

UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

In the Matter of

THE GOLDMAN SACHS GROUP, INC.
New York, New York

Docket Nos. 20-018-B-HC
20-018-CMP-HC

Order to Cease and Desist and
Order of Assessment of a Civil
Money Penalty Issued Upon
Consent Pursuant to the Federal
Deposit Insurance Act, as
Amended

WHEREAS, The Goldman Sachs Group, Inc., New York, New York (“GS Group”), a registered bank holding company, indirectly owns and controls Goldman Sachs (Asia) L.L.C. (“GS Asia”), a non-bank subsidiary incorporated in Delaware and doing business in Hong Kong, and multiple other bank and non-bank subsidiaries (together, the “Firm”);

WHEREAS, the Board of Governors of the Federal Reserve System (the “Board of Governors”) is the appropriate federal supervisor in the United States of GS Group;

WHEREAS, GS Group oversees compliance, risk management, and audit procedures for entities within the Firm;

WHEREAS, Goldman Sachs International, a London-based subsidiary of GS Group, served as the sole arranger and underwriter of three bond offerings issued by Malaysia’s state-owned investment and development company, 1Malaysia Development Berhad (“1MDB”), in 2012 and 2013 (“1MDB offerings”) that raised \$6.5 billion utilizing funding through the Firm’s Principal Funding & Investment (“PFI”) desk;

WHEREAS, Firm personnel in the Asia Ex-Japan region, including GS Asia personnel, led the execution of the 1MDB offerings, which were reviewed by certain firmwide committees established by GS Group to review and approve business conducted by the Firm;

WHEREAS, the 1MDB offerings involved guarantees provided by an Abu Dhabi sovereign wealth fund (“Foreign Fund”) and/or an anticipated joint venture with the Foreign Fund’s subsidiary;

WHEREAS, certain Firm personnel participated in a scheme to fraudulently divert and misappropriate a significant portion of the 1MDB offering proceeds for their personal benefit and to pay bribes to certain foreign government officials in order to obtain or retain 1MDB’s business for the Firm;

WHEREAS, on August 28, 2018, the Firm’s former South East Asia Chairman, a participating managing director at GS Asia, pled guilty to conspiracies to violate the Foreign Corrupt Practices Act (“FCPA”), 15 U.S.C. § 78dd-1 *et seq.*, and to commit money laundering in connection with the scheme to pay bribes and to divert proceeds of the 1MDB offerings;

WHEREAS, on October 3, 2018, a former managing director of the Firm and a third-party co-conspirator were each indicted for conspiracies to violate the FCPA and to commit money laundering in connection with the scheme to pay bribes and to divert proceeds of the 1MDB offerings;

WHEREAS, on March 11, 2019, the Board of Governors prohibited from the banking industry the former South East Asia Chairman and the former managing director in connection with the illegal conspiracies;

WHEREAS, on January 31, 2020, the Board of Governors also prohibited from the banking industry the Firm’s former Co-Head of the Investment Banking Division in Asia ex-

Japan, a participating managing director, for unsafe and unsound practices in connection with the 1MDB offerings;

WHEREAS, the Board of Governors and the Federal Reserve Bank of New York (“Reserve Bank”), as well as the United States Department of Justice (“DOJ”), the Securities and Exchange Commission (“SEC”), the New York Department of Financial Services (“DFS”), the United Kingdom Financial Conduct Authority (“FCA”), the Bank of England Prudential Regulation Authority (“PRA”), and other foreign regulators, have been conducting investigations into the practices of the Firm concerning the 1MDB offerings and other transactions;

WHEREAS, in order to resolve the investigations, the Firm has agreed to enter into settlement agreements with the DOJ, the SEC, the DFS, the FCA, the PRA, and other foreign regulators;

WHEREAS, the Firm engages in certain significant and complex transactions, including financings on behalf of its clients, as described below (“SCTs”), presenting heightened risks and requiring enhanced review and/or due diligence and approval by certain firmwide committees;

WHEREAS, the Firm has conducted a review of the 1MDB offerings and other conduct during the period of January 1, 2012 to January 19, 2016 (the “Review Period”), and reviewed and made enhancements to its compliance systems and controls, including those related to its review and approval of SCTs;

WHEREAS, this Order to Cease and Desist and Assessment of Civil Money Penalty (“Order”) is issued with respect to the following:

A. The Firm lacked adequate or failed to implement adequate governance, compliance risk management, and compliance policies and procedures to ensure that the 1MDB

offerings complied with safe and sound practices and applicable internal policies;

B. The Firm's review and approval processes failed to appreciate the significant legal, reputational, operational, and other risks associated with the 1MDB offerings and its policies and procedures and related controls were deficient and prevented it from detecting and addressing illegal and/or unsafe and unsound conduct by certain senior business personnel working on the 1MDB offerings;

C. While certain business personnel at times provided false, misleading or inadequate information to the Firm's control functions and senior personnel responsible for assessing and approving the 1MDB offerings, such control functions and senior Firm personnel failed sufficiently to challenge the business line, address adequately red flags regarding the 1MDB offerings, insist on adequate information and documentation regarding key aspects of the offerings prior to execution, and effectively supervise a senior business employee about whom certain Firm personnel had expressed integrity concerns in the past;

D. Specifically, the Firm failed to:

1. adequately investigate the involvement of a suspicious intermediary, who participated in the scheme to divert proceeds and pay bribes to certain foreign government officials, instead relying overly on representations by business personnel of the intermediary's non-involvement; the Firm failed in this regard despite internal reports that the intermediary had met with an official of the Foreign Fund in connection with the first offering and repeated efforts by personnel in Asia to do business with the intermediary after his rejection as a Firm client;

2. appropriately address issues regarding the Foreign Fund's approval of the guarantees, including appropriate consideration of the risks of conducting two of the offerings absent customary evidence of, and a legal opinion from Foreign Fund's counsel addressing,

corporate authority, and the lack of appropriate involvement of the Foreign Fund's management and legal counsel to vet the first offering;

3. adequately address or conduct due diligence concerning various red flags or other issues, including 1MDB's and the Foreign Fund's motivation for the offerings in light of the costs of fundraising and requests for unusual confidentiality and speed of execution; the removal, without a documented explanation, of a monetary fee for the Foreign Fund's guarantee in the first offering; the use of a special purpose vehicle to receive call options for the Foreign Fund's guarantee in the first offering; 1MDB's conflicting or ambiguous statements concerning the use of offering proceeds; and 1MDB's and the Foreign Fund's failure to fund the joint venture related to the third offering; and

4. escalate or address allegations of bribery around the 1MDB offerings, which were communicated to certain senior business personnel following the completion of the 1MDB offerings;

E. In addition to the 1MDB offerings, in connection with a 2015 financing transaction, certain business personnel concealed the involvement of another intermediary from the Firm's control functions;

F. As a result of deficient policies, procedures and controls described above, the Firm engaged in unsafe and unsound practices.

WHEREAS, in 2014-2015, the Reserve Bank conducted an examination of the PFI desk, which purchased the 1MDB bonds as principal, and required the Firm to address certain weaknesses in corporate governance, compliance, due diligence, and other areas relevant to SCTs;

WHEREAS, in response to the Reserve Bank's examination, the Firm implemented and

is continuing to validate with the Reserve Bank certain remedial measures, including enhancements to its policies and procedures, employee training, surveillance mechanisms and governance structure relating to SCTs and other areas;

WHEREAS, although the Firm has made progress in remediating weaknesses in these areas, the Firm must demonstrate and maintain the effectiveness of its policies and procedures and continue to implement additional improvements in its governance, internal controls, compliance, and risk management in order to comply with firmwide policies, safe and sound practices, and applicable U.S. laws and regulations;

WHEREAS, the Board of Governors, the Reserve Bank, and GS Group have the common goal to ensure that the Firm conducts its activities in a safe and sound manner and complies with U.S. laws, rules, and regulations, and that GS Group fosters a strong firmwide commitment to compliance;

WHEREAS, pursuant to delegated authority, Karen P. Seymour is authorized to enter into this Order on behalf of the Firm, and, respectively consent to compliance with each and every provision of this Order by the Firm, and to waive any and all rights that the Firm may have pursuant to section 8 of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. § 1818), including, but not limited to: (i) the issuance of a notice of charges on any matters set forth in this Order; (ii) a hearing for the purpose of taking evidence on any matters set forth in this Order; (iii) judicial review of this Order; and (iv) challenge or contest, in any manner, the basis, issuance, validity, terms, effectiveness or enforceability of the Order or any provision hereof.

NOW, THEREFORE, before the filing of any notices, or taking of any testimony, or adjudication of or finding on any issues of fact or law herein, and without the Firm admitting or

denying any allegation made or implied by the Board of Governors in connection herewith, and solely for the purpose of settling this matter without a formal proceeding being filed and without the necessity for protracted or extended hearings or testimony, pursuant to sections 8(b)(1) and (3) of the FDI Act (12 U.S.C. §§1818(b)(1) and 1818(b)(3)), the Firm and its institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the FDI Act (12 U.S.C. §§ 1813(u) and 1818(b)(3)), shall cease and desist and take affirmative action as follows:

Corporate Governance and Management Oversight

1. Within 90 days of this Order, GS Group shall submit a written plan acceptable to the Reserve Bank to ensure effective oversight setting forth the measures it has implemented and validated with the Reserve Bank, and/or the measures it will take, to enhance, and maintain improvements to, oversight of the review and approval of SCTs and compliance with applicable legal requirements. The plan shall, at a minimum, address, consider, and include:

(a) the definition of SCTs to be applied to this Order, which shall address and consider transactions that are complex, not customary in the relevant market, not within the ordinary course of business of the client or present reputational, regulatory, credit, accounting or other issues that warrant enhanced review;

(b) actions the GS Group's board of directors and senior management will take to maintain effective control over, and oversight of, firmwide compliance with legal requirements in connection with SCTs;

(c) measures to ensure, on an ongoing basis, compliance issues regarding SCTs are appropriately tracked, escalated, and reviewed by senior management and any investigation and/or resolution of issues is documented in writing;

(d) measures to ensure that the person or groups within the Firm's committees and associated control functions charged with the responsibility of reviewing and approving SCTs possess appropriate subject matter expertise and are actively involved in carrying out such responsibilities;

(e) measures to ensure review by the compliance officer and/or appropriate control personnel of material changes to SCTs prior to closing and execution, and measures to ensure appropriate final committee review of material issues prior to transaction closing;

(f) policies and procedures to ensure the elevation of SCTs, as applicable, to the Firmwide Reputational Risk Committee for consideration of the reputational risks posed to the Firm; and

(g) allocation of adequate staffing levels and resources to ensure compliance with this Order and applicable legal requirements.

Anti-Bribery Compliance Program

2. Within 90 days of this Order, GS Group shall submit a written plan to enhance its existing anti-bribery compliance program for SCTs acceptable to the Reserve Bank. The plan, at a minimum, shall provide for:

(a) a system of internal controls reasonably designed to ensure compliance with U.S. anti-bribery laws, including the FCPA, for SCTs;

(b) a comprehensive risk assessment that identifies and considers the anti-bribery risks posed by any SCT, and relationships around such products including, but not limited to, governments, government-affiliated entities, and politically exposed persons in determining inherent and residual risks;

(c) enhancement of the Firm's policies and procedures for identifying finders, intermediaries, and other third parties involved in SCTs, regardless of how they are compensated, procedures for the investigation and escalation of red flags regarding intermediaries, and appropriate surveillance of business-side personnel who work on SCTs;

(d) comprehensive and timely independent testing for compliance with applicable anti-bribery legal requirements for SCTs; and

(e) effective, ongoing training of all personnel including targeted training for personnel responsible for executing SCTs, in all aspects of the anti-bribery policies and procedures and applicable legal requirements.

Transaction Due Diligence

3. Within 90 days of this Order, the GS Group shall submit a written enhanced due diligence program for SCTs acceptable to the Reserve Bank that will be implemented and/or has been implemented and validated with the Reserve Bank. GS Group's board of directors and senior management will ensure implementation of the enhanced due diligence program, which, at a minimum, shall include:

(a) policies and procedures to ensure that Firm personnel conducts appropriate anti-bribery and corruption due diligence, and where necessary, enhanced due diligence on entities involved in SCTs as well as their subsidiaries, special purpose vehicles, and principals;

(b) measures to ensure due diligence issues regarding SCTs, including red flags defined in the Firm's policies and procedures, are appropriately tracked, escalated, and reviewed by senior management and any investigation and/or resolution of issues is documented in writing; and

(c) measures to ensure that the Firm has obtained and documented appropriate corporate authority from clients, counterparties, guarantors or other relevant parties, as appropriate, to execute SCTs and that Firm personnel with decision-making authority have sufficient understanding of trade economics, client motivation and expected use of proceeds, as appropriate, prior to approval in order to make a reasonable business decision.

Anti-Bribery Compliance Review

4. Within one year of this Order, Firm management, utilizing personnel who are independent of the business line and acceptable to the Reserve Bank (“Independent Review Personnel”), shall conduct a review to validate that the Firm’s revised anti-bribery compliance program meets the requirements of paragraph 2 and complies with applicable U.S. laws (“Anti-Bribery Review”) and prepare a written report of findings, conclusions, and recommendations (“Anti-Bribery Compliance Report”).

5. Within 90 days of the Reserve Bank’s approval of the Independent Review Personnel, but prior to the commencement of the Anti-Bribery Review, the Firm shall submit to the Reserve Bank for approval a review plan that provides, at a minimum, for the Independent Review Personnel to:

- (a) conduct a comprehensive assessment of the Firm’s anti-bribery compliance program, policies, and procedures;
- (b) assist the Firm in enhancing its anti-bribery compliance program to the extent it does not comply with the requirements of paragraph 2 of this Order;
- (c) submit the Anti-Bribery Compliance Report within 60 days of the date that the Reserve Bank accepts the review plan and to provide a copy of the Anti-Bribery

Compliance Report to the Reserve Bank at the same time that it is provided to Firm management; and

(d) commit that any and all interim reports, drafts, workpapers, or other supporting materials associated with the review will be made available to the Reserve Bank upon request.

Assessment of Civil Money Penalty

6. The Board of Governors hereby assesses a civil money penalty in connection with the conduct described above in the amount of \$154,000,000, which shall be remitted by the Firm at the time of the execution of this Order by Fedwire transfer of immediately available funds to the Federal Reserve Bank of Richmond, ABA No. 051000033, beneficiary, Board of Governors of the Federal Reserve System. The Federal Reserve Bank of Richmond, on behalf of the Board of Governors, shall distribute this sum to the U.S. Department of the Treasury, pursuant to section 8(i) of the FDI Act (12 U.S.C. § 1818(i)). This penalty is a penalty paid to a government agency for a violation of law for purposes of 26 U.S.C. § 162(f) and 26 C.F.R. § 1.162-21.

Approval, Implementation, and Progress Reports

7. (a) GS Group shall submit the written plans, program, and/or reports that are acceptable to the Reserve Bank as set forth in paragraphs 1 through 5 of this Order. Each plan or program shall contain a timeline for full implementation of the plan or program with specific deadlines for the completion of each component of the plan or program. The plans and program

submitted pursuant to paragraphs 1 and 3 shall also clearly identify any requirements under those paragraphs that the Firm has previously implemented and validated with the Reserve Bank.

(b) Within 10 days of approval by the Reserve Bank, the Firm shall adopt the approved plans and program. Upon adoption, the Firm shall implement the approved plans and program and thereafter fully comply with them.

(c) During the term of this Order, the approved plans and program shall not be amended or rescinded without the prior written approval of the Reserve Bank.

8. Within 30 days after the end of the first full calendar quarter following the date of this Order, and quarterly thereafter, the Firm shall submit to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with the provisions of this Order and the results thereof.

Accountability for Employees Involved in Misconduct

9. The Firm shall not in the future directly or indirectly retain any individual as an officer, employee, agent, consultant, or contractor of the Firm or of any subsidiary thereof who, based on the investigative record compiled by the Firm, has done all of the following: (i) participated in the misconduct underlying this Order, (ii) been subject to formal disciplinary action as a result of the Firm's internal disciplinary review or performance review in connection with the conduct described above, and (iii) either separated from the Firm or any subsidiary thereof or had his or her employment terminated in connection with the conduct described above.

10. The Firm shall continue to fully cooperate with and provide substantial assistance to the Board of Governors, including, but not limited to, the provision of information, testimony, documents, records, and other tangible evidence and perform analyses as directed by the Board of Governors in connection with the investigations of whether separate enforcement actions

should be taken against individuals who are or were institution-affiliated parties of the Firm and who were involved in the misconduct underlying this Order. For purposes of clarity and not limitation, substantial assistance as used in this Order means the Firm will use its best efforts, as determined by the Board of Governors, to make available for interviews or testimony, as requested by the Board of Governors, present or former officers, directors, employees, agents and consultants of the Firm. This obligation includes, but is not limited to, sworn testimony pursuant to administrative subpoena as well as interviews with regulatory authorities. Cooperation under this paragraph shall also include identification of witnesses who, to the knowledge of the Firm, may have material information regarding the matters under investigation.

Notices

11. All communications regarding this Order shall be sent to:
 - (a) Richard M. Ashton
Deputy General Counsel
Jason Gonzalez
Assistant General Counsel
Board of Governors of the Federal Reserve System
20th & C Streets, N.W.
Washington, D.C. 20551
 - (b) Kevin Coffey
Vice President
Federal Reserve Bank of New York
33 Maiden Lane
New York, New York 10045
 - (c) David A. Markowitz
The Goldman Sachs Group, Inc.
200 West Street
New York, New York 10282

Miscellaneous

12. Notwithstanding any provision of this Order to the contrary, the Reserve Bank may, in its sole discretion, grant written extensions of time to the Firm to comply with this Order.

13. The provisions of this Order shall be binding upon the Firm and each of its institution-affiliated parties, in their capacities as such, and their successors and assigns.

14. Each provision of this Order shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Board of Governors.

15. Except as otherwise provided in this paragraph, the Board of Governors hereby agrees not to initiate any further enforcement actions, including for civil money penalties, against the Firm, and its affiliates, successors and assigns, with respect to the conduct described in the WHEREAS clauses of this Order to the extent known by the Board of Governors as of the effective date of this Order. This release and discharge shall not preclude or affect (i) any right of the Board of Governors to determine and ensure compliance with this Order, (ii) any proceedings brought by the Board of Governors to enforce the terms of this Order, or (iii) any proceedings brought by the Board of Governors against individuals who are or were institution-affiliated parties of the Firm.

16. Nothing in this Order, express or implied, shall give to any person or entity, other than the parties hereto and their successors hereunder, any legal or equitable right, remedy, or claim under this Order.

By Order of the Board of Governors of the Federal Reserve System effective this 22nd day of October, 2020.

THE GOLDMAN SACHS GROUP, INC.

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

By: /s/ Karen P. Seymour
Karen P. Seymour
Executive Vice President
and General Counsel

By: /s/ Ann E. Misback
Ann E. Misback
Secretary of the Board