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Goldman to Close Prop-Trading Unit

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By MATTHIAS RIEKER

Goldman Sachs Group Inc. has decided to close its principal-strategies unit, which does proprietary trading, in the wake of financial-overhaul regulation passed by Congress, according to a person familiar with the matter.

The widely expected decision follows J.P. Morgan Chase & Co.'s decision this week to close its proprietary-trading business. That bank started telling its proprietary traders earlier this week that it would exit that part of the business.

Goldman's decision was reported by Bloomberg News.

Proprietary trading, which involves putting a company's own capital at risk in trades, is now a relatively small part of the two companies' operations. An analyst at Citigroup has estimated that Goldman Sachs Principal Strategies has shrunk in the past three years and generates less than 1% of the company's overall trading revenue, or about \$100 million to \$200 million a quarter. Virtually all of Goldman Sachs' proprietary trading is done in the principal-strategies unit.

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Brokers and big banks with capital-markets operations have come under pressure from lawmakers who said they contributed to the 2008 financial meltdown by taking too much risk with their own capital. The Dodd-Frank financial overhaul bill signed into law by President Barack Obama this summer restricts such operations.

Speculation has swirled that Goldman Sachs would restructure or dispose of the principal-strategies unit.

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