion-dollar wager that subprime-backed mortgages would collapse. So he went to Goldman Sachs, which, like the other major financial houses, is in the business of creating such customized gambling products for clients. For a $15 million fee from Mr. Paulson, Goldman created Abacus 2007-AC1. It provided exposure to a portfolio of 90 subprime home mortgage-backed securities. If the underlying securities did not default, those who took the long side of Abacus would collect handsome profits. If the housing bubble burst, those who took the short side would win heavily. Goldman found three participants to bet long -- ACA Capital Holdings, a bond insurer, IKB		

		Deutsche Industriebank (a Germany-based specialist in mortgage securities), and itself. ACA went long on the deal. It sold a $900 million credit default swap on Abacus and effectively invested most of the $40 million it got from selling the swap to Goldman in the Abacus deal itself. ACA's wholly owned subsidiary, ACA Management, had sole authority to pick every one of the 90 securities in the portfolio. IKB bought $150 million worth of Abacas's notes, and Goldman put up $90 million to complete the financing. Mr. Paulson was the lone short, buying ACA's credit default swap from Goldman. All four participants in the Abacus deal had the same data about the 90 underlying securities. What separated them was their opinion of the direction of the housing market. Mr. Paulson felt it was headed toward a collapse; ACA considered this so unlikely that it gave nearly 20 to 1 odd on its credit default swap. Mr. Paulson won the bet. So where is the fraud? The SEC says Goldman withheld material information from ACA and IKB by not disclosing the history of the deal, including Mr. Paulson's role in the		

		creation of Abacus. Of course, ACA knew someone was short the deal, since it sold Goldman a $900 million credit default swap precisely for that purpose. Goldman did not say that Mr. Paulson was that counterparty. But his identity may not have been a mystery to ACA. Mr. Paulson's top lieutenant in the deal, Paolo Pellegrini, testified to the SEC in its investigation of the matter in 2008 that he had informed ACA Management that Mr. Paulson's hedge fund was betting against the transaction. If so -and Mr. Pellegrini had no reason to perjure himself since he had no obligation to disclose anything -- ACA possessed the information that Goldman withheld and went ahead with the deal. IKB bank, which bought Abacus's AAA-rated notes, may not have known about Mr. Paulson's role in Abacus. The real issue here turns on the term "material," which the SEC defines as facts an investor would reasonably want to know before making an investment. The agency contends that Mr. Paulson's role in suggesting securities to ACA was "material." Prior		

		to this case, the SEC did not always consider a deal's history material, taking the position in hundreds of other such deals that how a fund was constructed, including how its rating was achieved with rating agencies, did not require disclosure. That was before Wall Street became a political bete noire. Nevertheless, the SEC voted in a split decision (all the Republicans voting against) to accuse Goldman of civil fraud. It alleges that Mr. Paulson "heavily influenced" ACA Management to pick losers but provides no theory as to why ACA Management, whose corporate parent was risking $940 million, would do anything but pick the least risky subprime bonds. As it turned out, the subprime securities ACA picked for the portfolio failed. But so did the vast majority of securities base on subprime mortgages. Since 99% of them were marked down by the rating agencies by the end of 2008, Abacus would have likely suffered the same fate had ACA picked 90 other such securities. ACA's losses on Abacus were less than 5% of the $22 billion in losses it suffered in its other		

		subprime funds (in which Mr. Paulson was not involved). When the time came to pay off the Abacus wager, ACA, hit by $68 billion in credit default swaps, couldn't make good. Its Abacus debt fell to the Dutch bank ABN-AMRO, which had backstopped ACA. The Royal Bank of Scotland, which had the misfortune of merging with the Dutch bank, paid Mr. Paulson. No one can fault the SEC for wanting to restore faith in Wall Street by ferreting out financial frauds. But its case against Goldman Sachs does not add up. It implies a conspiracy without co-conspirators. If Goldman had designed its own fund to fail, it could have retained the credit default swap it got from ACA for its own account rather than selling it to Mr. Paulson. Instead, it invested $90 million of its own money into Abacus. Goldman's records showed it lost $75 million (after taking its $15 million fees into account). The SEC has issued no complaint against Mr. Paulson in this deal. Not only is there no motive or logic for Goldman to have sabotaged its own fund, but the SEC complaint fails to cite any evidence it did. Nevertheless, it has brilliantly succeeded in		

		implanting that idea in the media. On April 18, Paul Krugman stated in his New York Times column that "the S.E.C. is charging that Goldman created and marketed securities that were deliberately designed to fail, so that an important client could make money off that failure. That's what I would call looting." In fact, the SEC complaint never alleges that Goldman deliberately designed any securities to fail. Even though the widely echoed "designed to fail" charge is an invention, it helped convert a civil case of nondisclosure into one of Grand Theft Wall Street in the public imagination. The message -- Wall Street deliberately betrays investors -- served a political end. It helped provide cover for the government's desire to manage the financial universe.		
37. Goldman Seeking to Avoid Fraud Charge in SEC Deal	28/05/2010	RÉSUMÉ The lawsuit accuses Goldman and trader Fabrice Tourre of selling a collateralized debt obligation called Abacus 2007-AC1 without disclosing to the two other parties to the investment that hedge-fund firm Paulson &Co. helped to pick some of the underlying mortgage securities and was betting		

		on the financial instrument's decline. TEXTE INTÉGRAL Goldman Sachs Group Inc. has told the Securities and Exchange Commission that the company hopes to avoid a fraud charge as part of any settlement of last month's lawsuit against the securities firm, according to people familiar with the situation. It isn't unusual for companies accused by the SEC to try to negotiate a lesser charge in settlement talks. While Goldman has repeatedly denied any wrongdoing, many analysts expect the company to agree to a fine and other penalties in order to resolve the suit, filed April 16 in U.S. District Court in New York. Lawyers for Goldman have met with SEC representatives at least once since the suit was filed. It isn't clear how the SEC responded to indications from Goldman that the company hopes to reach a settlement tied to a lesser charge than fraud. Goldman and the SEC declined to comment Thursday. People familiar with the preliminary settlement discussions have said no agreement is imminent. Avoiding a fraud charge likely would help Goldman rebound from the public-relations	Goldman seeks to avoid fraud charges	Justification

		and stock-price hits suffered since the lawsuit was filed. Such a settlement could trigger criticism of the SEC as having backed down from Wall Street's most profitable securities firm. The lawsuit accuses Goldman and trader Fabrice Tourre of selling a collateralized debt obligation called Abacus 2007-AC1 without disclosing to the two other parties to the investment that hedge-fund firm Paulson &Co. helped to pick some of the underlying mortgage securities and was betting on the financial instrument's decline. Goldman's interest in a settlement involving a lesser charge than fraud was earlier reported by the Financial Times. Sanford C. Bernstein &Co. analyst Brad Hintz estimated Thursday that Goldman could wind up paying about $621 million to reach a settlement. Mr. Hintz said he believes the SEC would agree to a $250 million fine, based on previous settlements between the government and Wall Street. Goldman likely would have to redeem $371 million from investors who had money in the securities at the center of the SEC's lawsuit. The overall		

		estimated payment could trim Goldman's earnings by $1.05 a share, an amount that Mr. Hintz noted would be "painful to Goldman" but "allow both Goldman Sachs and the SEC to walk away declaring victory." Analysts project Goldman will post a profit of $19.53 a share during 2010, according to Thomson Reuters. Other analysts have projected it could cost more than $1 billion to settle the charges.		
38. Overheard: Counter Programmi ng	23/06/2010	RÉSUMÉ The bank has attempted to counter public ire over bonuses paid out during the crisis and any role Goldman had in causing it. Since February, the firm has used a section of its corporate website to respond to news coverage of the company. TEXTE INTÉGRAL [Financial Analysis and Commentary] Time for Lloyd Blankfein to surf Oprah's sofa? Fiona Laffan, Goldman Sachs's media-relations chief in Europe, Middle East and Africa, told a communications-industry event in London that the bank is considering a corporate branding effort to improve its battered reputation. Part of the thinking, it seems, involves more exposure for the firm's CEO. Mr.	Response to the critics about bonuses Repositioning of the brand	Justifcation Enhancement

		Blankfein has become a more public face in recent months. The bank has attempted to counter public ire over bonuses paid out during the crisis and any role Goldman had in causing it. Since February, the firm has used a section of its corporate website to respond to news coverage of the company. But some at Goldman seem to have forgotten Tom Cruise's infamous mishap. Ms. Laffan said: "There are people [at the bank] who think we should go on 'Oprah.' I'm not one of them."	Targeted response via official channels	Ingratiation
40. Goldman, Sachs & Co. Agrees to Settlement with SEC	15/07/2010	Goldman, Sachs & Co., the broker-dealer, has agreed to a settlement with the U.S. Securities and Exchange Commission to resolve the SEC's pending case against the firm relating to disclosures in the ABACUS 2007-AC1 CDO offering. The settlement is subject to the approval of the United States Court for the Southern District of New York. The firm entered into the settlement without admitting or denying the SEC's allegations. As part of the settlement, however, we acknowledged "that the marketing materials for	Avoiding admission of wrongdoing	Selectivity

		the ABACUS 2007-ACI transaction contained incomplete information. In particular, it was a mistake for the Goldman marketing materials to state that the reference portfolio was 'selected by' ACA Management LLC without disclosing the role of Paulson & Co. Inc. in the portfolio selection process and that Paulson's economic interests were adverse to CDO investors. Goldman regrets that the marketing materials did not contain that disclosure." We believe that this settlement is the right outcome for our firm, our shareholders and our clients. We understand that the SEC staff also has completed a review of a number of other Goldman Sachs mortgage-related CDO transactions and does not anticipate recommending any claims against Goldman Sachs or any of its employees with respect to those transactions based on the materials it has reviewed. We recognize that, as is always the case, the SEC has reserved the right to reopen those matters based on new information.	Acknowledging mistake and expressing regret	Apology/ Selectivity
41. Blankfein:	16/07/2010	Goldman has denied wrongdoing and has been		Denial

Clients Still Behind Goldman		trying to settle the suit. Since the suit was filed, lawyers for the company have met face-to-face and had discussions by phone with SEC investigators, according to people familiar with the situation. TEXTE INTÉGRAL NEW YORK -- Goldman Sachs Group Inc. Chairman and Chief Executive Lloyd Blankfein assured the firm's retired partners at a meeting Tuesday that clients are standing behind the company, adding that the two months since the Securities and Exchange Commission accused Goldman of fraud have been "very difficult." In a room on the 43rd floor of the company's new headquarters building in lower Manhattan, Mr. Blankfein didn't directly address the civil suit, according to people who heard the comments. But he responded to questions ranging from how the looming regulatory overhaul being finished in Congress will affect Goldman to its public-relations strategy. About 110 retired Goldman partners attended the meeting, which began at 5 p.m. and lasted about 45 minutes. Some partners, who described the meeting as supportive of Mr. Blankfein, stayed	Denying fault while pursuing settlement Claiming client support amid crisis	Exemplification

		afterward for cocktails. Some retired partners have complained privately about Goldman's public-relations strategy and battered share price. Their views are influential, partly because Goldman sees departed partners as a source of business for the firm. Mr. Blankfein declined to comment as he was leaving the meeting. Tuesday's meeting was the first since the SEC accused Goldman and trader Fabrice Tourre in April of selling a collateralized debt obligation called Abacus 2007-AC1 without disclosing that hedge-fund firm Paulson &Co. helped select some of the underlying mortgage securities and was betting on the financial instrument's decline. Goldman has denied wrongdoing and has been trying to settle the suit. Since the suit was filed, lawyers for the company have met face-to-face and had discussions by phone with SEC investigators, according to people familiar with the situation. No settlement is near, these people said. Goldman and the SEC declined to comment. <u>The company has told SEC officials that it hopes to settle the case without admitting to fraud, other</u>	Seeking settlement	Selectivity

		people familiar with the discussions said. Goldman's response to the lawsuit is due Monday, but the firm is likely to ask for more time to make the filing, according to a person familiar with the talks. Goldman declined to comment on its response. The company's board is scheduled to meet later this week. Topics are likely to include the status of the SEC's lawsuit and results for the quarter ending June 30. There is no sign that Mr. Blankfein, who took over as CEO in 2006, has lost the support of the firm's board or Goldman alumni, who often go on to run big companies or hedge funds and send business to Goldman. The firm anoints about 100 new partners every two years as part of an effort to preserve the clubby partnership culture established long before Goldman went public in 1999. Tuesday's meeting initially was scheduled for June 1, according to some retired partners. Mr. Blankfein was unavailable, so Goldman arranged for President Gary Cohn to speak to the group. Some alumni said they objected to the company, wanting to hear directly from the CEO about the firm's recent	without admission	

		problems. Other retired partners said Mr. Blankfein decided that he wanted to address the group. A Goldman spokesman said the meeting was moved so that Mr. Blankfein could attend. While the event usually is low-key, Mr. Blankfein faced tough questions at the December meeting about Goldman's handling of negative publicity swirling around the firm.		
42. Goldman Settles Its Battle With SEC --- $550 Million Deal Ends Showdown That Shook Street	17/07/2010	In one of the largest penalties in Wall Street history, Goldman Sachs Group Inc. agreed to pay $550 million to settle civil charges that it duped clients by selling mortgage securities that were secretly designed by a hedge-fund firm to cash in on the housing market's collapse. But the agreement with the Securities and Exchange Commission ends a showdown that had deeply shaken America's most powerful financial firm at a cost that outside observers deemed a bargain. Goldman conceded it made "a mistake" by not disclosing the role of Paulson &Co. to investors for a deal dubbed Abacus 2007-AC1. The firm vowed to toughen oversight of mortgage securities, certain marketing	Paying historic fine to settle fraud case Admitting mistake and pledging reform	Selectivity Selectivity

		<u>materials and employees who create or pitch such securities.</u> Criminal prosecutors still are looking into whether Goldman or its employees' committed securities fraud in connection with its mortgage trading, according to people familiar with the matter. Goldman hasn't commented on the criminal probe. Yet Goldman walked away with several victories that raise questions about the strength of the SEC's case. The company wasn't forced to sacrifice any top executives, including Chief Executive Lloyd C. Blankfein, as some executives had feared. The changes it agreed to won't weaken its profits or standing as Wall Street's mightiest firm. The record-setting penalty is equivalent to just 14 days of profits at Goldman in the first quarter. "That is a steal," said Michael Driscoll, a visiting professor at Adelphi University and a senior managing director at firm Bear Stearns Cos. before that firm collapsed in 2007. Analysts had expected Goldman to pay at least $1 billion as part of the deal. Goldman shares surged late in the day on expectation of a		

		pact and continued to rally in after-hours trading. The stock was up $6.16, or 4.4% to $145.22 in New York Stock Exchange trading, and continued to rise another 4.9% to $152.35 after hours. The firm's traders, investment bankers and other employees expressed relief that the three-month legal ordeal, which erased nearly $20 billion of the company's stock-market value, was over. Executives believe the $550 million payment is tiny compared with the business Goldman could have lost if the case dragged on. Goldman brass told managers to make sure the reaction inside the firm was subdued, fearing that cheering or other celebration would further taint the firm's reputation. The settlement must be approved by U.S. District Judge Barbara S. Jones in New York. The SEC said the Goldman settlement represents the largest penalty it has ever extracted from a Wall Street firm. In 1988, Drexel Burnham Lambert Inc. agreed to pay $650 million in fines and restitution, but about half the total went to satisfy civil claims of investors and clients defrauded by Drexel. In 2003,		

		meanwhile, a group of 10 Wall Street firms agreed to a $1.4 billion settlement of charges that research analysts improperly touted stocks to help investment bankers win business from corporate clients. Other banks and securities firms quietly expressed optimism that the SEC's continuing probe of Wall Street's mortgage machine will be resolved without major fines or humiliating revelations about deals done during the mortgage bubble. In a statement, Goldman said the settlement "is the right outcome for our firm, our shareholders and our clients." The firm also said the SEC completed a review of other collateralized debt obligations created by Goldman. The company said it "does not anticipate recommending any claims against Goldman Sachs or any of its employees with respect to those transactions based on the materials it has reviewed." The Wall Street Journal reported Wednesday that Goldman wanted to simultaneously resolve the fraud lawsuit and some of the agency's lower-profile probes of the company's mortgage department. Goldman hasn't said which mortgage deals were scrutinized by the	Settlement framed as success and clearance.	Justification/Enhacement

		SEC. The agency could reopen the examinations if new evidence of wrongdoing surfaces. Robert Khuzami, the SEC's director of enforcement, said the settlement is a reminder to Wall Street firms that they must deal fairly with clients, "even if the product is complex or the investor sophisticated." SEC officials said the settlement includes concessions ranging from a substantial penalty to a contrite admission by Goldman, which had never acknowledged wrongdoing in the Abacus deal. The agency is plowing ahead with its investigation of mortgage-related securities sold by Wall Street. Mr. Khuzami declined to say why the SEC didn't demand management changes. He said the timing of the settlement had no link to Thursday's passage in the Senate of financial overhaul. The SEC said Goldman agreed to cooperate in the investigation of Fabrice Tourre, the Goldman trader accused by the SEC of being "principally responsible" for piecing together the bonds and touting them to investors. Mr. Tourre faces a Monday deadline to respond to the allegations	Cooperation with investigation targeting trader	Dissasociation

		by the SEC in its April lawsuit or seek an extension. Mr. Tourre, who still works at Goldman but is on paid leave, plans to file a response Monday and continue trying to clear his name, according to a person familiar with the matter. Settlement discussions between the SEC and Goldman began in early May and gained momentum in recent weeks, say people familiar with the matter. Goldman will pay $250 million to investors in the Abacus deal. The U.S. government gets the remaining $300 million. Paulson &Co., the hedge-fund run by John Paulson that helped design the Abacus deal, wasn't accused of wrongdoing. A spokesman for the firm declined to comment Thursday.		
43. Goldman Sachs needs to change: The bank must follow its $550m settlement with reform	17/07/2010	Compared with what might have been, Goldman Sachs escaped lightly in its settlement with US regulators this week. Having suffered three months of reputational damage since being accused of fraud, it admitted only a "mistake" and paid a record-		

		breaking $550m in fines and compensation. The Securities and Exchange Commission is already facing criticism that it should have been tougher on Goldman. In practice, however, it has regained its own reputation for enforcing securities law toughly on Wall Street. If the SEC had pushed its luck further, it would have been at risk of losing. Despite Goldman's relief at getting the burden off its back - its shares have risen since the settlement was announced on Thursday, just after the US financial reform bill passed in Congress - the bank has been humbled. It now needs to take steps to ensure it does not fall into a similar trap again. The central issue is that its hard-won reputation for putting its clients' interests first - above those of its traders and proprietary investments - has been tarnished. Lloyd Blankfein, its chairman and chief executive, has promised a "rigorous self-examination". The Abacus deal over which Goldman settled involved a complex set of interests, including its	Promising internal self-	Internal attribution

		own. Goldman should have been clearer with IKB, a German bank that was betting on a rise in the housing market, that the deal was being influenced by John Paulson & Co, a hedge fund taking the opposite view. Goldman's balance of business has changed since Mr Blankfein, a former commodities trader and salesman, took over the leadership in 2006 along with Gary Cohn, its president and chief operating officer. Both men hail from the trading side and have focused it more on financing and proprietary investment than purely advising companies and investors. Although this has been highly rewarding for its shareholders, and enabled Goldman to navigate the 2008 financial crisis better than other banks, it also involves taking bigger reputational risks. In the case of Abacus, it clearly failed to manage those risks correctly and to act in accordance with its own business principles. Any rigorous self-examination must involve the board deciding whether it has the correct balance of leadership at the top. There have been	examination	

		suggestions that Mr Blankfein will remain chief executive but give up the chairmanship, or perhaps that Goldman's corporate bankers will regain a bigger say in management. The Abacus affair is sufficiently damaging to Goldman's reputation that it needs to think long and hard about a new way forward. It has survived the immediate crisis over the SEC's charges but the questions over its future strategy and leadership remain.		
44. George Carlin Never Would've Cut it At the New Goldman Sachs --- Firm Bans Naughy Words in Emails; An'Unlearnable Lesson' on wall Street	23/07/2010	RÉSUMÉ Goldman's employee emails have been a touchy subject ever since the Securities and Exchange Commission accused the firm in April of cheating clients by selling mortgage securities that were secretly designed by a hedgefund firm to cash in on the housing market's collapse. TEXTE INTÉGRAL There will never be another s----- deal at Goldman Sachs Group Inc. The New York company is telling employees that they will no longer be able to get away with profanity in electronic messages. That means all 34,000 traders, investment bankers and other Goldman employees	Banning profanity in internal communication	Internal Attribution

		<u>must restrain themselves from using a vast vocabulary of oft-used dirty words on Wall Street,</u> including the six-letter expletive that came back to haunt the company at a Senate hearing in April. "[B]oy, that timberwo[l]f was one s----- deal," Thomas Montag, who helped run Goldman's securities business, wrote in a June 2007 email that was repeatedly referred to at the hearing. Mr. Montag, who couldn't be reached for comment, wouldn't be allowed to send that email under Goldman's sanitized communications policy, which is being enforced by screening software. Even swear words spelled with asterisks are out. A Goldman spokeswoman said: "Of course we have policies about the use of appropriate language and we are always looking for ways to ensure that they are enforced." The new edict -- delivered verbally, of course -- has left some employees wondering if the rule also applies to shorthand expletives such as "WTF" or legitimate terms that sound similar to curses. In the spirit of the times, there is no written directive specifying which curses now are officially cursed. But screening tools being used by the		

		firm would detect common swear words and acronyms. Citigroup Inc. and J.P. Morgan Chase &Co. have policies against using swear words in company email, according to the companies. Morgan Stanley tells employees that their email should be "professional, appropriate and courteous at all times," but doesn't specifically forbid naughty words. NYSE Euronext Inc. "unofficially discourages" the use of profanity on the floor of the New York Stock Exchange, according to a spokesman, and frequently issues memos reminding traders to exercise proper decorum. It began enforcing the policy more aggressively after TV networks started broadcasting live reports from the floor, traders CME Group, which owns trading pits in Chicago and New York, says traders are expected to conduct themselves "with dignity and integrity." Its rulebook stipulates that the "use of profane, obscene or unbusinesslike language on the trading floor" could result in a fine. A first offense could be $1,000, while "an egregious violation" may result in a fine of up to		

		$20,000. The use of profanity on Wall Street came up at Morgan Stanley's annual meeting in May, where one shareholder asked Chairman John Mack about bad words attributed to bankers and policymakers in "Too Big to Fail," a book about the financial crisis. "The language was probably stronger than what was in the book," Mr. Mack responded, in a nod to the ingrained habit of swearing on Wall Street. Goldman's employee emails have been a touchy subject ever since the Securities and Exchange Commission accused the firm in April of cheating clients by selling mortgage securities that were secretly designed by a hedgefund firm to cash in on the housing market's collapse. This month, Goldman agreed to pay $550 million to settle the civil charges, without admitting or denying the allegations. In June, Citigroup told employees in a memo that "recent headlines involving inappropriate emails are an important reminder to 'think before writing, read before sending'." The bank ordered employees to take within one month a 10-minute online course called "Improper		

		Electronic Communications," which included a "briefing" on the "do's and don'ts of electronic communications." Goldman's no-swearing dictat covers instant messages and texts from company-issued cell phones and emails. <u>Verboten emails could get bounced to the compliance department. Others might be blocked completely, depending on the severity of the language. There are no set disciplinary measures for offenders, but habitual profaners will be summoned by their managers to discuss cleaning up their language.</u> The late comedian George Carlin famously aired the issue of taboo lingo in his 1972 monologue, "Seven Words You Can Never Say on Television." One firm with a big presence on trading floors has an even bigger list. New York-based media company Bloomberg LP says it has monitored emails for more than 10 years, using an application that scans messages for 70 words and phrases -- in English and several other languages -- considered profane. When caught, an offending Bloomberg employee gets a pop-up	Enforcing internal controls on language	Internal attribution

		message warning him or her not to send the message, which highlights the naughty word. Depending on the severity of the word, some emails will be blocked altogether from being sent. (The same technology also is available for clients of Bloomberg's terminals.) "There is case after case of email disaster that is reported in newspapers or media, and you would think that the last thing any rational person would do would be to speak carelessly or use profanity in email," says Kendall Coffey, a former federal prosecutor and now a partner at law firm Coffey Burlington in Miami. "But it seems to be an unlearnable lesson." Among famous emails is one in which former Merrill Lynch &Co. stock analyst Henry Blodget used the acronym "POS" (a.k.a. "piece of s---") to refer to a tech stock he was touting to the public on behalf of the bank. In 2003, Mr. Blodget agreed to a lifetime ban from the securities industry after touting stocks that he disparaged in private emails. He couldn't be reached for comment. But using software to screen for obscenities doesn't always work. Satellite-services provider Intelsat		

		SA, of Luxembourg, a few years ago began screening email for profanities. But it found the level of emails that were wrongly captured was too high, and so it dropped the screening. It now relies on a policy of reminding employees of "appropriate language for external use," a spokeswoman said. And last year, J.P. Morgan had to briefly override its automated profanity detectors so it could write a press release that mentioned a charity called Feel Your Boobies Foundation. That is the name of a Pennsylvania breast-cancer prevention group, which got a grant from the bank.		
45. Global Finance: SEC Is Cleared in Goldman Lawsuit --- Internal Watchdog Says No Evidence of Political Motivation; Question of Timing	14/10/2010	RÉSUMÉ Goldman was accused of misleading clients by selling mortgage-linked securities without disclosing the role of a hedge fund that was seeking to cash in on the housing market's collapse. TEXTE INTÉGRAL An internal watchdog cleared the Securities a nd Exchange Commission of improper conduct in its fraud lawsuit The inspector general's office interviewed the five SEC commissioners, senior officials in the chairman's office and enforcement division, as well as attorneys for Goldman,		.

		who said it was unusual to not be given a chance to settle the case. A SEC spokesman said, "This report reaffirms that the case was brought on the merits and only on the merits." A spokesman for Goldman declined to comment. The inspector general said the SEC's lawsuit against Goldman was timed partly to maintain a relationship with New York Attorney General Andrew Cuomo, who was readying a settlement against private-equity firm Quadrangle Group that was announced April 15. SEC Chairman Mary Schapiro told the inspector general's probe, "I was a little worried that the attorney general would be very upset if we announced multiple cases the same day." The SEC was also concerned with "maximizing and shaping positive press coverage," the report said. The SEC staff initially intended for the commission to vote on the Goldman case as early as December 2009, but several factors delayed the move, the report said. A scheduled vote in January was delayed after SEC enforcement staff met with Commissioner Troy Paredes, a Republican who ultimately voted against suing Goldman. SEC enforcement		

		attorneys weighed charging a second Goldman employee and sent him notice that he would be sued, but the agency ultimately decided against it, the report said. The employee who did get sued, Fabrice Toure, is contesting the charges. By April, the staff was ready to pull the trigger. While some officials argued against suing on a Friday, on the grounds that few people would read about the case in the Saturday papers, others said Friday was acceptable because the 24-hour news cycle would ensure some attention. Mr. Kotz report found that officials including Ms. Schapiro were shocked by the press attention to the suit, announced at 10:33 a.m., and the sharp fall in Goldman stock that followed. By July 14, Goldman lawyers and the SEC had agreed on settlement terms. The Wall Street Journal published an article that day noting that settlement talks were proceeding. Robert Khuzami, the SEC's enforcement chief, called Goldman's lawyers to say he was "unhappy" with the Journal story, Mr. Kotz's report said. It said the SEC decided to announce its settlement a few hours after the		

		commission voted on July 15 to avoid leaks to the media.against Goldman Sachs Group Inc., saying there was no evidence the suit's timing was politically motivated. The 77-page report by SEC Inspector General H. David Kotz lifts a cloud that had hung over the SEC's case against Goldman, with Mr. Kotz concluding the SEC wasn't trying to influence Congress's discussion of a financial-regulation bill -- an allegation that had been made by the agency's critics. The report gives an inside glimpse of the SEC's actions leading up to its suit against Goldman and one of the firm's traders on Friday, April 16. Goldman was accused of misleading clients by selling mortgage-linked securities without disclosing the role of a hedge fund that was seeking to cash in on the housing market's collapse. The Wall Street firm settled the case on July 15, agreeing to pay a \$550 million and acknowledging a mistake in its handling of the deal. The timing of the suit and settlement overlapped with Congress's debate over the Dodd-Frank financial-regulation bill, which was running into headwinds in April but	Rejecting political motivation claim Admitting limited mistake and settling case	Denial Selectivity

		passed the Senate on the same day as the Goldman settlement and became law shortly afterward. Mr. Kotz said he didn't find that the SEC intended to influence the bill. His probe also found no evidence that the SEC shared information with the media about the Goldman probe before it filed the suit. And the report said there was no "concrete" or "tangible" evidence that the suit was filed to drown out an inspector general report that was highly critical of the agency's failure to aggressively investigate concerns about an $8 billion Ponzi scheme allegedly run by Texas financier R. Allen Stanford. The Stanford report was released just hours after the Goldman suit. During congressional testimony last month, Mr. Kotz said the timing of the suit was "suspicious," but didn't cite any evidence of wrongdoing. Mr. Kotz investigated the timing at the request of Rep. Darrell Issa, the senior Republican on the House Oversight and Government Reform Committee.		