

**NEW YORK STATE DEPARTMENT  
OF FINANCIAL SERVICES**

In the Matter of

THE GOLDMAN SACHS GROUP, INC.

**CONSENT ORDER UNDER  
NEW YORK BANKING LAW §§ 39 and 44**

The New York State Department of Financial Services (the “Department”) and The Goldman Sachs Group, Inc., the parent company of Goldman Sachs Bank USA (“GSBUSA”) (together, “Goldman Sachs” or “the Bank”), are willing to resolve the matters described herein without further proceedings.

**WHEREAS**, Goldman Sachs is a global financial institution, with total assets exceeding \$860 billion and more than 34,000 employees worldwide. Goldman Sachs operates in New York State and Goldman Sachs Bank USA is licensed and regulated by the Department.

**WHEREAS**, the Department has been investigating Goldman Sachs’ foreign exchange (“FX”) business, including both the “voice” and electronic trading segments of its FX business.

**WHEREAS**, the Department and Goldman Sachs are willing to resolve the matters described herein without further proceedings:

**THE DEPARTMENT’S FINDINGS AFTER INVESTIGATION**

**The DFS Investigation**

1. As part of its broad investigation of the foreign exchange (“FX”) markets, the Department has been investigating Goldman Sachs FX trading business for possible violations of New York law and regulations (the “DFS Investigation” or “Investigation”). The Department

has reviewed tens of thousands of documents provided by Goldman Sachs; has taken testimony from its employees; and has obtained information from third parties relevant to the Investigation.

2. The DFS Investigation has determined that, from approximately 2008 to early 2013, Goldman Sachs engaged in improper, unsafe, and unsound conduct, in violation of New York law and regulations, by failing to implement effective controls over its FX business.

3. During that time period, traders at certain affiliates of the Bank engaged in the inappropriate sharing of information with other global banks, as well as other discussions that suggested possible efforts that could improperly affect currency prices or disadvantage customers.

#### **The Foreign Exchange Market and Goldman Sachs' FX Business**

4. The FX market is one of the largest and most liquid markets in the world. The market is centered on “spot” transactions, the exchange of national currencies between two counterparties typically settled within two business days. A spot dealer quotes its customer a “bid” (the price at which the dealer will buy a currency) and an “ask” (the price at which it will sell). Dealers, also known as “market makers,” profit on the difference between bid and asking prices, known as the “spread.”

5. The spread quoted plays a central role in the customer’s decision whether to place an order with the particular dealer. Dealers seek a wider spread, *i.e.*, to buy low and sell high, while customers desire a narrower spread. Generally, the narrower the spread offered, the more competitive the offer; if a spread is too wide, a customer may choose to go to a different bank offering tighter spreads.

6. Large banks such as Goldman Sachs serve as dealers, quoting prices to and trading with clients for their own account, and may profit in doing so.

7. Goldman Sachs conducts FX trading operations in New York, London, and other global foreign exchange hubs. During the period 2008 through early 2013, Goldman Sachs was frequently one of the top ten banks in the world for FX market share, holding approximately 3 percent of the global market during this period.

8. A substantial number of Goldman Sachs' FX clients and counterparties were located in New York State, and certain current or former employees associated with the FX business were located in New York during the relevant time period. Goldman Sachs Group, Inc. or certain of its subsidiaries oversee compliance, risk management, and audit procedures for entities within the firm, including GSBUSA.

#### **Goldman Sachs' Unsafe, Unsound and Improper Conduct**

9: For years, certain Goldman Sachs foreign exchange traders participated in multi-party electronic chat rooms with traders from other banks and financial institutions, where participants improperly shared confidential customer information, and discussed trading activity that, if acted upon, could improperly affect currency prices. This improper activity sought to enable banks and the involved traders to achieve higher profits from execution of FX trades, sometimes at customers' expense.

10. Certain Goldman Sachs traders engaged in improper activity despite both outside guidance and certain internal Goldman Sachs policies designed to prevent improper trading practices. For example, as early as 2008, guidance existed from the Federal Reserve emphasizing the need for foreign exchange dealers to protect client confidentiality and avoid situations involving (or even appearing to involve) trading on non-public information, including specific information about customer identity, and the type and size of customer orders.<sup>1</sup>

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<sup>1</sup> See Federal Reserve Bank of New York, Guidelines for Foreign Exchange Trading Activities (Foreign Exchange Committee, May 2008).

Additionally, Goldman Sachs has represented to the Department that it had specific policies addressing its FX business in place as early as 2001, and which evolved over time. As discussed below, traders engaged in improper conduct notwithstanding the existence of any of these policies.

**Improper Sharing of Confidential Customer Information**

11. Certain Goldman Sachs traders potentially harmed clients by exchanging confidential customer information with traders from other banks in electronic chat rooms. This created the opportunity for Goldman Sachs traders to trade advantageously against other banks' customers – and, likewise, to allow other banks' traders to get a leg up on clients of Goldman Sachs.

12. Once given confidential information by other bank traders, Goldman Sachs traders could potentially adjust bid or ask prices for particular currencies. Similarly, certain Goldman Sachs traders assisted other banks' traders by providing confidential information about Goldman Sachs clients or their orders.

13. For example, one Goldman Sachs trader, Trader 1, participated in chat rooms where code names were used to discreetly share confidential customer information. Traders in this chat room, for example, referred to certain customers as the “*fiddler*,” “*hat and coat*,” and “*dodgy aussie seller*.”

14. Another example of improper sharing of customer information involved a customer apparently located at another large bank; Trader 1 and others repeatedly referred to this customer as “Satan.” In a number of chats, an FX trader at another bank, Trader 2, provided specific information to chat room participants about this customer's trading. At one point, Trader 1 told Trader 2: “I remember the old days, *your satan info was legendary*.”

15. In another chat from August 2008, traders at other banks goaded Trader 1 to provide current information about the customer code-named "Satan," since "*[Satan] does all his spot with u on yr toy now.*" Trader 1 quickly replied by providing confidential information concerning a recent specific trade of Satan: "*satan sells 8 euros at 17,*" indicating the code-named customer sold \$8 million worth of the Euro/US dollar at an identified price. Another trader, Trader 3, responded "*good shout,*" while Trader 2 similarly replied, "*[Trader 1] finally adds value.*"

16. In yet another example, this one from August 2011, an FX trader at another global bank with a large market share, Trader 4, engaged in a chat with Trader 1 where confidential information was shared. Trader 4 stated, "keep seeing german names on top eurUSD 15-25 in decent size," to which Trader 1 replied, "hmm ok thanks mate." Trader 4 then apparently provided Trader 1 with customer order information, stating, "*next raft of euro stops lie at 1.4450 and then 1.4500.*" Trader 1 replied, "we going to take them out finally? . . . or we going to fail above 1.45 again."

17. In November 2010, another Goldman Sachs FX trader complained to a colleague at a different bank about Trader 1 and certain of Trader 1's chat room colleagues (Traders 4 and 5):

[T]hat little crew could be out in force today ... I just stopped doing them because they just take all the liquidity . . . *everytime I'd get a decent one [Trader No. 1] would tell [Trader 5] and [Trader 4] and like a miracle they would be the other way . . . so I don't tell then anymore . . .*

18. In early June 2009, a senior member of Goldman Sachs' Global FX Sales Division, who was located in Goldman Sachs' London office ("Salesperson 1"), sent an e-mail to FX traders and salespersons that attached an updated policy governing "what we can say

internally and externally with respect to customer trades and orders,” indicating that “it is vital to fully understand these rules.”

19. Several weeks later, Salesperson 1 specifically raised concerns about the sharing of confidential customer information in an e-mail to Trader 1:

*I would like you guys to give it some thought first please. The question stands: “Why do the people that you talk to seem to give you so much clearly improper information week after week, month after month, and year after year? . . . . Are they stupid? Are they getting something from you by keeping you engaged? Are they very poorly trying to impress you to get hired?” . . . . I am working under the assumption that they are getting something or they would not keep doing it, so I believe it is worthwhile our stepping back and making sure that we are not showing our hands in some way that might not be obvious . . . This is far from the first time that I have raised this issue FYI . . .*

20. Salesperson 1 then continued: “I am saying that these guys MUST be extracting some value. We should determine what it is and make sure it is not untoward today or tomorrow. I do not expect that anyone is doing anything malicious or intentionally wrong from your desk. I do expect that we are being used in some way that we may not expect.”

21. Although Salesperson 1 apparently was concerned about “protecting the integrity of Goldman, the Foreign Exchange market, and of course [Goldman Sachs] customers and their flows,” there is no evidence Salesperson took any steps to escalate to Goldman Sachs’ compliance function any of these concerns.

22. Certain other Goldman Sachs FX traders engaged in discussions involving improperly-shared customer information as well. For example, in October 2011, another Goldman Sachs FX trader, Trader 6, chatted with Trader 11, a client of Goldman Sachs who was employed by a large Middle Eastern bank. Trader 11 warned Trader 6, “watch your self [Trader 6] . . . middle east customer . . . buying euro.” Trader 6 thanked him and replied with some

potentially helpful information as well: “go it thx [Trader 11] . . . aalso just hearing decent buying expected at 4pm fix, so maybe keep ammo dry.”

**Discussions Suggesting Potential Efforts That Could Improperly Affect FX Prices**

23. Certain Goldman Sachs traders engaged in discussions that suggested potential efforts that could improperly affect FX prices. For example, in a chat from April 2008, Trader 1 reported to Trader 5, “pleeease stay down here usd cad hahaha *used up a fair bit of ammo.*” And in another chat from August 2012, Trader 1 told Traders 4 and 9, “*can we get kiwi lower please.*”

24. In another chat from June 2008, Trader 1 acknowledged to Trader 5 “that eur gbp was ok” but that he “*couldn’t keep it lower though was so so bid down there. . . . walked it down from mid teens but then all the bids came in 08 area . . . . spent too much trying to keep it down.*”

25. Trader 1 also participated in another chat room that was exclusive to him and Trader 5, which they named “Young Guns.” On May 29, 2008, Trader 5 stated to Trader 1 in a “Young Guns” chat: “*totally between u and me...my nyk got a few usdcad to sell at 115.*” Trader 1 replied, “*tk mate appreciate*” and “*yu are a legend,*” to which Trader 5 replied, “*hopefully we cn help each other out every now and then.*”

26. In another chat from February 2009, Trader 5 asked Trader 1, “*what spread you show in 50? We showed 2 big figs,*” to which Trader 1 replied, “*same . . . I’m so annoyed about that.*” Trader 1 then followed up, saying, “*im not saying anything to [the Goldman Sachs] sales [desk] since don’t want to compromise you [Trader 5] but tempted to mention I know for fact its not fill amount.*”

27. In a chat from January 31, 2008, a Goldman Sachs FX trader, Trader 7, stated to a trader at another global bank, Trader 8: “*well the people i don’t trust I use to spoof . . . so if I wanna buy usdzaar I get on bid . . . and give them an offer.*” Trader 8 replied, “haha does it work well,” to which Trader 7 stated, “*yes I bget filled . . . then I say u been selling . . . they go no we havnt.*”

28. In another chat from July 2008, Trader 1 complained to Trader 5 about a “row” that Trader 1 got into with the Goldman Sachs sales desk over spreads being offered in a particular currency where liquidity in that currency pair was shallow. Trader 5 then reported that he had lost profit in a certain currency pair -- “I lost 100 at 38 haha,” but that he was “still buying em . . . salesguy hiding under his desk.”

29. Trader 1 then offered advice on how Trader 5 might employ certain tactics to achieve a lower price at a larger volume: “*you need to spoof usd at this time . . . so hit the 40s hit the 38s but an offer in for 3 or something at 37 then ask the broker what his machine shows and take him for like 30 or something.*”

30. On another occasion in September, 2011, Trader 10 asked other FX traders in the chatroom, “do we sell aud into 1.0250 or is everything doing that[?]” Trader 1 quickly replied, “I think you do it . . . *stick with the plan.*”

31. Trader 1 and Trader 11, the Goldman Sachs counterparty from a Middle Eastern bank, appeared to know each other very well, and the two would sometimes speak by phone to share information. In one chat conversation from December 2011, Trader 11 asked: “what the largest fix you ever done? . . . actually scratch that . . . not appropriate question.” Trader 1, casting aside any concerns about inappropriate sharing, responded, “2 yards aud [2 billion Australian dollars] . . . its fine.” Trader 11 replied, “adn did you move it[?]” to which Trader 1



replied, “4 big figures . . . the numbers disappeared off the screen.” Trader 11 then replied: *“dude you know if you need help with fix . . . and you want me to help . . . im here for you bro :-).”*

32. In a different chat room in which Trader 1 participated, discussion in January 2008 among several traders also suggested the possibility of improper future conduct. Trader 9, a trader at another global bank, suggested to colleagues in a chat room: *“lets sign a pact . . . on spreads.”* Trader 1 quickly responded, *“agree.”* Trader 9 then sought to recruit another trader in the chat room, Trader 10, who worked at another large bank, to join the “pact,” saying *“[Trader 10] . . . u in [?].”*

33. Although most chats involving certain Goldman Sachs FX employees, which have been identified as suggesting possible improper conduct, appear to have tailed off by the end of 2012 they did not completely cease. For example, in March 2013, a Goldman Sachs FX sales employee in Asia, Salesperson 2, stated to an employee of an Asian hedge fund, “seeing interest to buy usdsgd here . . . fresh longs.” The hedge fund employee replied, “need to get above 1.2510,” to which Salesperson 2 responded, “I agree . . . *lets see how we can push it there.*”

34. In April 2012, Trader 12, a Goldman Sachs FX trader who specialized in emerging market (“EM”) currencies, suggested to another Goldman Sachs FX trader, Trader 13 about the apparent ease with which he could attempt to impact FX prices. Trader 12 said: *“the first thing I did this mng is sell all my long usd and turn short . . . then I put out a rec to sell usdmyr . . . then it collapsed.”* Trader 13 replied, *“perfect . . . nice work mate.”* Trader 12

affirmed the sentiment, stating, “*that the good thing about EM . . . your recs can move the market.*”<sup>2</sup>

### **Deficiencies in Goldman Sachs FX Policies and Procedures**

35. As noted above, Goldman Sachs has represented to the Department that it had in place specific policies to address its FX business as early as 2001, before other global banks and prior to a series of press articles that brought widespread misconduct to light by reporting on regulatory inquiries and improper trading activities in the FX market.

36. Nonetheless, implementation of these policies by Goldman Sachs, and its subsequent enhancements to them, was not sufficiently adequate. As detailed above, certain Goldman Sachs traders engaged in improper conduct over the period 2008 through early 2013. Additionally, escalation of compliance concerns did not always occur as required, allowing potentially improper activity to continue unnecessarily.

### **Cooperation and Remediation**

37. Following initiating of the DFS Investigation, Goldman Sachs undertook an internal investigation with respect to both the “voice” and electronic trading segments of its FX trading business; produced numerous documents to the Department concerning its investigation; made witnesses available for testimony; and provided timely updates to the Department that covered most of the Department’s areas of interest. Where the Department had additional inquiries, Goldman Sachs responded appropriately and in a timely fashion.

38. Additionally, in response to the DFS Investigation and inquiries of other regulators, Goldman Sachs undertook additional review and remediation of its global FX business that is intended to ensure compliance with New York laws and regulations, as well as

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<sup>2</sup> According to representations made by Goldman Sachs, Trader 12’s market recommendation that morning indicated the trading desk’s position bias and also was accompanied by a disclaimer indicating that Goldman Sachs might have had positions subject to the recommendation.

industry standards of conduct. The Department has given substantial weight to the commendable conduct of Goldman Sachs set forth in Paragraphs 37-38, among other factors, in agreeing to the terms and remedies of this Consent Order.

39. **NOW THEREFORE**, to resolve this matter without further proceedings pursuant to the Superintendent's authority under Sections 39 and 44 of the Banking Law, the Department and Goldman Sachs stipulate and agree as follows:

**VIOLATIONS OF LAW AND REGULATIONS**

40. Goldman Sachs has conducted banking business in an unsafe and unsound manner, in violation of Banking Law § 44.

**SETTLEMENT PROVISIONS**

**Monetary Penalty**

41. Goldman Sachs shall pay a civil monetary penalty pursuant to Banking Law § 44 in the amount of \$54,750,000. Goldman Sachs shall pay the entire amount to the Department within ten days of executing this Consent Order. Goldman Sachs agrees that it will not claim, assert, or apply for a tax deduction or tax credit with regard to any U.S. federal, state, or local tax, directly or indirectly, for any portion of the civil monetary penalty paid pursuant to this Consent Order.

**Employee Discipline**

42. Goldman Sachs shall not in the future, directly or indirectly, rehire or retain Trader 1 as either an officer, employee, agent, consultant, or contractor of Goldman Sachs or any affiliate of Goldman Sachs, or in any other capacity.

## **Remediation**

43. Within 90 days of this Order, the Bank shall:
- a. submit an enhanced written internal controls and compliance program acceptable to the Department to comply with applicable New York State and federal laws and regulations with respect to the Bank's FX trading business as it affects or pertains to the Bank or New York customers;
  - b. submit a written plan acceptable to the Department to improve the Bank's compliance risk management program with regard to compliance by the Bank with applicable New York and federal laws and regulations with respect to its FX Business as it affects or pertains to the Bank or New York customers; and
  - c. submit an enhanced written internal audit program acceptable to the Department with respect to the Bank's compliance with applicable New York and federal laws and regulations, as well as the Bank's internal policies and procedures, in its FX Trading Business as it affects or pertains to the Bank or New York customers.

44. The Bank shall submit the written plans and programs that are acceptable to the Department as set forth in Paragraph 43 of this Order. Each plan or program shall contain a timeline for full implementation of the plan or program with specific deadlines for the completion of each component of the plan or program. Within 10 days of approval by the Department, the Bank shall adopt the approved plans and programs. Upon adoption, the Bank shall promptly implement the approved plans and programs and thereafter fully comply with them. The approved plans and programs shall not be amended or rescinded without the prior written approval of the Department.

45. At the point of twelve and twenty-four months after execution of this Consent Order, the Bank shall provide a written progress report to the Department concerning at least the following:

- a. The Bank's compliance with applicable New York State and federal laws and regulations as regards its FX business as it affects or pertains to the Bank or New York customers;

- b. The Bank's compliance with recognized FX industry best practices as it affects or pertains to the Bank or New York customers;
- c. The Bank's creation of enhanced policies and procedures governing the FX business, and its compliance with those policies and procedures as it affects or pertains to the Bank or New York customers; and
- d. The Bank's maintenance of an honest, ethical, and fair FX business as it affects or pertains to the New York Branch or New York customers.

**Full and Complete Cooperation of Goldman Sachs**

46. Goldman Sachs commits and agrees that it will fully cooperate with the Department regarding all terms of this Consent Order.

**Breach of Consent Order**

47. In the event that the Department believes Goldman Sachs to be in material breach of the Consent Order, or any provision hereof, the Department will provide written notice to Goldman Sachs and Goldman Sachs shall, within ten business days of receiving such notice, or on a later date if so determined in the Department's sole discretion, appear before the Department to demonstrate that no material breach has occurred or, to the extent pertinent, that the breach has been cured.

48. The parties understand and agree that Goldman Sachs' failure to make the required showing within the designated time period shall be presumptive evidence of the Bank's breach. Upon a finding that Goldman Sachs has breached the Consent Order, Goldman Sachs agrees that the Department shall have all remedies available to it under New York Banking and Financial Services Law and may use any evidence available to the Department in any ensuing hearings, notices, or orders. Goldman Sachs submits to the jurisdiction of the Department for any such future proceedings.

**Waiver of Rights**

49. The parties understand and agree that no provision of this Consent Order is subject to review in any court, tribunal or agency outside the Department.

**Parties Bound by the Consent Order**

50. This Consent Order is binding on the Department and Goldman Sachs, as well as any successors and assigns. This Consent Order does not bind any federal or other state agency or any law enforcement authority.

51. No further action will be taken by the Department against Goldman Sachs for the specific conduct set forth in this Consent Order, provided that the Bank fully complies with the terms of this Consent Order.

52. Notwithstanding any other provision in the Consent Order, the Department may undertake action against Goldman Sachs for transactions or conduct that Goldman Sachs did not disclose to the Department in the written materials Goldman Sachs submitted to the Department in connection with this matter.

**Notices**

53. All notices or communications regarding this Consent Order shall be sent to:

**For the Department:**

Christopher B. Mulvihill  
Deputy Superintendent, Civil Investigations Division  
Financial Fraud and Consumer Protection Division  
New York State Department of Financial Services  
One State Street  
New York, NY 10004

James Caputo  
Senior Assistant Deputy Superintendent for Enforcement  
New York State Department of Financial Services  
One State Street  
New York, NY 10004

Gabriel Turner  
Financial Service Specialist  
New York State Department of Financial Services  
One State Street  
New York, NY 10004

Connor Mealey  
Excelsior Fellow  
New York State Department of Financial Services  
One State Street  
New York, NY 10004

**For Goldman Sachs:**

David A. Markowitz  
The Goldman Sachs Group, Inc.  
200 West Street  
New York, NY 10282

**Miscellaneous**

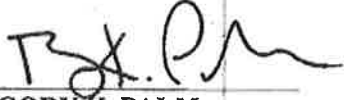
54. Each provision of this Consent Order shall remain effective and enforceable against Goldman Sachs, its successors and assigns until stayed, modified, suspended, or terminated by the Department.

55. No promise, assurance, representation, or understanding other than those contained in this Consent Order has been made to induce any party to agree to the provisions of the Consent Order.

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IN WITNESS WHEREOF, the parties have caused this Consent Order to be signed this 1st day of May, 2018.

**THE GOLDMAN SACHS GROUP, INC.**

By:   
**GREGORY K. PALM**  
Executive Vice President and General Counsel

**GOLDMAN SACHS BANK USA**

By:   
**THOMAS S. RIGGS**  
General Counsel

**NEW YORK STATE DEPARTMENT OF  
FINANCIAL SERVICES**

By:   
**MARIA T. VULLO**  
Superintendent of Financial Services

By:   
**MATTHEW L. LEVINE**  
Executive Deputy Superintendent for  
Enforcement