

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20120313180-01**

TO: Department of Market Regulation
Financial Industry Regulatory Authority ("FINRA")

RE: Goldman, Sachs & Co. LLC (f/k/a Goldman, Sachs & Co.), Respondent
Broker-Dealer
CRD No. 361

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Goldman, Sachs & Co. LLC¹ ("GSCO", the "Firm", or "Respondent") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

1. The Firm has been a member of FINRA since October 26, 1936, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

2. On November 21, 2012, FINRA accepted an AWC from the Firm (20100235665), in which the Firm agreed to a censure and a \$50,000 fine for violations of FINRA Rule 2360(b)(5), in that the Firm failed to report and/or inaccurately reported options positions to the Large Options Positions Reporting ("LOPR") system between January 19, 2010 and March 18, 2011.

SUMMARY

3. In connection with Matter Nos. 20120313180, 20130354581, 20150473910, and 2016050710, the Options Regulation Staff of FINRA's Department of Market

¹ On April 28, 2017, Goldman, Sachs & Co. converted from a New York limited partnership to a New York limited liability company, and the corporate name of the entity was formally changed to Goldman Sachs & Co. LLC.

Regulation ("Market Regulation") initially conducted a review of the Firm's compliance with the rules related to position limits and the reporting of over-the-counter ("OTC") options positions to the LOPR system between January 1, 2012 and March 31, 2012, which was later expanded to include the period between at least January 19, 2010 and July 7, 2016.

4. LOPR data is used extensively by self-regulatory organizations to identify holders of large options positions who may be attempting to manipulate the market or otherwise violate securities rules and regulations. The accuracy of LOPR data is essential for analysis of potential violations related to, among other things, insider trading, position limits, exercise limits, front-running, capping and pegging, mini-manipulation, and marking-the-close.
5. As a result of its reviews, Market Regulation determined that during the period between at least January 19, 2010 and July 7, 2016, the Firm failed to report and inaccurately reported OTC option positions to the LOPR in at least approximately 21.1 million instances;² failed to report a potentially significant but an unknown amount of positions in an unknown amount of instances to the LOPR due to not resubmitting rejected OTC records to the LOPR; and for certain customer and/or proprietary accounts, exceeded position limits in three different securities. In addition, the Firm failed to establish and maintain adequate supervisory procedures, including written supervisory procedures, by failing to implement an adequate system of follow-up and review reasonably designed to ensure compliance with applicable position limits and the proper reporting of positions to the LOPR.

FACTS AND VIOLATIVE CONDUCT

LOPR Violations

6. Between at least January 19, 2010 and February 19, 2016, the Firm failed to report over 16,700 OTC options positions in at least approximately 6.8 million instances to the LOPR,³ and also failed to report an unknown number of intraday positions. The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(5).
7. Between January 19, 2010 and March 18, 2016, the Firm failed to report certain OTC options positions in approximately 1.6 million instances to the LOPR due to a failure to aggregate positions for acting in concert purposes in certain customer and Firm accounts. The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(5).

² An "instance" is a single failure to report, or inaccurate report, for a given options position. The number of instances is determined by multiplying a given reportable position by the number of trade dates the position had been reported inaccurately.

³ The issue that caused these violations may have existed beginning in 2005, and thus additional violations may have occurred as far back as 2005.

8. Between January 1, 2016 and July 7, 2016, the Firm failed to report OTC options positions to the LOPR for a potentially significant but an unknown number of instances involving approximately 671,080 rejected records that were not resubmitted to the LOPR. The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(5).
9. Between January 19, 2010 and at least July 7, 2016, the Firm inaccurately reported OTC option positions to the LOPR in at least approximately 12.7 million instances, as follows:
 - a. Between January 19, 2010 and December 31, 2014, the Firm misreported approximately 673,970 options positions in 12,398,780 instances with various formatting issues, which includes the following: (i) account names not identifiable; (ii) account names truncated; (iii) invalid street address; (iv) invalid or blank inputs for city, state or zip code; (v) incorrect account type; and (v) invalid tax numbers;
 - b. Between January 19, 2010 and October 31, 2012, the Firm failed to properly identify and/or mark OTC option positions as acting in concert and erroneously marked at least 282 accounts with oscillating duplicative in concert IDs in the customer range in 259,793 instances;
 - c. Between January 19, 2010 and June 23, 2014, the Firm failed to report or under-reported OTC options positions in 73,078 instances;
 - d. Between February 24, 2012 and May 1, 2013, the Firm over-reported OTC option positions in 15,410 instances;
 - e. Between August 8, 2013 and August 16, 2013, the Firm misreported LOPR imbalances in 33 symbols for an aggregate 186 days in an unknown number of positions and instances; and
 - f. In July 2016, the Firm failed to delete positions from the LOPR with incorrect effective dates in an unknown number of positions and instances.

The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(5).

Position Limits Violations

10. On July 31, 2012, the Firm effected opening transactions for its proprietary account and for the account of a customer that exceeded the applicable position limit in one OTC option, that ranged from approximately 251% to 280% over the applicable limit for the security. The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(3).
11. On April 25, 2016, the Firm effected opening transactions for the account of a customer that exceeded the applicable position limit in one OTC option from April 25, 2016

through April 29, 2016 by 2,336 contracts or .9344%. The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(3).

12. From at least August 2015, the Firm effected an opening transaction for the account of a customer that exceeded the applicable position limit in one OTC option on both sides of the market from August 2015 through February 21, 2016 by 15,998 contracts or 64%. The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(3).

Failure to Supervise

13. During the period between at least January 19, 2010 and July, 7, 2016, the Firm failed to establish and maintain an adequate supervisory system, including a system of follow-up and review, that was reasonably designed to achieve compliance with the rules governing the reporting of options positions to the LOPR system and compliance with applicable position limits. In addition, the Firm's supervisory system did not include sufficient written supervisory procedures to ensure the proper reporting of positions to the LOPR. Prior to April 14, 2011, the written supervisory procedures failed to list any supervisory step(s) to be taken to review for the overall accuracy of submissions to the LOPR. Subsequently, the Firm's written supervisory procedures failed to list the supervisory step(s) to be taken to review for accounts acting in concert or to review rejected LOPR submissions to ensure that rejected records are resubmitted when required. The conduct described in this paragraph constitutes a violation of NASD Rule 3010 (for conduct prior to December 1, 2014), and FINRA Rules 3110 (for conduct on and after December 1, 2014) and 2010.

OTHER CONSIDERATIONS

In determining to resolve this matter on the basis set forth herein, Market Regulation took into account the following: (i) the Firm self-reported a significant number of the LOPR failure to report violations and the Firm's ensuing cooperation throughout FINRA's investigation; and (ii) the subsequent remedial measures implemented by the Firm, including significant system enhancements.

B. The Firm also consents to the imposition of the following sanctions:

1. A censure,
2. A total fine in the amount of \$2,500,000, of which \$1,425,000 is payable to FINRA⁴ (consisting of a fine of \$1,375,000 for the violations of FINRA Rule 2360(b)(5) involving LOPR reporting and related supervisory violations; and a fine of \$50,000 for the violations of FINRA Rule 2360(b)(3) involving position limits and related supervision violations); and

⁴ The balance of the sanction, with the exception of the sanction for the violations of FINRA Rule 2360(b)(3) will be paid to the self-regulatory organizations listed in Section I, paragraph B4.

3. An undertaking requiring the Firm to address the LOPR deficiencies described in this AWC and to ensure that it has implemented controls and procedures that are reasonably designed to achieve compliance with the rules and regulations cited herein.
 - a. Within 90 days of the date of the issuance of the Notice of Acceptance of this AWC, GSCO shall submit to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, a written representation from a senior management Firm executive, to MarketRegulationComp@finra.org that provides the following information:
 - i. A reference to this matter;
 - ii. A representation that the Firm (a) has revised its written supervisory procedures as indicated above, and (b) for those deficiencies requiring technology and/or system changes, has implemented such changes; and
 - iii. The date(s) this was completed.
 - b. The Department of Market Regulation may, upon a showing of good cause and in its sole discretion, extend the time for compliance with these provisions.
4. Acceptance of this AWC is conditioned upon acceptance of parallel settlement agreements in related matters between the Firm and each of the following self-regulatory organizations: Bats BZX Exchange, Inc.; NASDAQ ISE, LLC (f/k/a/ the International Securities Exchange, LLC); and NASDAQ PHLX LLC.

Respondent agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. It has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against the Firm;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Respondent understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and
- C. If accepted:
 - 1. this AWC will become part of the Firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the Firm;
 - 2. this AWC will be made available through FINRA's public disclosure program in


accordance with FINRA Rule 8313;

3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
4. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the Firm: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The Firm understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the Firm to submit it.

6-14-17
Date

Respondent
Goldman, Sachs & Co. LLC
By: 
Name: David Markov
Title: Managing Director

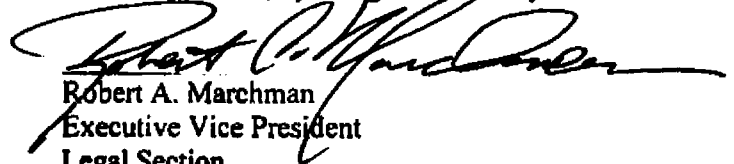
Reviewed by:

Stephanie Nuss
Attorney Name
Counsel for Respondent Wilmer Hale
Firm Name
Address
City/State/Zip 202.663.6000
Phone Number

Accepted by FINRA:

7/14/17
Date

Signed on behalf of the
Director of ODA, by delegated authority

A handwritten signature in black ink, appearing to read "Robert A. Marchman", is written over the printed name and title.

Robert A. Marchman
Executive Vice President
Legal Section
FINRA Department of Market Regulation