

Goldman's Tourre on Trial:

The judge told the lawyers that they need to make the case as simple as possible and avoid industry lingo, such as "circular," "intermediary," "long," "short," "swap," "trading desk" or "protection," when defining industry concepts...

Jurors at a Manhattan trial of a former Goldman Sachs trader heard him described Monday both as an architect of a massive securities fraud and as a low-level scapegoat for the mortgage market meltdown that began in 2007.

Fabrice Tourre faces allegations from a 2010 lawsuit brought by the Securities and Exchange Commission against him and Goldman Sachs in what was called the most significant legal action related to the mortgage securities crisis that helped push the country into recession.

"This is a case about Wall Street greed," SEC lawyer Matthew Martens said in opening arguments at the federal civil trial. "It's a case about lies, trickery and deception. ... In the end it was Wall Street greed that drove Mr. Tourre to lie and deceive."

Defense attorney Pamela Chepiga countered that her client "never misled anyone."

The SEC has accused Tourre of scheming to sell investors subprime mortgage securities that he knew were doomed to fail. The maneuver allowed the hedge fund Paulson & Co. Inc., and its billionaire president, John A. Paulson, make \$1 billion - and Goldman Sachs to make millions in fees - by betting against the investment.

Tourre "abused his position of responsibility to help an important hedge fund client make \$1 billion," Martens told the nine jurors.

Martens cited an email Tourre sent to his girlfriend in France saying, "The whole building is about to collapse any time now," but that "the Fabulous Fab" would survive.

"This case is about holding Fabrice Tourre, the so-called 'Fabulous Fab,' accountable," he said.

The defense claimed the email was really "an old-fashioned love letter" penned by a young trader who was full of self-doubt and angst over upheaval in the financial world.

"He's saying, 'There's nothing fabulous about me,' " Chepiga said.

The case "is not about whether you approve or disapprove of Wall Street," she added. "You all took an oath to decide this case on the facts before you. ... Mr. Tourre has chosen to fight to clear his name."

Both the Chepiga and the SEC lawyer said he will take the witness stand.

"He looks forward to telling you what happened here," she said.

Tourre was born in France and moved to the United States in 2000 to study at Stanford University. He obtained a graduate degree in science before going to work for Goldman Sachs.

The suit seeks a declaration that Tourre violated securities laws, along with a disgorgement of profits and unspecified penalties and damages.

In July 2010, Goldman Sachs settled charges brought against it in the matter and agreed to pay \$550 million. The bank still faces private litigation, including a federal securities class-action lawsuit.

The SEC's first witness was an expert on mortgage-backed securities. He was to resume testifying on Tuesday morning.

The trial is expected to last three weeks.

The Government's Complaint Against Tourre is available on our site.