



## Notice of Disciplinary Action against Goldman, Sachs & Co. LLC, Member Organization

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**To:** Members, Member Organizations, Participants and Participant Organizations  
**From:** Joseph Cusick, Chief Regulatory Officer, NASDAQ PHLX<sup>SM</sup>  
**DATE:** July 12, 2017

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### **Enforcement No. 2017-12 FINRA Nos. 20140435659 et al**

On June 26, 2017, the Business Conduct Committee (the "Committee") of the NASDAQ PHLX LLC ("PHLX" or the "Exchange") issued a disciplinary decision against Goldman, Sachs & Co. LLC ("Goldman" or the "Firm"), a member organization of the Exchange. In response to a Statement of Charges issued in this action, Goldman submitted an Offer of Settlement ("Offer"). Solely to settle this proceeding, and without admitting or denying the charge, Goldman consented to findings that during the periods between January 19, 2010 and January 20, 2015, and between May 7, 2015 and January 16, 2016 (collectively, the "Review Period"), Goldman violated Exchange Rules 1003, 748(g) (for the period prior to November 23, 2012), 748(h) (for the period on and after November 23, 2012), and 707. Specifically, Goldman consented to findings that the Firm had failed to report and had inaccurately reported options positions to the Large Options Positions Report ("LOPR") during the Review Period and had failed to establish, maintain and enforce written supervisory procedures ("WSPs") and a supervisory system that were reasonably designed to ensure compliance with its LOPR obligations under Exchange rules.

With respect to its compliance with LOPR-related rules, Goldman consented to findings that it had: (i) failed to report options positions to the LOPR in 110,220 instances after its LOPR logic had failed to recognize the symbols of certain underlying securities that had been reclassified as "units" following a corporate action, such as a re-organization, and to report the options on such securities to the LOPR; (ii) failed to report three options positions to the LOPR when it inadvertently caused "delete" records instead of "modify" records to be submitted to the LOPR; (iii) over-reported options positions to the LOPR in 14,166 instances, and under-reported options positions to the LOPR in 6,354 instances, when it mistakenly suppressed "delete" records from the LOPR that should have been reported; and (iv) failed to report or had inaccurately reported 3,161 options positions to the LOPR in an unknown number of instances when a technical flaw in its LOPR system caused stale data concerning early options exercises and assignments to be downloaded to the LOPR system instead of undated data.

Goldman also consented to findings that its WSPs and supervisory system were inadequate to achieve compliance with the rules governing the reporting of options positions to the LOPR system. Specifically, they had failed to provide for: (i) identification of accounts for potential acting-in-concert activity; (ii) a comparison of positions on the Firm's books and records with the positions reflected on the Options Clearing

Corporation's snapshot; (iii) the proper handling of "delete" records; and (iv) reviews of rejected LOPR positions. Furthermore, the Firm's WSPs did not adequately set forth what steps were to be taken in connection with its LOPR-related reviews, or the frequency of such reviews.

The Committee found that Goldman had violated Exchange Rules 1003, 748(g), 748(h), and 707, and ordered the imposition of the following sanctions against Goldman: (i) a censure; (ii) a total fine in the amount of \$2,500,000, of which \$250,000 shall be paid to the Exchange; and (iii) an undertaking, pursuant to which the Firm shall: (a) address certain LOPR deficiencies and implement controls and procedures that are reasonably designed to achieve compliance with the rules and regulations cited in the Offer; and (b) within 90 days the Decision becomes final, submit a written statement from a senior management executive of the Firm: (i) referencing this matter; (ii) representing that the Firm has revised its WSPs to implement the controls and procedures referenced above and, for those deficiencies requiring technology and/or system changes, has implemented such changes; and (iii) referencing the date(s) of completion.

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For more information, contact:

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