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# HANDLING A CORPORATE CRISIS: THE TEN COMMANDMENTS OF CRISIS MANAGEMENT

*In today's climate, securities and financial firms are likely to face some enforcement proceeding that creates a situation fraught with potential pitfalls. The author discusses ten prescriptions for handling these situations well, including the importance of detailed advance planning, management of public statements, cooperation with the government, resisting the urge to discipline early, and, when the smoke clears, learning from the crisis.*

By John F. Savarese *

The financial crisis and economic downturn that began in 2008 and is, in some respects, still unfolding, prompted virtually every federal government regulator (and many state authorities) to launch inquiries, issue subpoenas, and look for answers (or scapegoats, depending on your perspective). The consequences of this wave of investigations have been dramatic: in fiscal year 2010 alone, the Department of Justice (DOJ) collected over $3 billion in judgments and penalties in criminal matters;[1] the Securities Exchange Commission (SEC) obtained over $1 billion in penalties and commenced 681 enforcement actions;[2] and Congress, not to be outdone, created the Financial Crisis Inquiry Commission, which held 19 days of hearings on the subject.[3] Separately, at least seven congressional committees and subcommittees held hearings generally focused on the financial crisis during the past year.[4]

Each of these kinds of inquiries, if aimed at your company, represents a potential corporate crisis, and, at least for those inclined to look for silver linings within storm clouds, an opportunity. If handled well, your

[1] Press Release, Dep't of Justice, Department of Justice Secures More than $2 Billion in Judgments and Settlements as a Result of Enforcement Actions Led by the Criminal Division (Jan. 21, 2011).

[2] *Select SEC and Market Data*, Fiscal 2010, *available at* www.sec.gov/about/secstats2010.pdf

[3] Press Release, FCIC, Financial Crisis Inquiry Commission Releases Additional Material and Concludes Work (Feb. 10, 2011).

[4] Press Release, U.S. Senate Committee on Homeland Security and Government Affairs, Senate Subcommittee Launches Series of Hearings on Wall Street and the Financial Crisis (April 12, 2010); Equipping Financial Regulators with the Tools Necessary to Monitor Systemic Risk: Hearing Before the U.S. Senate Committee on Banking, Housing, and Urban Affairs (2010); Investigating and Prosecuting Financial Fraud after the Fraud Enforcement and Recovery Act: Hearing Before the U.S. Senate Committee on the Judiciary (2010); Stock Market Plunge: What Happened and What is Next?: Hearing Before the U.S. House Committee on Financial Services (2010).

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