

**NASDAQ ISE, LLC  
NOTICE OF ACCEPTANCE OF AWC**

**Certified, Return Receipt Requested**

**TO: Goldman, Sachs & Co. LLC  
Mr. David Markowitz  
Managing Director  
200 West Street  
New York, NY 10282**

**FROM: NASDAQ ISE, LLC ("ISE")  
c/o Financial Industry Regulatory Authority ("FINRA")  
Department of Market Regulation  
9509 Key West Avenue  
Rockville, MD 20850**

**DATE: July 17, 2017**

**RE: Notice of Acceptance of Letter of Acceptance, Waiver and Consent No. 20120313180-03**

**Please be advised that your above-referenced Letter of Acceptance, Waiver and Consent ("AWC") has been accepted on July 14, 2017 by ISE's Business Conduct Committee. A copy of the AWC is enclosed herewith.**

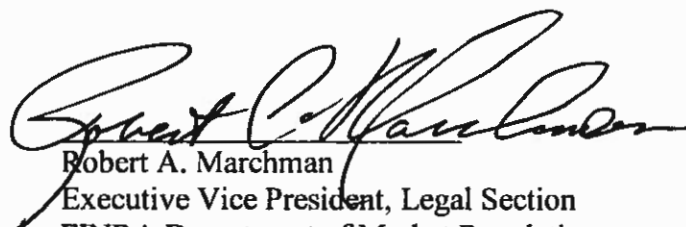
**You are again reminded of your obligation, if currently registered, immediately to update your Uniform Application for Broker-Dealer Registration ("Form BD") to reflect the conclusion of this disciplinary action. Additionally, you must also notify FINRA (or NASDAQ if you are not a member of FINRA) in writing of any change of address or other changes required to be made to your Form BD.**

**You are reminded that Section I of the attached Letter of Acceptance, Waiver, and Consent includes an undertaking. In accordance with the terms of the AWC, a registered principal of the firm is required to notify the Compliance Assistant, Legal Section, Market Regulation Department, 9509 Key West Avenue, Rockville, MD 20850, of completion of the undertaking.**

**You will be notified by the Registration and Disclosure Department regarding sanctions if a suspension has been imposed and by NASDAQ's Finance Department regarding the payment of any fine if a fine has been imposed.**

Goldman, Sachs & Co. LLC  
Page 2

If you have any questions concerning this matter, please contact Bryan C. Wallace, Principal Counsel,  
at (646) 430-7060.



Robert A. Marchman  
Executive Vice President, Legal Section  
FINRA Department of Market Regulation

Signed on behalf of NASDAQ  
and ISE

Enclosure

FINRA District 10 – New York  
Michael Solomon  
Senior Vice President and Regional Director  
(Via email)

Stephanie Nicolas  
Counsel for Respondent  
WilmerHale  
1875 Pennsylvania Avenue NW  
Washington, DC 20006

NASDAQ ISE, LLC

Attn: John Zecca, Chief Regulatory Officer  
60 Broad Street, 26th Floor  
New York, NY 10004

Re: LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
ISE File No. 2016-196-GLD  
Goldman, Sachs & Co. LLC (f/k/a Goldman, Sachs & Co.) (CRD No. 361)

Chief Regulatory Officer and Business Conduct Committee Members:

Pursuant to ISE Rule 1603, Goldman, Sachs & Co. LLC<sup>1</sup> ("GSCO" or the "firm") submits this Letter of Acceptance, Waiver, and Consent ("AWC") to NASDAQ ISE, LLC (f/k/a the International Securities Exchange, LLC) ("ISE" or "Exchange") to propose a settlement of the alleged rule violations described in Section II below. This AWC is submitted to resolve this proceeding and on the condition that, if accepted, ISE will not bring any future actions against GSCO based on the same alleged violations.

GSCO understands that signing this AWC is a voluntary action on its part and that the AWC will not resolve this matter unless and until it has been reviewed and accepted by both the Chief Regulatory Officer ("CRO") and then the Business Conduct Committee ("BCC"), who must decide if it is appropriate in view of the facts and allegations involved. GSCO also understands that if either the CRO or the BCC decides to decline this AWC, it will not be used against GSCO to prove that any violations occurred.

GSCO understands that if this AWC is accepted by both the CRO and the BCC, it will become a part of its permanent disciplinary records and may be considered in any future actions brought by the ISE. GSCO also understands that its experience in the securities industry and any disciplinary history may be factors which the CRO and BCC will consider in deciding whether to accept this AWC. That experience and disciplinary history includes the following:

- GSCO has been an ISE member since May 1, 2000. During the period of review, GSCO was approved to perform in the capacity of a Primary Market Maker ("PMM"), a Competitive Market Maker ("CMM") and an Electronic Access Member ("EAM").
- GSCO has no relevant disciplinary history at the ISE. However, on November 21, 2012, FINRA accepted an AWC from the Firm (20100235665), in which the Firm agreed to a censure and a \$50,000 fine for violations of FINRA Rule 2360(b)(5), in that the Firm failed to report and/or inaccurately reported options positions to

---

<sup>1</sup> On April 28, 2017, Goldman, Sachs & Co. converted from a New York limited partnership to a New York limited liability company, and the corporate name of the entity was formally changed to Goldman Sachs & Co. LLC.

the Large Options Positions Reporting ("LOPR") system between January 19, 2010 and March 18, 2011.

#### I. Waiver of Procedural Rights

GSCO is advised of, and specifically and voluntarily waives, the following rights which are granted by the ISE's disciplinary rules:

1. to have a Statement of Charges filed identifying the violations alleged in this matter;
2. to be notified of the Statement of Charges and have the opportunity to answer the allegations in writing;
3. to defend against the allegations in a hearing before a Panel consisting of a professional hearing officer and two members of the BCC and to be represented by an attorney at the hearing;
4. to have a written record of the hearing made and a written decision issued by the Panel; and
5. to appeal any such decision to the ISE's Board of Directors, then to the U.S. Securities and Exchange Commission and to a U.S. Court of Appeals.

GSCO further waives any provision of the ISE's disciplinary and other rules that may be interpreted as prohibiting any ISE staff member from advising the CRO and BCC in their decision as to whether to accept this AWC.

#### II. Acceptance and Consent

##### Overview

In ISE investigation 2016-196-GLD, on behalf of the Exchange, the Options Regulation Staff of FINRA's Department of Market Regulation ("Market Regulation") conducted a review of the firm's options positions required to be reported to the LOPR system during the period between January 1, 2016 and July 7, 2016 (the "review period") for compliance with ISE rules relating to the reporting of options positions.

ISE Rule 415(a) provides: "Each Member shall file with the Exchange the name, address and social security or tax identification number of any customer, as well as any Member, any general or special partner of the Member, any officer or director of the Member or any participant, as such, in any joint, group or syndicate account with the Member or with any partner, officer or director thereof, who, on the previous business day held aggregate long or short positions of 200 or more options contracts of any single class of options traded on the Exchange. The report shall indicate for each such class of options contracts the number of

options contracts comprising each such position and, in case of short positions, whether covered or uncovered.”

LOPR data is used extensively by self-regulatory organizations to identify holders of large options positions who may be attempting to manipulate the market or otherwise violate securities rules and regulations. The accuracy of LOPR data is essential for analysis of potential violations related to, among other things, insider trading, position limits, exercise limits, front-running, capping and pegging, mini-manipulation, and marking-the-close.

As a result of its review of Matter No. 20160519208, as well as Matter No. 20120313180, Market Regulation determined that during the review period, GSCO violated ISE Rule 415(a) by failing to report and inaccurately reporting option positions to the LOPR, which included a failure to report a potentially significant but an unknown amount of positions in an unknown amount of instances to the LOPR due to not resubmitting rejected records to the LOPR. In addition, GSCO violated ISE Rule 401 in that the firm failed to establish and maintain adequate supervisory procedures, including written supervisory procedures, by failing to implement an adequate system of follow-up and review reasonably designed to ensure compliance with the proper reporting of positions to the LOPR.

GSCO hereby accepts and consents, without admitting or denying the allegations, to the entry of findings by the ISE of the following acts and violations:

1. During the review period, GSCO failed to report options positions to the LOPR for a potentially significant but an unknown number of instances involving approximately 791,940 rejected records that were not resubmitted to the LOPR.
2. During the review period, GSCO inaccurately reported options positions to the LOPR in an unknown amount of positions and instances, in that the firm reported positions with incorrect or invalid entries in the address fields (*i.e.*, city, state, zip code, country code), tax number and tax number type fields.
3. During the period between February 5, 2016 and March 9, 2016, GSCO reported positions to the LOPR with an incorrect account type of customer in an unknown amount of positions and instances.
4. The conduct described in paragraphs one through three constitutes a violation of ISE Rule 415(a).
5. During the review period, GSCO Firm failed to establish and maintain an adequate supervisory system, including a system of follow-up and review, that was reasonably designed to achieve compliance with the rules governing the reporting of options positions to the LOPR system. In addition, the Firm’s supervisory system did not include sufficient written supervisory procedures to ensure the proper reporting of positions to the LOPR. Prior to April 14, 2011, the written supervisory procedures

failed to list any supervisory step(s) to be taken to review for the overall accuracy of submissions to the LOPR. Subsequently, the Firm's written supervisory procedures failed to list the supervisory step(s) to be taken to review for accounts acting in concert or to review rejected LOPR submissions to ensure that rejected records are resubmitted when required.

6. The conduct described in paragraph five constitutes a violation of ISE Rule 401.

GSCO hereby consents to the ISE imposing on it, at a maximum, the following sanction:

1. A censure,
2. A total fine in the amount of \$2,500,000, of which \$300,000 is payable to ISE,<sup>2</sup> and
3. An undertaking requiring the firm to address the LOPR deficiencies described in this AWC and to ensure that it has implemented controls and procedures that are reasonably designed to achieve compliance with the rules and regulations cited herein.
  - a. Within 90 days after this AWC becomes final, GSCO shall submit to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, a written representation by a senior management firm executive, to MarketRegulationComp@finra.org that provides the following information:
    - i. A reference to this matter;
    - ii. A representation that the firm (a) has revised its written supervisory procedures as indicated above, and (b) for those deficiencies requiring technology and/or system changes, has implemented such changes; and
    - iii. The date(s) this was completed.
  - b. The Department of Market Regulation may, upon a showing of good cause and in its sole discretion, extend the time for compliance with these provisions.

---

<sup>2</sup> The balance of the sanction will be paid to FINRA; Bats BZX Exchange, Inc.; and NASDAQ PHLX LLC.

In accepting this AWC and in determining to resolve this matter on the basis set forth herein the BCC took into account and considered the following: (i) the firm self-reported a significant number of the LOPR failure to report violations and the firm's ensuing cooperation throughout FINRA's investigation; and (ii) the subsequent remedial measures implemented by the firm, including significant system enhancements.

Additionally, acceptance of this AWC is conditioned upon acceptance of parallel settlement agreements in related matters between the firm and each of the following self-regulatory organizations: FINRA; Bats BZX Exchange, Inc.; and NASDAQ PHLX LLC.

### III. Corrective Action and Other Matters

1. If this AWC is accepted by the BCC, ISE will take no further action against GSCO respecting the matters that are the subject of this AWC. If this AWC is rejected by the BCC, the matter shall proceed as though the letter had not been submitted. The BCC's decision to accept or reject this AWC shall be final, and GSCO may not seek review thereof.
2. GSCO may attach to this AWC any statement it wishes to have the CRO and BCC consider in deciding whether to accept it, although it may not deny the existence of the violations or make any other statements inconsistent with the AWC.
3. GSCO agrees to pay the monetary sanctions imposed on it upon notice that this AWC has been accepted and that such payment is due and payable, and has attached the election form showing the method by which it proposes to pay any fine imposed.
4. GSCO understands that ISE will make such public announcement concerning this agreement and the subject matter thereof as ISE may deem appropriate.

GSCO certifies that it has read and understands all of the provisions of this AWC and has been given full opportunity to ask questions about it; and that no offer, threat, inducement, or promise of any kind has been made to induce GSCO to submit it.

Goldman, Sachs & Co. LLC

By: 

Name: David A. Melkonian

Title: Managing Director

Date: 6-14-2017

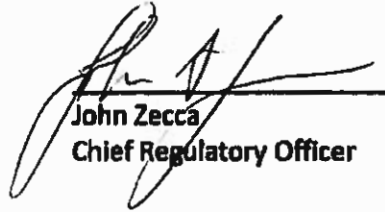
---

---

**THIS SECTION RESERVED FOR EXCHANGE USE ONLY**

Decision of the ISE Chief Regulatory Officer:       Accept       Decline

7/14/17  
Date

  
\_\_\_\_\_  
John Zecca  
Chief Regulatory Officer

Decision of the ISE Business Conduct Committee:       Accept       Decline

7/14/17  
Date

  
\_\_\_\_\_  
John Zecca  
Chief Regulatory Officer



**LETTER OF ACCEPTANCE, WAIVER AND CONSENT**

**ISE Investigation No. 2016-196-GLD**

**Schedule A**

**Election of Payment Method**

Goldman, Sachs & Co. LLC proposes to pay the fine as described in Part II, *Acceptance and Consent*, of the AWC by:

- Automatic Deduction from the firm's Options Clearing Corporation ("OCC") account;
- A firm check or bank check for the full amount;
- Wire transfer;
- The installment payment plan<sup>3</sup> (if agreed between GSCO and the Exchange staff, and approved by the BCC).

If the firm proposes to pay the fine by a firm check or a bank check for the full amount, or by wire transfer for the full amount, the Exchange must receive payment of the fine within 30 days of the AWC becoming final.

If the Exchange does not receive the firm check or a bank check for the full amount, or by wire transfer for the full amount, within 30 days of the AWC becoming final, the Exchange will deduct the fine from the firm's OCC account.

The Exchange will notify the firm by separate letter when the AWC is accepted and becomes final.

Respectfully submitted,

Goldman, Sachs & Co. LLC

By: 

Name: David McLaughlin

Title: Managing Director

Date: 6-14-17

<sup>3</sup> The installment payment plan is only available for a fine of \$50,000 or more. Certain interest payments, minimum monthly payments and other requirements may apply. The firm should discuss this fully with counsel before requesting this method of payment.