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Eric Lewis: "Toxic products designed to fail sold by Goldman Sachs"

Eric Lewis, a partner at law firm Lewis Baach Washington, achieved a legal victory against Goldman Sachs who was found guilty of toxic products sold to customers. The court held that the "fine print" was not enough to shield from civil liability. "It's important because Goldman Sachs is a symbol not only in the U.S. but worldwide. What I see with many customers across the world is that when Goldman Sachs telephoned offering their products, they felt that was the price he wanted to do-business with them, "he says in an interview with " K " .

The Goldman Sachs, explains, benefited from its reputation to promote highly profitable mortgage securities, which he derived the market with the best AAA and were dangerous. "What we did is that it sold securities that it knew were doomed, it was designed to fail, the funded and was betting against them. Basically selling tickets for yesterday's race. We found internal communications saying that this is "bad deal." They sold something that looked like bonds, while they were losing bets. "

No by chance, says Mr. Lewis, a large volume of these products went to the European market. "They wanted banks that were quite sophisticated in their field, but they did not understand a market was very opaque and complicated." Complexity is also "a very good tool to hide one's risk," he notes. Plus, concerned about a possible "bubble" at \$ 1 trillion. dollars securitized student loans, known as SLABS, sold around the world. "Probably banks in Greece to buy," he says.

Mr. Lewis believes that when the student loans are securitized, "are the same with mortgages." Perhaps be even more dangerous, because a degree is not the same as entering a house collateral, there is no guarantee. As he says, both are promised the American dream: "The American dream is to have your own home and we thought everyone would pay the loan and will be happy. Today we believe that everyone should go to university to get a good job and repay their student loan. But If they don't find work, they cannot pay off their loan and then default rates rise and bonds fall. "

As warns, investors should be very cautious: "Structured products are not the same as the bond market is a leveraged market that has more risk than equities." Neither the balance sheets of banks can withstand great research "because yet many skeletons in their books, as the range of losses not recognized in the real estate market." Mr. Lewis observes "a collective amnesia", as if the supervisors recognize losses on their balance sheets, they will have biggest banking problem from what I can manage, "If there is a shock in interest rates, you will see not only difficulties in Southern Europe, but worldwide. "

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The question entering the law, responds that "we need a strong system of justice." Considers that the Criminal Law proved unsuccessful, as "there are no convictions. Hear arguments that condemn if a bank would be financially hurt or is not legitimate or that we would lose. But we need to be prepared to go to trial and lose. " As for the supervisory system "is inadequate and unlikely to improve. If this crisis is not caused radical change, I'm not sure what will succeed. " What can one do then? "He says we can do only what Lewis Baach does, using the Civil Code, because individuals are the ones who are willing to hunt the Goldman Sachs of the world. The good thing about the crisis is that many big players affected, will therefore be one suing banks to other banks "and so forth.

All to protect the reliability

One obstacle is that many of the banks affected instead recognize how much damage suffered, prefer not to say anything. The banks were left with toxic products, or the state that has undertaken, "should see their portfolio in the eye and consider their options. Accounting, if you sue, you're forced to recognize the damage, so several institutions prefer to wander that they are safe from seeking their money back before the courts. This includes pension funds invested in structured notes." "It's ironic," says, "that these products are promoted as being as safe as the bills of the U.S. government and sold to those seeking durable portfolios. It would be better to go to the casino and put all their money in the red, "he concludes. The fact that there is a serious risk that history be repeated in the near future, this time with student loans, make the case to take longer dimensions of a real nightmare.