NEW YORK STATE DEPARTMENT
OF FINANCIAL SERVICES

In the Matter of

THE GOLDMAN SACHS GROUP, INC.
GOLDMAN, SACHS & CO.

CONSENT ORDER UNDER
NEW YORK BANKING LAW § 39 AND 44

The New York State Department of Financial Services (the "Department" or "DFS") and The Goldman Sachs Group, Inc. stipulate that:

WHEREAS The Goldman Sachs Group, Inc. is a global investment banking, securities and investment management firm with assets of approximately $860 billion as of June 30, 2015 and various subsidiaries and affiliates, including Goldman, Sachs & Co., a New York-based investment bank and broker-dealer (together with The Goldman Sachs Group, Inc., "Goldman");

WHEREAS Goldman Sachs Bank USA, a subsidiary of The Goldman Sachs Group, Inc., is a New York State-chartered bank, which has been licensed, supervised and regulated by the Department since November 28, 2008;

WHEREAS at the end of 2014, Goldman Sachs Bank USA was among the 25 largest banks by assets in the U.S., with approximately $118 billion as of December 31, 2014;

WHEREAS Goldman failed to implement and maintain sufficient policies and procedures to ensure compliance with New York Banking Law § 36(10), specifically with respect to Goldman's unauthorized possession of Department confidential supervisory information;

WHEREAS Goldman failed to implement and maintain adequate policies and procedures relating to post-employment restrictions for former government employees;

WHEREAS a Goldman Associate engaged in the criminal theft of Department confidential supervisory information, and a Managing Director improperly received that stolen information; and

WHEREAS Goldman management failed to effectively supervise the Associate to prevent this theft from occurring;

NOW THEREFORE, to resolve this matter without further proceedings pursuant to the Superintendent's authority under Sections 39 and 44 of the New York Banking Law, the Department and Goldman (collectively, the "Parties") agree to the following:

Factual Background

1. On July 21, 2014, an individual began work at Goldman, Sachs & Co. as an Associate in the Financial Institutions Group ("FIG") of the Investment Banking Division ("IBD"). The Associate reported to a Managing Director and a Partner at Goldman.

2. Prior to his employment at Goldman, from approximately August 2007 to March 2014, the Associate was a bank examiner at the U.S. Federal Reserve Bank of New York ("the New York Fed"). His most recent position at the New York Fed was as the Central Point of Contact ("CPC") – the primary supervisory contact for a particular financial institution – for an entity regulated by the Department (the "Regulated Entity").

3. In March 2014, the Associate was required to resign from his position at the New York Fed for, among other reasons, taking his work blackberry overseas without obtaining prior authorization to do so and for attempting to falsify records to make it look like he had obtained such authorization, and for engaging in unauthorized communications with the Federal Reserve Board.

Post-Employment Violations

4. The Associate was hired in large part for the regulatory experience and knowledge he had gained while working at the New York Fed. Prior to hiring him, the Partner and other senior personnel interviewed and called the Associate several times, and the Partner took him out to lunch and dinner.[1]

5. Prior to starting at Goldman, in May 2014, the Associate informed the Partner of potential restrictions on his work, due to his previous employment at the New York Fed, and specifically as the CPC for the Regulated Entity. The Partner advised the Associate to consult the New York Fed to obtain clarification regarding any applicable restrictions.

6. Accordingly, the Associate inquired with the New York Fed Ethics Office and was given a "Notice of Post-Employment Restriction," which he completed and signed with respect to his supervisory work for the Regulated Entity. The Associate provided this form to Goldman. This Notice of Post-Employment Restriction read that the Associate was prohibited "from knowingly accepting compensation as an employee, officer, director, or consultant from [the Regulated Entity]" until February 1, 2015.[2]

7. On May 14, 2014, the Associate forwarded this notice of restriction to the Partner, the Managing Director, and an attorney in Goldman's Legal Department. In his email, the Associate also included guidance from the New York Fed, stating, in short, that a person falls under the post-employment restriction if that person "directly works on matters for, or on behalf of," the relevant financial institution.

[1] According to Goldman, during his interview process, no information about the Associate's departure was publicly available, and the Associate claimed that he left the New York Fed voluntarily.

[2] While Goldman now believes that the New York Fed did not think the restriction was applicable, there is no dispute that Goldman believed the restriction was applicable at the time.

8. Despite receiving this notice and guidance, Goldman placed the Associate on Regulated Entity matters from the outset of his employment. Goldman provided advisory services to the Regulated Entity, and on July 21, 2014, the Associate's first day of work, the Managing Director assigned the Associate to work on an assignment for the Regulated Entity. The Managing Director forwarded information regarding a Regulated Entity earnings call to the Associate, writing, "Would like to have you review attached and join our 10am internal call to discuss."

9. Despite the restriction provided in the notice that he provided to Goldman, the Associate emailed five Goldman personnel on July 31, 2014, stating, "Just wanted to let everyone know that I can internally within GS participate on [Regulated Entity] related projects but cannot personally interact with [the Regulated Entity] in my role at GS until February 2015." No one at Goldman ever challenged the Associate's interpretation of the post-employment restriction, including the Partner and the Managing Director, who had received the Associate's prior email stating that he was entirely prohibited from working for or on behalf of the Regulated Entity.

10. On July 31, 2014, the Managing Director asked the Associate to assist in reviewing a presentation that Goldman was preparing for the Regulated Entity to make to its regulators regarding the benefits of a hypothetical transaction.

11. The Associate continued working on matters for the Regulated Entity throughout his employment at Goldman. On August 27, 2014, the Associate requested access to be officially added as a Regulated Entity team member in the Goldman IBD Project Management Application. Goldman granted him the requested access on September 24, 2014. The Associate attended and participated in various internal meetings and calls regarding the Regulated Entity,

as well as listened in on calls with the Regulated Entity, apparently attempting to conceal his participation from the Regulated Entity.

Unauthorized Possession and Dissemination of Confidential Information

12. During his employment at Goldman, the Associate wrongfully obtained confidential information, including approximately 35 documents, on approximately 20 occasions, from a former co-worker at the New York Fed (the "New York Fed Employee"). These documents constituted confidential regulatory or supervisory information – many marked as "internal," "restricted," or "confidential" – belonging to the Department, the New York Fed or the Federal Deposit Insurance Corporation (the "FDIC").

13. The Associate's main conduit for receiving information from the New York Fed was his former coworker, the New York Fed Employee, who has since been terminated for this conduct. While still employed at the New York Fed, the New York Fed Employee would email documents to the Associate's personal email address, and the Associate would subsequently forward those emails to his own Goldman work email address.

14. On numerous occasions, the Associate provided this confidential information to various senior personnel at Goldman, including the Partner and the Managing Director, as well as a Vice President and another associate who perform quantitative analysis for Goldman.

15. In several instances where the Associate forwarded confidential information to other Goldman personnel, the Associate wrote in the body of the email that the documents were highly confidential or directed the recipients, "Please don't distribute."

16. At least nine documents that the Associate provided to Goldman constituted confidential supervisory information under New York Banking Law § 36(10). Pursuant to the statute, such confidential supervisory information shall not be disclosed unless authorized by the

Department. The documents included draft and final versions of memoranda regarding and examinations of the Regulated Entity, as well as correspondence related to those examinations.

17. At least 17 confidential documents that the Associate had improperly received from the New York Fed – seven of which constituted confidential supervisory information under New York Banking Law § 36(10) – were found in hard copy on the desk of the Managing Director. Additional hard copy documents were found on the desks of the Vice President and the other associate, including at least one document constituting confidential supervisory information under New York Banking Law § 36(10).

18. On August 18, 2014, the Associate shared three documents pertaining to enterprise risk management with the Managing Director, writing, "Below is the ERM request list, work program and assessment framework we used for ERM targets. Again this is highly confidential as its not public and has not been issued a[s] guidance yet. Not sure where it is at anymore due to internal politics. I worked on this framework and guidance within the context of a system working group with the Fed system. We ran several pilots to test it was well. Please don't distribute." The Managing Director replied, "I won't. Will review on plane tomorrow to DC." The documents were marked as "Internal-FR" or "Restricted-FR."

19. Part of Goldman's work for the Regulated Entity included advisory services with respect to a potential transaction. A certain component of the Regulated Entity's examination rating was relevant to the transaction. The Regulated Entity's examinations were conducted jointly by the FDIC, DFS and the New York Fed. As described below, the Associate used confidential information regarding the Regulated Entity's examination rating – obtained both from his prior employment at the New York Fed and from his contacts there – and conveyed this

information to the Managing Director, who then conveyed the information to the Regulated Entity on September 23, 2014, in advance of it being conveyed by the regulators.

20. On August 16, 2014, the Associate emailed the Managing Director regarding the regulators' perspective on the Regulated Entity's forthcoming examination rating, writing "You need to speak to [the CEO of the Regulated Entity] about scheduling a meeting with all 3 agencies ASAP. He needs to meet with them and display and discuss all the improvements and corrections they have made during the last examination cycle."

21. On September 23, 2014, the Associate attended the birthday dinner of the New York Fed Employee at Peter Luger Steakhouse, along with several other New York Fed employees. Immediately after the dinner, the Associate emailed the Managing Director, divulging confidential information concerning the Regulated Entity, specifically, the relevant component of the upcoming examination rating. The Associate wrote, "…the exit meeting is tomorrow and looks like no [change] to the [relevant] rating. I heard there won't be any split rating… [The Regulated Entity] should have listened to you with the advice…hopefully [the CEO] will now know you didn't have phony info."

22. In this email, the Associate also provided advice to relay to the Regulated Entity's management, stating that they should "keep their cool, not get defensive and not say too much unless the regulators have a blatant fact wrong" as it "will go off better for them in the long run. Believe it or not the regulator's [sic] look for reaction and level of mgmt respectiveness [sic] during these exit meetings." The Managing Director replied "Let's discuss . . . I'm seeing [the CEO of the Regulated Entity] tmw afternoon alone."

23. Later that night, the Associate followed up with another email to the Managing Director, writing, "I feel awful not being there to wrap up 2013. I would have been able to pull

all this through. I was a real advocate for all the work they have done." He also offered to join a meeting with the CEO of the Regulated Entity if the Managing Director wanted.

24. On September 26, 2014, Goldman had an internal call regarding the calculation of certain asset ratios, during which there was disagreement over the appropriate method. During the call, the Associate circulated an internal New York Fed document – which the Associate had recently obtained from the New York Fed Employee – relating to the calculation, to the call participants, writing, "Pls keep confidential?"

25. Following the group call, the Partner called the Associate to discuss the document, including where he had obtained it, and the Associate told him that he had obtained it from the New York Fed. The Partner then called the Global Head of IBD Compliance to report the matter and forwarded the document.

Other Instances of Improper Information Sharing

26. Goldman had a policy of prohibiting the distribution or use of work created for previous employers, as well as proprietary or confidential information obtained while working for those employers. Indeed, this policy was reviewed and reapproved in May 2014 – only months before the Associate began working at Goldman.

27. Despite this policy, the Associate nevertheless provided a number of documents and other materials to other Goldman personnel that he had created while employed at the New York Fed. For example, on July 29, 2014, the Associate emailed seven Goldman personnel, including the Partner and the Managing Director, writing "these are some notes from a

FRB/FDIC call the agencies had with the community banks industry on stress testing that I presented at which occurred around February 2014."[3]

28. In another instance, on August 18, 2014, the Associate emailed the Vice President and the other associate photographs of a projected PowerPoint presentation on stress testing, which he had made to the Regulated Entity while employed at the New York Fed, writing, "PLEASE do not distribute as this is confidential."

29. On September 18, 2014, the Associate emailed the Managing Director and another Goldman employee two documents regarding a final rules presentation on foreign banking organizations. The Associate wrote "I also put this chart together which details the FBO requirements for the different asset thresholds." The chart, though undated on its face, was created in December 2012, when the Associate was still employed by the New York Fed.

30. The Associate also disclosed to his Goldman supervisors that another financial institution (the "Other Institution") was soon to be subject to a nonpublic enforcement action. On August 11, 2014, the Associate wrote to the Managing Director regarding the Other Institution, "We should visit them and pitch stress testing as they have a lot to do… not sure what M&A opportunity they will engage in given they might get a potential MOU from [certain regulators] for BSA/AML…" About a month later, on September 9, 2014, the Associate emailed the Managing Director about the Other Institution again, this time copying the Partner and another Goldman employee, stating that certain regulators were "in final stages of issuing" an MOU to the Other Institution for BSA/AML violations and that this was "informal and not public action."

[3] It appears that the substance of this email was copied from a publicly available document.

Compliance Failures, Failure to Supervise and Violation of Internal Policies

31. After receiving notice of the Associate's prohibition on working on matters for the Regulated Entity, Goldman, including the Partner and the Legal Department, failed to take any steps to screen the Associate from such prohibited work. Instead, Goldman affirmatively placed the Associate on matters for the Regulated Entity beginning on his first day, and added the Associate to the official Goldman database as a member of the Regulated Entity "Team" – a team led by the Partner.

32. Goldman failed to provide training to personnel regarding what constituted confidential supervisory information and how it should be safeguarded. While Goldman policies provided that confidential information received from clients should only be shared on a "need to know" basis, Goldman did not distinguish between this broader category of confidential information and the type of confidential supervisory information belonging to a regulator or other government agency, which is protected by law, such as confidential supervisory information under New York Banking Law § 36(10). Indeed, Goldman policies failed to adequately address Department confidential supervisory information.

33. As noted above, the Associate also violated Goldman's internal policy on "Use of Materials from Previous Employers," which states that work that personnel have done for previous employers, and confidential information gained while working there, should not be brought into Goldman or used or disclosed to others at Goldman without the express permission of the previous employer.

34. On September 9, 2014, after catching the Associate sending Goldman work product to his personal email account, Goldman Global Compliance notified the Associate that "For compliance and information security reasons, business-related materials should not be sent

to a personal email account" and warned that further use of personal email accounts for business purposes would result in Goldman blocking the personal account. The notice also requested confirmation that the materials were deleted from the Associate's personal email and computer. Despite detecting this violation of policy, Goldman did not investigate the issue or prevent the Associate's further use of personal email.

Violations of Law and Regulations

35. Goldman possessed and distributed Department confidential supervisory information in violation of New York Banking Law § 36(10).

Settlement Provisions

Monetary Payment

36. Goldman shall pay a civil monetary penalty to the Department in the amount of $50 million. Goldman shall pay the entire amount within ten days of executing this Consent Order. Goldman 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.

Termination of the Managing Director and Associate

37. As a result of Goldman's investigation into this matter, both the Associate and the Managing Director were terminated by Goldman, effective October 3, 2014. Goldman agrees never to re-hire either individual.

Voluntary Abstention from Access to § 36(10) Information

38. In light of the misconduct by the Associate and the Managing Director, and the failure of Goldman management to effectively supervise these individuals or have procedures and processes in place reasonably designed to detect that misconduct, Goldman will not accept any new engagements that would require the Department to authorize the disclosure of confidential supervisory information under New York Banking Law § 36(10) to Goldman during the three-year period following the date of this Consent Order.

Reforms

39. Goldman agrees to implement reforms to its policies and procedures, including at Goldman Sachs Bank USA, the DFS-regulated entity, that are reasonably designed to prevent the improper use of confidential supervisory information under New York Banking Law § 36(10), including the following:

- Policies and procedures reasonably designed to ensure the protection and proper handling of confidential supervisory information under New York Banking Law § 36(10);[4]
- Confirming that, to the best of Goldman's knowledge, as of the date of this Consent Order, Goldman has not accepted any engagements that would require

[4] In February 2015, Goldman instituted new training, which trained personnel who are likely to come across confidential supervisory information in the course of their work, including all members of the FIG banking group, on how to recognize confidential supervisory information and the applicable restrictions imposed by firm policy and the law. In addition, Goldman has added this training to its annual compliance training program, and it will be given to all employees.

the Department to authorize the disclosure of confidential supervisory information under New York Banking Law § 36(10);[5]

- Policies and procedures reasonably designed to ensure that Goldman is aware of applicable post-employment restrictions for former government employees hired after the date of this Consent Order who have left the government within the past five years and that Goldman has taken steps necessary to address compliance with those restrictions;
- Processes to monitor the assignment of such former government employees to prevent violations of post-employment restrictions and protect confidential supervisory information under New York Banking Law § 36(10); and
- Processes to monitor the use of email to address the misuse of confidential material under New York Banking Law § 36(10).

Breach of the Consent Order

40. In the event that the Department believes Goldman to be in material breach of the Consent Order, the Department will provide written notice to Goldman and Goldman must, 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 is not material or has been cured.

[5] On January 12, 2015, Goldman implemented a "Policy on Recruiting, Hiring and Post-Employment Interactions With Government or Regulatory Employees." The policy provides that hiring any current or recent former government employee requires approval from Legal, who along with the employee's supervisor and Compliance will determine the post-employment restrictions. The policy also provides for comprehensive monitoring of compliance with post-employment restrictions by requiring Legal and Compliance to specifically design a monitoring program for each employee. The policy also contains very clear and broad restrictions on the use of any confidential information a former governmental employee may have.

41. The Parties understand and agree that Goldman's failure to make the required showing within the designated time period shall be evidence of Goldman's breach. Upon a finding that Goldman has breached the Consent Order, the Department has all the remedies available to it under New York Banking and Financial Services Laws and may use any and all evidence available to the Department in any ensuing hearings, notices, orders and other remedies that may be available.

Waiver of Rights

42. The Parties understand and agree that no provision of the Consent Order is subject to review in any court or tribunal outside the Department.

Parties Bound by the Consent Order

43. The Consent Order is binding on the Department and Goldman, as well as any successors and assigns that are under the Department's supervisory authority, but it specifically does not bind any federal or other state agency or any law enforcement authority.

44. No further action will be taken by the Department against Goldman, or any of its subsidiaries or affiliates, or any employees of the forgoing, for the conduct set forth in the Consent Order, provided that Goldman complies with the terms of the Consent Order.

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

Notices

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

For the Department:

Mari S. Dopp
Assistant Counsel
New York State Department of Financial Services
One State Street
New York, NY 10004

Mark S. Silver
Assistant Counsel
New York State Department of Financial Services
One State Street
New York, NY 10004

For Goldman:

David A. Markowitz
Managing Director
Goldman, Sachs & Co.
200 West Street
New York, NY 10282

Miscellaneous

47. This Consent Order may not be amended except by an instrument in writing signed on behalf of all Parties to this Consent Order.

48. Each provision of the Consent Order will remain in force and effect until stayed, modified, terminated or suspended in writing by the Department.

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

50. Goldman shall, upon request by the Department, provide all documentation and information reasonably necessary for the Department to verify compliance with the Consent Order.

51. This Consent Order may be executed in one of more counterparts, and shall become effective when such counterparts have been signed by each of the Parties thereto.

IN WITNESS WHEREOF, the Parties have caused this Consent Order to be signed this 28th day of October, 2015.

THE GOLDMAN SACHS GROUP, INC.

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

GOLDMAN, SACHS & CO.

By: _____
GREGORY K. PALM
General Counsel and Managing Director

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

By: _____
ANTHONY J. ALBANESE
Acting Superintendent of Financial Services