

UNITED STATES OF AMERICA  
BEFORE THE  
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, D.C.

In the Matter of

The Goldman Sachs Group, Inc.  
New York, New York

and,

Goldman, Sachs & Co.  
New York, New York

Docket Nos. 16-011-BH-C;  
16-011-CMP-HC

Order to Cease and Desist and Order  
of Assessment of Civil Money  
Penalty Issued Upon Consent  
Pursuant to the Federal Deposit  
Insurance Act, as Amended

WHEREAS, The Goldman Sachs Group, Inc., New York, New York (“GS Group”), a registered bank holding company, owns and controls Goldman, Sachs & Co. (“Goldman Sachs”), a non-bank subsidiary located in New York, New York (together, the “Firm”);

WHEREAS, the Board of Governors of the Federal Reserve System (the “Board of Governors”) is the appropriate federal banking agency supervisor of the Firm;

WHEREAS, Goldman Sachs provides regulatory advisory services to supervised financial institutions relating to capital stress testing and other supervisory issues, and the Firm was aware that in such circumstances the Firm was prohibited from using or disclosing the Board’s confidential supervisory information absent regulatory approval;

WHEREAS, confidential supervisory information includes reports of examination and other confidential reports prepared by banking regulators, and any information derived from, related to, or contained in such reports, and any documents prepared by, on behalf of, or for the

use of the Board, a Federal Reserve Bank, or a federal or state financial institution's supervisory agency;

WHEREAS, it is illegal to use or disclose confidential supervisory information absent prior approval of the appropriate federal or state banking agency;

WHEREAS, the Firm failed to monitor electronic mail for documents containing confidential supervisory information;

WHEREAS, Firm employees, including senior managers, had confidential supervisory information of the Board of Governors and other banking regulators in their possession without the authorization required by law;

WHEREAS, a Firm employee engaged in the criminal theft of confidential supervisory information of the Board of Governors and other banking regulators, and disseminated such information to multiple employees within the Firm;

WHEREAS, the Firm terminated the employee and his direct supervisor, and reported the matter to the Federal Reserve Bank of New York ("Reserve Bank") and other federal and state authorities;

WHEREAS, the Firm's personnel improperly used confidential supervisory information, including confidential supervisory information relating to institutions other than the Firm, of the Board of Governors and other banking regulators in presentations to its clients and prospective clients in an effort to solicit business for the Firm;

WHEREAS, the Firm lacked adequate policies and procedures designed to detect or prevent the unauthorized dissemination and use of confidential supervisory information belonging to the Board of Governors and other banking regulators, which resulted in legal and reputational risks to the Firm;

WHEREAS, on October 28, 2015, the Firm reached a settlement agreement with the New York State Department of Financial Services (“NYDFS”) in connection with the Firm’s unauthorized possession of NYDFS confidential supervisory information;

WHEREAS, to address the deficiencies described above, the Firm has made and must continue to implement improvements in its governance, compliance, and audit policies and procedures designed to detect or prevent the unauthorized use and dissemination of confidential supervisory information—including implementing policies, procedures, training, and monitoring—in order to comply with safe and sound banking practices, and applicable laws and regulations;

WHEREAS, the Board of Governors, the Reserve Bank, and the Firm have the common goal to ensure that the Firm and its subsidiaries conduct their activities in a safe and sound manner and comply with U.S. laws, rules, and regulations that apply to the activities of the Firm;

WHEREAS, the Board of Governors expects the Firm to have an effective and comprehensive compliance risk management framework that includes strong governance over compliance risk at all levels of management, appropriate policies and procedures, rigorous surveillance and escalation mechanisms, and staff training programs that thoroughly address compliance risks;

WHEREAS, the Firm’s board of directors must ensure that senior management implements a compliance risk management framework that is effective and comprehensive, and that actual or potential compliance risk failures are addressed immediately and escalated appropriately;

WHEREAS, the Board of Governors is issuing this Consent Order to Cease and Desist and Assessment of Civil Money Penalty (“Order”);

WHEREAS, pursuant to delegated authority, Gregory K. Palm is authorized to enter into this Order on behalf of the Firm, and to consent to compliance with each and every provision of this Order by the Firm, and to waive any and all rights that the Firm may have pursuant to section 8 of the FDI Act (12 U.S.C. § 1818), 12 C.F.R. Part 263, or otherwise, including, but not limited to: (i) the issuance of a notice of charges on any matters set forth in this Order; (ii) a hearing for the purpose of taking evidence on any matters set forth in this Order; (iii) judicial review of this Order; and (iv) challenge or contest, in any manner, the basis, issuance, validity, terms, effectiveness or enforceability of the Order or any provision hereof.

NOW, THEREFORE, it is hereby ordered by the Board of Governors that, before the filing of the notices, or taking of any testimony, or adjudication of or finding on any issues of fact or law herein, and solely for the purpose of settling this matter without a formal proceeding being filed and without the necessity for protracted or extended hearings or testimony, pursuant to sections 8(b)(1) and (4) of the FDI Act (12 U.S.C. §§1818(b)(1) and 1818(b)(4)), the Firm and its institution-affiliated parties, shall cease and desist and take affirmative action as follows:

**Compliance with Order**

1. Within 30 days of this Order, the board of directors of the Firm shall appoint a committee comprised of members of senior management (the “Committee”) to monitor and coordinate compliance with the provisions of this Order. The Committee shall meet quarterly, keep detailed minutes of each meeting, and shall annually submit to the Board of Governors and to the board of directors of the Firm written progress reports detailing the form and manner of all actions taken to secure compliance with this Order and the results thereof.

## **Internal Controls and Compliance Program**

2. Within 90 days of this Order, the Firm shall submit to the Board of Governors an acceptable written plan, and timeline for implementation, to enhance the effectiveness of the internal controls and compliance functions regarding the identification, monitoring, and control of confidential supervisory information. Such plan shall be reviewed for effectiveness by the Firm's internal audit function and shall, at a minimum, address, consider, and include:

(a) enhanced policies governing the identification, receipt and use of confidential supervisory information;

(b) controls necessary to ensure the proper identification and management of confidential supervisory information; and

(c) measures to ensure management's effective oversight of Goldman Sachs personnel's compliance with policies, procedures, and internal controls, including monitoring of employee emails on the Firm's internal email systems, designed to deter and detect potential employee misconduct in connection with use or dissemination of confidential supervisory information.

3. Within 90 days of this Order, the Firm shall submit to the Board of Governors an acceptable written plan, and timeline for implementation, for the training of all appropriate Goldman Sachs personnel regarding the restrictions, controls and legal requirements governing the use of confidential supervisory information. At minimum, the plan shall include:

(a) a requirement that training be conducted and documented no less frequently than annually;

(b) procedures to escalate to appropriate firm personnel if the unauthorized use of confidential supervisory information is identified; and

(c) procedures to timely inform appropriate Goldman Sachs personnel of any new requirements, restrictions, or supervisory guidance from the Board of Governors regarding confidential supervisory information.

#### **Deletion of Confidential Supervisory Information**

4. Within 90 days of this Order, the Firm shall certify to the Board of Governors that all documents containing confidential supervisory information of which the Firm is aware or becomes aware that the Firm obtained without appropriate regulatory authorization have been de-referenced from the Firm's internal systems and rendered inaccessible by Firm personnel. To the extent confidential supervisory information covered by this Order may subsequently be restored or rendered accessible for any purpose, the Firm shall notify the Board of Governors prior to such information being restored or accessible by Firm personnel.

#### **Assessment of Civil Money Penalty**

5. The Board of Governors hereby imposes a civil money penalty on the Firm in the amount of \$36,300,000.00 which shall be paid upon the execution of this Order by Fedwire transfer of immediately available funds to the Federal Reserve Bank of Richmond, ABA No. 1000033, beneficiary, Board of Governors of the Federal Reserve System. This penalty is a penalty paid to a government agency for a violation of law for purposes of 26 U.S.C. § 162(f) and 26 C.F.R. § 1.162-21. The Federal Reserve Bank of Richmond, on behalf of the Board of Governors, shall distribute this sum to the U.S. Department of the Treasury, pursuant to section 8(i) of the FDI Act (12 U.S.C. § 1818(i)).

#### **Accountability for Employees Involved in Misconduct**

7. The Firm shall not in the future directly or indirectly retain any individual as an officer, employee, agent, consultant, or contractor of the Firm or of any affiliate of the Firm who,

based on the investigative record compiled by U.S. authorities, has done all of the following: (i) participated in the illegal conduct described in this Order; (ii) been subject to formal disciplinary action as a result of Goldman Sachs's internal disciplinary review or performance review in connection with the conduct described herein; and (iii) has been separated from or has had his or her employment terminated by the Firm.

8. The Firm shall continue to fully cooperate with and provide substantial assistance to the Board of Governors, including but not limited to, the provision of information, testimony, documents, records, and other tangible evidence and perform analyses as directed by the Board of Governors in connection with the investigations of whether separate enforcement actions should be taken against individuals who are or were institution-affiliated parties of the Firm and who were involved in the misconduct underlying this Order. For purposes of clarity and not limitation, substantial assistance as used in this Order means the Firm will use its best efforts, as determined by the Board of Governors, to make available for interviews or testimony, as requested by the Board of Governors, present or former officers, directors, employees, agents and consultants of the Firm, to the extent permitted by law. This obligation includes, but is not limited to, sworn testimony pursuant to administrative subpoena as well as interviews with regulatory authorities. Cooperation under this paragraph shall also include identification of witnesses who, to the Firm's knowledge, may have material information regarding the matters under investigation.

### **Communications**

9. All communications regarding this Order shall be sent to:

- (a) Richard M. Ashton, Esq.  
Deputy General Counsel  
Patrick M. Bryan, Esq.  
Assistant General Counsel

Board of Governors of the Federal Reserve System  
20th & C Streets, N.W.  
Washington, DC 20551

(b) Attn: David A. Markowitz  
The Goldman Sachs Group, Inc.  
200 West Street  
New York, New York 10282

With a copy to:

Steven R. Peikin, Esq.  
Sullivan & Cromwell LLP  
125 Broad Street  
New York, New York 10004-2498

### **Miscellaneous**

10. Notwithstanding any provision of this Order to the contrary, the Reserve Bank may, in its sole discretion, grant written extensions of time to the Firm to comply with this Order.

11. The provisions of this Order shall be binding upon the Firm and each of its institution-affiliated parties, in their capacities as such, and their successors and assigns.

12. Each provision of this Order shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Board of Governors.

13. The Board of Governors hereby agrees not to initiate any further enforcement actions, including for civil money penalties, against the Firm and its affiliates, successors and assigns, with respect to the conduct involving confidential supervisory information described in the WHEREAS clauses of this Order to the extent known by the Board of Governors as of the effective date of this Order. This release and discharge shall not preclude or affect (i) any right of the Board of Governors to determine and ensure compliance with this Order, (ii) any proceedings brought by the Board of Governors to enforce the terms of this Order, or (iii) any proceedings brought by the Board of Governors against individuals who are or were institution-affiliated parties of the Firm.

