

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2018059113701**

TO: Department of Enforcement
Financial Industry Regulatory Authority (FINRA)

RE: Goldman Sachs & Co. LLC (Respondent)
Member Firm
CRD No. 361

Pursuant to FINRA Rule 9216, Respondent Goldman Sachs & Co. LLC (Goldman or 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 Respondent alleging violations based on the same factual findings described in this AWC.

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

Goldman has been a FINRA member since October 26, 1936. It is headquartered in New York, NY. It is part of a larger financial enterprise, Goldman Sachs Group, Inc. and conducts a full-service brokerage business including, among other things, sales and trading, and underwriting services. Goldman employs or receives services through contractual arrangements from approximately 28,000 registered and non-registered individuals. Respondent does not have any relevant disciplinary history.

OVERVIEW

Federal securities laws require that FINRA member firms fingerprint most associated persons prior to or upon association with a firm. The firms review the fingerprint results as part of their background check to determine, among other things, whether a prospective associated person has previously engaged in misconduct that subjects that person to a statutory disqualification. As set forth in Section 3(a)(39) of the Securities Exchange Act of 1934, certain criminal and regulatory events will subject a person to a statutory disqualification.

Between January 2015 and November 2019, Goldman failed to fingerprint and screen for statutory disqualification a significant number of its U.S.-based non-registered associated persons. Between January 2015 to January 2018, Goldman failed to timely fingerprint at least 1,061 non-registered associated individuals. The Firm was unable to determine whether it timely fingerprinted an additional 4,089 non-registered associated persons because it failed to locate any documentation reflecting that the Firm fingerprinted these individuals. In addition, the Firm failed to maintain fingerprint records for an additional 466 non-registered associated persons whom the Firm did fingerprint.

Separately, between April 2018 and November 2019, Goldman permitted two non-registered associated persons, who were subject to statutory disqualification, to associate with the Firm.

The Firm's failure to fingerprint and properly screen its associated persons to meet Exchange Act and FINRA requirements arose from its failure to maintain a reasonable supervisory system and written procedures to identify and properly screen individuals who became associated with the Firm in a non-registered capacity. The Firm self-reported this matter to FINRA and commenced a remedial review and screening process of non-registered associated persons at Goldman.

As a result of the foregoing, Goldman violated Section 17(f) of the Exchange Act and Rule 17f-2 thereunder, FINRA By-Laws, Article III, Section 3(b), Section 17(a) of the Exchange Act and Rule 17a-3 thereunder, and FINRA Rules 4511, 3110 and 2010.

FACTS AND VIOLATIVE CONDUCT

This matter originated from the Firm's self-reporting to FINRA of its failure to fingerprint and screen for statutory disqualification non-registered associated persons.

A. Goldman Failed to Fingerprint Non-Registered Associated Persons

Exchange Act Rule 17f-2 requires all partners, directors, officers, and employees of broker-dealers, unless they are exempt, to be fingerprinted. As explained in Notice to Members 05-39, members are responsible for obtaining a prospective employee's fingerprints and certain required identifying information, so that the firm can determine whether the prospective employee is subject to statutory disqualification. Goldman's written policies and procedures called for all Goldman employees, including non-registered personnel, to be fingerprinted prior to or upon employment.

Goldman either failed to timely fingerprint or lacked records to demonstrate it had fingerprinted 5,150 of its non-registered associated persons between January 2015 and January 2018. At least 1,061 of the 5,150 individuals were not fingerprinted prior to employment. These 1,061 primarily consisted of individuals who transferred to Goldman's United States offices from a foreign affiliated entity, or who transferred to Goldman from another firm. Goldman was unable to determine whether the remaining 4,089 individuals were fingerprinted prior to employment because the Firm did not retain records reflecting that they were fingerprinted.

As part of its remedial efforts, Goldman was able to fingerprint 1,950 of the 5,150 non-registered associated persons. However, Goldman was unable to fingerprint 3,200 of the 5,150 individuals because they were no longer associated with the Firm, and Goldman could not determine whether those individuals were subject to statutory disqualification.

Therefore, Goldman violated Section 17(f) of the Exchange Act and Rule 17f-2 thereunder, and FINRA Rule 2010.

B. Goldman Subsequently Permitted Non-Registered Associated Persons Subject to Statutory Disqualification to Associate with the Firm

Exchange Act Rule 17f-2 also requires that once fingerprints are obtained, they are submitted for processing. Notice to Members 05-39 makes clear that members are responsible for submitting fingerprints to FINRA for transmission to the FBI, so that members can use the results to make informed hiring decisions. Article III, Section 3(b) of the FINRA By-Laws prohibits member firms from associating with a statutorily disqualified individual. Under Section 3(a)(39) of the Exchange Act, a person is subject to disqualification if that person is subject to an order of a regulatory agency barring that person's association with a broker or dealer, or if that person has been convicted of a felony within the prior ten years.

Between April 2018 and November 2019, Goldman allowed two non-registered associated persons who were subject to disqualification to become and remain associated with the Firm. In each instance, Goldman failed to timely submit for processing the individual's fingerprints, and in the first of the two instances, it failed to properly consider information in its possession about the individual's disqualified status.

Goldman obtained the first individual's fingerprints in April 2018 and she became associated with the Firm in May 2018. Prior to her association with the Firm, Goldman received information that FINRA barred the individual for conversion in June 2014. Despite possessing information about this disqualifying factor, Goldman permitted this individual to associate with the Firm. In April 2019, Goldman belatedly submitted the individual's fingerprints to FINRA for processing, learned that the individual was subject to statutory disqualification, and terminated her employment.

Goldman obtained the second individual's fingerprints in May 2019 and he became associated with the Firm in June 2019. Goldman belatedly submitted this individual's fingerprints to FINRA for processing in August 2019, and was notified by FINRA in that month that the individual was the subject of a 2012 felony conviction. After investigating the individual's background further, Goldman terminated his employment in November 2019.

Therefore, Goldman violated Section 17(f) of the Exchange Act and Rule 17f-2 thereunder, Article III, Section 3(b) of the FINRA By-Laws and FINRA Rule 2010.

C. Goldman Failed to Create and Maintain Required Records

Section 17(a) of the Exchange Act and Rule 17a-3(a)(13) thereunder requires broker-dealers to create and maintain fingerprint records for all of its eligible associated persons. FINRA Rule 4511 requires member firms to create and preserve the records specified in Exchange Act Rule 17a-3. Between January 2015 and January 2018, Goldman did not create or maintain required fingerprint records for 5,616 of its non-registered associated persons. Specifically, Goldman: (1) failed to create and maintain fingerprint records for at least 1,061 individuals that it did not fingerprint, (2) failed to maintain fingerprint records for 4,089 individuals for whom the Firm was unable to determine whether fingerprints were ever taken, and (3) failed to maintain fingerprint records for another 466 individuals that the Firm did fingerprint.

Therefore, Goldman violated Section 17(a) of the Exchange Act and Rule 17a-3(a)(13) thereunder, and FINRA Rules 4511 and 2010.

D. Goldman Failed to Establish and Maintain a Reasonable Supervisory System and Written Procedures

FINRA Rule 3110 requires member firms to establish, maintain, and enforce a supervisory system and written procedures reasonably designed to achieve compliance with the securities laws and FINRA Rules. From January 2015 to January 2018, Goldman failed to maintain a supervisory system and written procedures reasonably designed to achieve compliance with the Exchange Act and FINRA rules discussed above regarding the fingerprinting and screening of non-registered associated persons.

Although Goldman had written procedures generally requiring fingerprinting of non-registered associated persons, these procedures were not reasonably designed between January 2015 and January 2018, because Goldman did not have a process to identify non-registered persons who transferred to Goldman from foreign affiliated entities or other acquired firms so that these individuals could be fingerprinted and screened for statutory disqualification. Additionally, Goldman failed to assign to anyone at the firm the responsibility for ensuring that those individuals' fingerprints were obtained timely.

Therefore, Goldman violated FINRA Rules 3110(a) and (b) and 2010.

SANCTIONS CONSIDERATIONS

In determining the appropriate sanctions in this matter, Enforcement considered, among other factors, that the Firm: (i) initiated, prior to intervention by a regulator, an extensive review of the Firm's systems, practices, and procedures with respect to fingerprinting and screening associated persons; (ii) shared the results of that review with FINRA; (iii) promptly commenced correcting supervisory deficiencies identified by the Firm's internal review; and (iv) provided substantial assistance to FINRA in its investigation.

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

- a censure;
- a fine in the amount of \$1,250,000; and
- an undertaking to review its systems and procedures regarding the identification, fingerprinting, and screening of non-registered associated persons to ensure that current systems and procedures are reasonably designed to achieve compliance with governing securities laws and regulations, specifically Section 17(a) of the Exchange Act and Rule 17a-3 thereunder, Section 17(f) of the Exchange Act and Rule 17f-2 thereunder, FINRA By-Laws Article III, Section 3(b), and FINRA Rule 4511. Within 60 days of Notice of Acceptance of this AWC, an officer or director of the Firm shall describe in a written statement the methodology used by the Firm to conduct the referenced review and certify in writing to FINRA's Department of Enforcement that the Firm has adopted and implemented policies and procedures, including written procedures, reasonably designed to achieve compliance with the provisions of Section 17(a) of the Exchange Act and Rule 17a-3 thereunder, Section 17(f) of the Exchange Act and Rule 17f-2 thereunder, FINRA By-Laws Article III, Section 3(b), and FINRA Rule 4511. For good cause shown and upon receipt of a timely application, FINRA staff may extend the review and certification deadline set forth above.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Goldman 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 an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

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 it;
- 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 its acceptance or rejection.

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 Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
 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 its subject matter 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 Goldman's testimonial obligations or 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. Goldman 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.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's 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 Respondent 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 in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce Respondent to submit this AWC.

12/15/10
Date


Goldman Sachs & Co. LLC
Respondent

Print Name: Darrell C. Fasse

Title: Managing Director

Accepted by FINRA:

1/22/2021

Date

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

Ralph Delouis/sb

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