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DFS FINES GOLDMAN SACHS \$54.75 MILLION FOR UNSAFE AND UNSOUND CONDUCT IN ITS FOREIGN EXCHANGE TRADING BUSINESS

Goldman Traders Improperly Shared Customer Information with Traders from Other Global Banks and Engaged in Questionable Conduct to Improperly Affect Foreign Exchange Prices

Goldman Also Failed to Implement Effective Controls Over Its Foreign Exchange Business

The Bank Will Submit to DFS Plans for Enhanced Internal Controls and Risk Management

Financial Services Superintendent Maria T. Vullo today announced that Goldman Sachs Group Inc., parent company of Goldman Sachs Bank USA, agreed to pay a \$54,750,000 fine as part of a **consent order** with the New York State Department of Financial Services (DFS) for violating New York banking law, including improperly sharing customer information with other global banks, and other unlawful conduct that disadvantaged customers and potentially affected foreign exchange prices. The violation announced today stems from an investigation by DFS determining that from 2008 to early 2013, Goldman engaged in unlawful, unsafe and unsound conduct by failing to implement effective controls over its foreign exchange business. As part of the consent order, Goldman will submit to DFS written plans for enhanced internal controls and compliance risk management. DFS coordinated its enforcement action with the Federal Reserve Board and appreciates the Board's cooperation.

"DFS's investigation revealed that Certain Goldman traders exploited the company's ineffective oversight of its foreign exchange business by improperly sharing customer information, which allowed the bank's foreign exchange traders and others to violate New York State law over the course of several years," **said Superintendent Vullo**. "DFS recognizes the steps taken by the company to ensure compliance with applicable laws, in entering into today's consent order and to the agreed reforms."

The DFS investigation found that from 2008 to early 2013, Goldman foreign exchange traders participated in multi-party electronic chat rooms, where traders, sometimes using code names to discreetly share confidential customer information, discussed potentially coordinating trading activity and other efforts that could improperly affect currency prices or disadvantage customers. This improper activity sought to enable banks and the involved traders to achieve higher profits from execution of foreign exchange trades, sometimes at customers' expense.

The traders engaged in this improper activity despite both outside guidance and internal policies designed to prevent improper trading practices. For example, Goldman Sachs had specific policies addressing its foreign exchange business in place as early as 2001, and which evolved over time. However, escalation of compliance concerns did not always occur as required, allowing potentially improper trading activity to continue.

Although a senior member of Goldman Sachs' Global Foreign Exchange Sales Division raised concerns about the sharing of customer information, there is no evidence the supervisor took any steps to escalate to Goldman Sachs' compliance function any of these serious concerns.

Under the consent order, Goldman will submit to DFS:

- An enhanced written internal controls and compliance program acceptable to the Department to comply with applicable New York State and federal laws and regulations with respect to the bank's foreign exchange trading business as it affects or pertains to the Bank or New York customers;
- A written plan acceptable to the Department to improve the bank's compliance risk management program with regard to compliance by the bank with applicable New York and federal laws and regulations with respect to its foreign exchange business as it affects or pertains to the bank or New York customers; and
- An enhanced written internal audit program acceptable to the Department with respect to the Bank's compliance with applicable New York and federal laws and regulations, as well as the Bank's internal policies and procedures, in its foreign exchange trading business as it affects or pertains to the bank or New York customers.

A copy of the consent order can be found [here](#).

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