

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20130395398-01**

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

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

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Goldman, Sachs & Co. ("GSCO," the "firm," or "Respondent") 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 Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A.** Respondent 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

GSCO has been a member of FINRA since 1936, and its registration currently remains in effect. The firm has no relevant disciplinary history.

SUMMARY

In connection with this matter, the staff of the Municipal Bonds Team of the Department of Market Regulation at FINRA reviewed the firm's compliance with Municipal Securities Rulemaking Board ("MSRB") reporting requirements during the period of January 30, 2009 through December 31, 2011 (the "Review Period").

FACTS AND VIOLATIVE CONDUCT

- 1.** During the Review Period, the firm, acting as a Program dealer in Auction Rate Securities ("ARS"), submitted inaccurate information in certain respects regarding the result of an auction in approximately 1,000 instances to the MSRB's Short-term Obligation Rate Transparency ("SHORT") System. Specifically, the firm

erroneously reported Rate Types for the ARS indicating that the interest rates were “set by auction” (“A”), instead of the maximum (“M”) interest rates.¹ The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-34.

2. During the review period, the firm’s supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the MSRB rules, relating to MSRB Rule G-34 concerning SHORT reporting of Rate Types. Specifically, the firm failed with respect to the reporting of Rate Types to (1) supervise the conduct of its municipal securities activities to ensure compliance with MSRB Rules; (2) establish and maintain a supervisory system reasonably designed to achieve compliance with applicable securities laws and regulations and MSRB Rules; and (3) adopt, maintain, and enforce written supervisory procedures that are reasonably designed to ensure that the conduct of its municipal securities activities is in compliance with MSRB rules. The conduct described in this paragraph constitutes a violation of MSRB Rule G-27.

OTHER FACTORS

3. In determining to resolve this matter as set forth below, Market Regulation considered the fact that the firm undertook efforts to remediate the issues that led to the violations in this matter and also conducted a review of its submissions to the SHORT System, which led the firm to report to Market Regulation staff the majority of the violations at issue.²

B. Respondent also consents to the imposition of the following sanctions:

A censure and a fine of \$50,000 (consisting of a \$20,000 fine for violations of MSRB Rule G-34 reporting violations, and a \$30,000 fine for the violation of MSRB Rule G-27.)

Respondent agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. It has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

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

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

¹ In submitting a majority of the incorrect Rate Types, GSCO was relying on data provided by the Auction Agents.

² See Regulatory Notice 08-70.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against the firm;**
- B. To be notified of the 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, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, 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.

Respondent 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

Respondent 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 Respondent; 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**

accordance with FINRA Rule 8313;

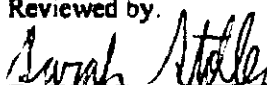
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 4. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent 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: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. Respondent 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.

Apr 125, 2016
Date

Respondent
Goldman, Sachs & Co.

By: 
Name: *David McKeon*
Title: *Managing Director*

Reviewed by:

Attorney Name *Sarah*
Counsel for Respondent

Accepted by FINRA:

5/18/16
Date

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

Kenneth R. Bozza
Kenneth R. Bozza, Chief Counsel
Legal Section
FINRA Department of Market Regulation