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REGISTRATION & DISCLOSURE

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
2005002755201

TO: Department of Market Regulation
NASD

RE: Goldman, Sachs & Co.
Broker-Dealer
CRD No. 361

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

The firm understands that:

1. Submission of this AWC is voluntary and will not resolve this matter until it has been reviewed and accepted by NASD's Department of Market Regulation and the National Adjudicatory Council ("NAC") Review Subcommittee or Office of Disciplinary Affairs, pursuant to NASD Rule 9216;
2. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and
3. If accepted:
 - a. this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by the NASD or any other regulator against the firm;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about the firm's disciplinary record;
 - c. NASD may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-2; and
 - d. the firm 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. Nothing in this provision affects the firm's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which the NASD is not a party.

The firm also understands that its experience in the securities industry and its disciplinary history may be factors that will be considered in deciding whether to accept this AWC.

The firm became a member of the Association in 1936, and its registration remains in effect. It has the following relevant disciplinary history:

- In September 2006, NASD accepted GSCO's AWC (20050017975) in which the firm agreed to a censure and a fine of \$6,500 for a pattern and practice of late reporting in CQS securities from January 1 to April 30, 2005, in violation of Conduct Rule 2110.
- In May 2006, NASD accepted GSCO's AWC (20041000178) in which the firm agreed to a censure and a total fine of \$20,000, \$7,500 of which was for violations of Marketplace Rule 6130, from November 2003 to January 2004.
- In October 2005, NASD accepted GSCO's AWC (20050002343) in which the firm agreed to a censure and a fine of \$15,000, of which \$5,000 was for violations of Marketplace Rule 6130 during August 2004.
- In October 2005, NASD accepted GSCO's AWC (20050000606) in which the firm agreed to a censure and a fine of \$7,500 for violations of NASD PORTAL Market Rule 5332(a)(2) during the period January 1 through April 30, 2004.
- In July 2005, NASD accepted GSCO's AWC (20042000105), in which the firm agreed to a censure and a fine of \$25,000, of which \$5,000 was for violations of Marketplace Rules 4632 and 6130 during July 2003.
- In March 2005, the firm agreed to pay a \$2,500 fine to the Philadelphia Stock Exchange (case no. 2005-01) for failing to maintain required position limits on April 15, 2004, in violation of PHLX Rule 1001.
- In October 2003, NASD accepted the firm's AWC (MRD200233688) in which it agreed to a censure and a \$10,000 fine for effecting 18 transactions in OTC equity options from March to July 2002 that exceeded the applicable equity option position limit, in violation of Conduct Rule 2860(b)(3).

I.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against the firm;
- B. To be notified of the Formal 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 NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the firm specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, 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.

The firm further specifically and voluntarily waives any right to claim that a person violated the *ex parte* prohibitions of Rule 9143 or the separation of functions prohibitions of 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.

II.

ACCEPTANCE AND CONSENT

This matter is the result of the following Department of Market Regulation's reviews:

- 20050027552 into the firm's options trading in China Petroleum and Chemical Corporation in September 2005 and its compliance with options position limits obligations contained in Conduct Rule 2860(b)(3);
- 20060050791 into GSCO's options trading in Nordea AB in April 2006 and its compliance with options position limits obligations contained in Conduct Rule 2860(b)(3);

- 20060053357 into the firm's options trading in China Construction Bank in June 2006 and August 2006 and its compliance with options position limits obligations contained in Conduct Rule 2860(b)(3), and the firm's reporting of large options positions under Conduct Rule 2860(b)(5) in April and July 2006;

The foregoing reviews were started after the firm self-reported violations of Conduct Rule 2860.

- 20060039122 and 20060051018 concerning the firm's compliance with its trade reporting obligations from October 10, 2005 to January 4, 2006; and
- 20060063745 into the firm's compliance with Marketplace Rule 6130(b) from May 1 to August 31, 2006.

A. The firm 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 NASD, or to which NASD 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 NASD:

20050027522, 20060050791 and 20060053357

1. On September 12, 2005, the firm effected a purchase of 445,000 call option contracts in China Petroleum and Chemical Corporation ("HK386"), which exceeded the 25,000-contract position limit. On April 6, 2006, GSCO effected option contract transactions in Nordea AB ("NBK") that resulted in the customer holding a short position of 560,000 contracts, which exceeded the 25,000-contract position limit. On June 15, 2006, the firm effected a purchase of 110,000 put option contracts in China Construction Bank ("HK939"), which exceeded the 25,000-contract position limit. On August 21, 2006, the firm effected a purchase of 224,000 put option contracts in HK939, which exceeded the 25,000-contract position limit. The conduct described in this paragraph constitutes separate and distinct violations of NASD Conduct Rule 2860(b)(3).
2. On seven trading days -- April 13 and 17 and from July 19 to July 25, 2006 -- GSCO failed to timely file with NASD accurate large options position reports covering 179 separate positions in conventional options. The conduct described in this paragraph constitutes separate and distinct violations of NASD Conduct Rule 2860(b)(5).

20060039122 and 20060051018

3. From October 10, 2005 to January 4, 2006, the firm improperly double-reported 551,529 trades to the Nasdaq Market Center. All of the trades were executed by the Archipelago Exchange and properly reported to the Pacific Exchange by the Archipelago Exchange. The conduct described in this paragraph constitutes separate and distinct violations of Marketplace Rule 5430.

20060063745

4. From May 1 to August 31, 2006, the firm failed to accept or decline in the Trade Reporting Facility and the Over-the-Counter Reporting Facility 1,812 transactions in Reportable Securities within twenty minutes after execution. The conduct described in this paragraph constitutes separate and distinct violations of Marketplace Rule 6130(b).
- B. The firm also consents to the imposition, at a maximum, of the following sanctions:

A censure and a total fine of \$40,000 for violations of Conduct Rules 2860(b)(3) and 2860(b)(5) and Marketplace Rules 5430 and 6130(b).

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

III.

OTHER MATTERS

- A. The firm understands that it may attach a Corrective Action Statement to this AWC, which is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent 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 NASD, nor does it reflect the views of NASD or its staff.
- B. The firm agrees to pay any monetary sanctions imposed on it upon notice that this AWC has been accepted and that such payments are due and payable, and has attached the Election of Payment form showing the method by which the firm proposes to pay any fine imposed.
- C. The firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

The firm certifies that it has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce the firm to submit it.

Respondent,
Goldman, Sachs & Co.

6/22/07
Date

By: [Signature]
Name: Harmon F. I.
Title: Managing Director, Legal

Reviewed by:

[Signature]
Counsel for Goldman, Sachs & Co.

Accepted by NASD:

7/10/07
Date

Thomas R. Gira
Thomas R. Gira
Executive Vice President
Department of Market Regulation

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

Attachment:

Standard Election of Payment Form