

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20090170159-01**

TO: Department of Market Regulation
Financial Industry Regulatory Authority ("FINRA")

RE: Goldman Sachs Execution & Clearing, L.P., Respondent
Broker-Dealer
CRD No. 3466

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

I.

ACCEPTANCE AND CONSENT

- 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 FINRA, or to which FINRA 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 FINRA:

BACKGROUND

The firm became a member of FINRA in 1948, and its registration remains in effect. The firm has the following relevant disciplinary history:

- In November 2008, FINRA accepted the firm's AWC (20060055241) in which it agreed to a censure and a total fine of \$45,000, which included a \$17,500 fine for violations of SEC Rule 605 in July 2007.
- In October 2006, FINRA accepted the firm's AWC (20050023633) in which it agreed to a censure and a total fine of \$28,000, which included an \$8,000 fine for violations of SEC Rule 605 in October 2005.

FACTS AND VIOLATIVE CONDUCT

This matter is the result of the Department of Market Regulation's 2009 Trading and Market Making Surveillance Examination (TMMS) of the firm. The on-site portion of the examination took place from November 30 to December 3, 2009. Attached as an exhibit is a list of the items the staff reviewed during the on-site examination for trade dates September 17 and 18, 2009.

1. On September 17 and 18, 2009, the firm failed on 14 occasions to provide written notification disclosing to its customer that the transaction was executed at an average price as a result of information being truncated from the relevant confirmations. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 10b-10.
2. For the month of July 2009, the firm made available a report on the covered orders in national market system securities that it received for execution from any person. This report included four instances in which the firm incorrectly calculated figures for Total Covered Orders, Total Covered Shares, and Canceled Shares as a result of errors in a vendor's system. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 605 of Regulation NMS.

B. The firm also consents to the imposition of the following sanctions:

- A censure and a \$25,000 fine.

The firm agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payment is due and payable. It has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

The firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under FINRA'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 National Adjudicatory Council ("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 FINRA Rule 9143 or the separation of functions prohibitions of FINRA 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.

III.

OTHER MATTERS

The firm understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and
- C. If accepted:
 - 1. this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the firm;

2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the firm's disciplinary record;
 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 4. 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. The firm may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the firm's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. The firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The firm 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 FINRA, nor does it reflect the views of FINRA or its staff.

The undersigned, on behalf of the firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the firm to submit it.

8/2/10

Date

Respondent

Goldman Sachs Execution & Clearing, L.P.

By: Steven A. Wolf

Name: STEVEN A. WOLF

Title: V.P. of SLK LLC (G.P. of GSEC)

Reviewed by:

Christina A. Kennedy
Counsel for Respondent

Accepted by FINRA:

8/24/10
Date

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

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

Goldman Sachs Execution & Clearing, L.P.
2009 Trading and Market Making Surveillance Examination
Matter No. 20090170159

The staff reviewed the following samples during the examination:

<u>Sample Size:</u>	<u>Sample Description:</u>	<u>Sample Source/Period:</u>
63	Customer and proprietary sales, reviewed for compliance with SEC Rule 200(g) long/short/exempt sale recording requirements	From trade dates September 17-18, 2009
32	Customer and proprietary short sales, reviewed for compliance with SEC Rule 203(b) security location requirements	From trade dates September 17-18, 2009
25	Sell transactions, reported to the TRF or OTCRF, for compliance with sale indicator requirements in FINRA Rules 6182 and 6624	From trade dates September 17-18, 2009
61	Trades reported to the TRF or OTCRF, for compliance with FINRA Rules 6380A, 7230A, 6622, and 7330	From trade dates September 17-18, 2009
22	Customer and proprietary sales entered into the Nasdaq Exchange execution systems, for compliance with Nasdaq Rule 4755 long and short reporting requirements	From trade dates September 17-18, 2009
22	Buy and sell orders entered into Nasdaq Exchange execution system, for compliance with Nasdaq Rule 4611 capacity reporting requirements	From trade dates September 17-18, 2009
25	Orders for NMS stocks in which the firm acts as a market center, for compliance with SEC Rule 605 order classification requirements	From trade dates September 17-18, 2009
4	Datasets published for on the monthly order execution report, for compliance with SEC Rule 605 requirement to publish accurate data (A "dataset" is all required statistical data for a single order category, with each category representing a single unique combination of a security, order type and order size, as described in Rule 605)	July 2009
1	Quarterly Routing Report, for compliance with SEC Rule 606 requirements	July 2009
1	Disclosure to customers relating to trading in the extended hours session, for compliance with FINRA Rule 2265 and Nasdaq Rule 4631	From trade dates September 17-18, 2009
50	Orders in securities required to be submitted to OATS, for compliance with FINRA Rules 7440 and 7450 and Nasdaq Rules 6954 and 6955 requirement to submit OATS information	From trade dates September 17-18, 2009

<u>Sample Size:</u>	<u>Sample Description:</u>	<u>Sample Source/Period:</u>
40	Customer confirmations, for compliance with SEC Rule 10b-10	From trade dates September 17-18, 2009
4	Customer orders in OTC equity securities, for compliance with NASD Rule 3110(b) requirements to ascertain and document best interdealer market related to execution of orders	From trade dates September 17-18, 2009
67	Customer orders, for compliance with best execution requirements of NASD Rule 2320	From trade dates September 17-18, 2009
184	Order/Trade records prepared and maintained in connection with the above samples, for general compliance with requirements of NASD Rule 3110 and SEC Rules 17a-3 and 17a-4.	From trade dates September 17-18, 2009
12	CRD registration records for persons conducting or supervising the firm's trading and market making activities, for compliance with NASD Rule Series 1020, 1030 and 1040, Nasdaq Rule Series 1020, 1030 and 1040, and BATS Rule 11.4	List of trading and supervisory personnel for September 2009
All, as provided by the firm	The member's supervisory system, written supervisory procedures ("WSPs") and documentation evidencing the implementation of the WSPs, for compliance with NASD Rule 3010, Nasdaq Rule 3010, and BATS Rule 5.1 requirements to establish and implement a system reasonably designed to prevent and detect violations of applicable securities rules	WSPs in effect in September 2009 and documentation of supervisory reviews conducted in September 2009
All, as provided by the firm	The member's supervisory and operational policies and procedures and documentation evidencing execution of the policies and procedures, for compliance with SEC Reg NMS Rule 611	Procedures in effect in September 2009
All, as provided by the firm	The member's "regular & rigorous" review procedures (for assessing the execution quality of orders sent to other trading centers and/or internalized, for compliance with NASD Conduct Rules 2320 and 3010	Procedures in effect in September 2009