

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 98479 / September 22, 2023

INVESTMENT ADVISERS ACT OF 1940
Release No. 6427 / September 22, 2023

ADMINISTRATIVE PROCEEDING
File No. 3-21700

In the Matter of

Goldman Sachs & Co. LLC

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS,
PURSUANT TO SECTIONS 15(b) AND 21C
OF THE SECURITIES EXCHANGE ACT OF
1934 AND SECTION 203(e) OF THE
INVESTMENT ADVISERS ACT OF 1940,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS AND A CEASE-
AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), and Section 203(e) of the Investment Advisers Act of 1940 (“Advisers Act”) against Goldman Sachs & Co. LLC (“Goldman” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Respondent admits the facts set forth in Section III below, acknowledges that its conduct violated the federal securities laws, admits the Commission’s jurisdiction over it and the subject matter of these proceedings, and consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 and Section 203(e) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

Summary

1. These proceedings arise out of Respondent's failure to submit to the Commission complete and accurate data in response to Commission staff electronic blue sheets ("EBS") requests, resulting in the reporting of EBS that was incomplete or deficient.

2. Commission staff routinely sends requests for securities trading records to market makers, brokers and/or clearing firms in order to identify buyers and sellers of securities, and firms provide the requested records in a universal electronic format known as the EBS format. It is a fundamental obligation of broker-dealers to provide complete and accurate EBS data when requested by representatives of the Commission to do so. The submission of complete and accurate EBS data is critical to many aspects of the Commission's operations and its ability to discharge its enforcement and regulatory mandates. The failure of a broker-dealer to provide complete and accurate EBS information in response to a Commission request can impact the Commission's ability to discharge its statutory obligations, undermine the integrity of its investigations and examinations, and ultimately interfere with the Commission's ability to protect investors.

3. From at least November 2012 through October 2022 (the "Relevant Period"), Respondent submitted EBS in response to 52,147 requests from the Commission, at least 22,192 of which included inaccurate information or omissions, resulting in the misreporting of certain trade data for at least 163 million transactions. As a result, Respondent violated the recordkeeping and reporting requirements of Section 17(a)(1) of the Exchange Act and Rules 17a-4(j) and 17a-25 thereunder.

Respondent

4. **Goldman** is a New York limited liability company with its principal place of business in New York, New York. Respondent is a wholly owned subsidiary of The Goldman Sachs Group, Inc., a global financial services firm incorporated in Delaware and headquartered in New York, New York. Goldman has been registered with the Commission as a broker-dealer since 1936 and as an investment adviser since 1981. There are three prior disciplinary actions brought by other regulators against Goldman involving EBS violations: (i) New York Stock Exchange ("NYSE") Case No. 05-145 (Jan. 2006); (ii) Financial Industry Regulatory Authority ("FINRA") Case No. 2009016818501 (June 2010); and (iii) FINRA Case No. 2013037230001 (June 2014).

Facts

A. Goldman's Deficient EBS Submissions

5. During the Relevant Period, Goldman submitted EBS in response to 52,147 requests from the Commission, at least 22,192 of which contained deficient trade data for at least 163 million

transactions as a result of 43 different types of issues that impacted its EBS reporting. 9,650 of the 22,192 deficient submissions were made on or after March 20, 2018.

6. Goldman's submissions during the Relevant Period, among other things, omitted responsive transactions or contained inaccurate EBS fields related to information about securities transactions reported, such as order execution times, transaction type identifiers, exchange codes, ticker symbols, and transaction prices, as well as reporting aggregate rather than individual execution data for certain foreign affiliates and reporting certain long sales as short sales. Goldman also failed to report certain cross trades, post-settlement cancels, and comprehensive historical data for certain option series. For instance, Goldman misreported the options buy/sell codes for approximately 18,827,000 transactions due to configuration issues in its EBS reporting code that automatically applied default values of "open" for buy transactions and "close" for sell transactions. Additionally, as a result of Goldman's failure to update its programming code's reporting logic to accommodate changes in the location of the Order Capacity field, it improperly reported the transaction type identifier as blank, potentially affecting more than 100 million transactions. Moreover, as a result of incorporating client data in the incorrect format, Goldman misreported the order execution time of approximately 2,363,000 transactions in Central Time instead of Eastern Time as required. Goldman also inaccurately reported approximately 86,000 long sales as short sales due to a logic error. As a result of manual validation errors, Goldman improperly removed approximately 3,000 transactions involving broker cross trades from its EBS submissions.

7. In addition, Goldman provided EBS data with missing or inaccurate fields relating to firm or customer identifying information such as broker/dealer codes, large trader identifiers, taxpayer identification numbers, and zip/country codes. For instance, the transaction type identifier, broker/dealer codes, and large trader identifier fields were potentially misreported for approximately 2,238,000 transactions involving institutional clients that were inaccurately set up as broker-dealers because Goldman failed to update certain reference information. Similarly, prime broker and depository institution identification fields were inaccurately reported for approximately 1,498,000 transactions because Goldman was pulling this information from an outdated reference table for EBS reporting purposes.

8. At the time of its EBS submissions, Goldman did not detect the above errors at least in part because it did not have a reasonable process to verify that all of the information it was reporting was accurate. For example, Goldman did not conduct adequate periodic sampling, manual validation, and review of information received from third parties, or have proper quality controls in place to ensure the completeness and accuracy of its EBS data prior to its submissions. Because Goldman lacked adequate processes for validating the accuracy of the information provided in its EBS submissions, the firm did not recognize the systemic issues that led to Goldman's frequent submission of deficient EBS information until Goldman began conducting an internal review of its EBS system in 2018.

B. Respondent's Remediation Efforts

9. Goldman engaged in voluntary remedial efforts to correct and improve its EBS systems and control environment. Specifically, in April 2018, prior to being notified of the errors underlying this Order, Goldman began a voluntary, full-scale analysis of its EBS program that

examined each line of code used in the primary reporting fields for EBS submissions. The project, which remains ongoing, resulted in significant supervisory control enhancements, including increased periodic monitoring of its EBS reports, improvements to its exceptions management and regulatory reporting control framework, as well as the devotion of additional resources to EBS compliance. Prior to the initiation of the voluntary review, Goldman implemented a new system to automate elements of its EBS processing procedures, and migrated its data to a new reporting system with improved automated control and monitoring capability. Goldman also self-reported new issues that the firm identified during its review process, including 29 of 43 types of EBS issues underlying this Order. Goldman is in the process of remediating its final categories of EBS deficiencies and resubmitting corrected EBS to the Commission.

Violations of the Federal Securities Laws

10. Section 17(a)(1) of the Exchange Act requires, among other things, that broker-dealers make and keep for prescribed periods such records, furnish such copies thereof, and make and disseminate such reports as the Commission, by rule, prescribes as necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the securities laws. Exchange Act Rule 17a-4(j), promulgated thereunder, requires, in part, broker-dealers such as Goldman to furnish promptly legible, true, complete, and current copies of those records of the member, broker or dealer that are required to be preserved under Exchange Act Rule 17a-4 and any other (*i.e.*, non-required) records of the member, broker or dealer subject to examination under Section 17(b) of the Exchange Act that are requested by a representative of the Commission. Likewise, Exchange Act Rule 17a-25 requires that broker-dealers such as Goldman shall, upon request, electronically submit to the Commission the securities transaction information as required in the rule.

11. As described above, Goldman failed to furnish complete records to the Commission staff that were requested by the Commission in its EBS requests. Therefore, Goldman willfully¹ violated the recordkeeping and reporting requirements of Section 17(a)(1) of the Exchange Act and Rule 17a-4(j) thereunder by failing to furnish promptly true and complete EBS information as requested by Commission staff over a period of at least 10 years. In addition, Goldman willfully violated Exchange Act Rule 17a-25 by failing to submit electronically certain securities transaction information to the Commission through the EBS system in response to requests made by the Commission.

¹ “Willfully,” for purposes of imposing relief under Section 15(b) of the Exchange Act and Section 203(e) of the Advisers Act, “means no more than that the person charged with the duty knows what he is doing.” *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor “also be aware that he is violating one of the Rules or Acts.” *Tager v. SEC*, 344 F.2d 5, 8 (2d Cir. 1965).

Goldman's Remedial Efforts

In determining whether to accept the Offer, the Commission considered remedial acts undertaken by Respondent and cooperation afforded the Commission staff.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Goldman's Offer.

Accordingly, pursuant to Sections 15(b) and 21C of the Exchange Act and Section 203(e) of the Advisers Act, it is hereby ORDERED that:

A. Respondent Goldman cease and desist from committing or causing any violations and any future violations of Section 17(a)(1) of the Exchange Act and Rules 17a-4(j) and 17a-25 promulgated thereunder.

B. Respondent Goldman is censured.

C. Respondent Goldman shall, within ten (10) days of the entry of this Order, pay a civil money penalty in the amount of \$6,000,000.00 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717. Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Goldman as a Respondent in these proceedings, and the file number of these proceedings; a copy of

the cover letter and check or money order must be sent to Thomas P. Smith, Jr., Associate Regional Director, Division of Enforcement, Securities and Exchange Commission, 100 Pearl Street, Suite 20-100, New York, NY 10004.

D. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Vanessa A. Countryman
Secretary