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SEC Vows More Actions Over Crisis

By Jean Eaglesham in New York and Brooke Masters in England

The US Securities and Exchange Commission has vowed to bring more high-profile enforcement actions against Wall Street over the financial crisis, following last month's $550m settlement with Goldman Sachs.

US regulators told the Financial Times the SEC's contentious civil fraud case against the bank over the sale of mortgage-backed securities was an example of the type of high-profile action its revamped enforcement division was working on.

"Deterrence works in the white-collar world. Financial institutions look at cases like Goldman and review their own practices and risk-tolerance and think about how risky behaviour affects their brand," said Robert Khuzami, SEC director of enforcement.

The regulator has come under fire for not bringing more cases over the 2008 financial crisis. But senior SEC officials said the regulator had a significant number of potential enforcement actions against banks and insurers still in the pipeline.

These new civil lawsuits could include cases where the alleged victims are institutional investors. Some commentators criticised the Goldman action on the basis that IKB, the German bank that suffered losses as a result of the alleged malpractice, should have been able to look after its own interests, without regulatory interference.

Lorin Reisner, SEC deputy enforcement director, warned of "no free pass on half-truths, just because the investor on the other side of the deal may be considered sophisticated.

But several federal judges have questioned the SEC's deals with Citigroup and Bank of America, and some plaintiff's lawyers believe the regulator has been too soft.

"There's no real difference now to what it was like before Mary Schapiro became chairman," said Jacob Zamansky, a lawyer for investors and longtime SEC critic.

"Judge Jed Rakoff called the Bank of America settlement earlier this year "half-baked justice" and that goes for too many of the SEC cases, where senior-level executives are shielded from personal accountability and fines remain just a cost of doing business," Mr. Zamansky said.

"The net effect is a lack of deterrence for wrong doing on Wall Street."