

Disciplinary Notice

Case No. 2020-033: Settlement of Charges Against Goldman Sachs International

Exchange Rules

Rule 4.04 - Conduct Detrimental to the Exchange

It shall be a violation of the Rules for any Person to fail to conform to, the Rules or the procedures of the Exchange or the Clearing Organization, or to engage in conduct or practices inconsistent with just and equitable principles of trade or conduct detrimental to the best interests of the Exchange.

Rule 4.01(a) - Duty to Supervise

Every Person shall diligently supervise the Exchange-related activities of such Person's employees and agents. For purposes of this Rule, the term "agent" includes any Exchange-related activities associated with automated trading systems that generate, submit and/or cancel messages without human intervention. Every Person shall also be responsible for the acts and omissions of such employees and agents.

Summary

On June 29, 2022, a subcommittee of the Exchange's Business Conduct Committee ("BCC") determined that Goldman Sachs International ("GSI") may have violated Exchange Rule 4.04 in several instances between May 2020 and July 2020 by engaging in improper pre-hedging. In each instance, GSI transacted a block trade against a customer after having received the customer order from GSI's sales desk which had an existing agency (broker/customer) relationship with the customer. Prior to consummating each block trade opposite the customer, however, traders on GSI's proprietary execution desk solicited and/or requested pricing for separate trades for the firm's account on the block market and executed trades in the Central Limit Orderbook, which offset the risk of the customer order. GSI was able to realize profits in the amount of \$1,319,249.80 by engaging in this activity. The BCC further found that GSI may have violated Exchange Rule 4.01(a) by failing to diligently supervise the activities of its employees with regard to the Exchange's rules on pre-hedging.

Product

MSCI Emerging Markets Index Future

Customer Harm

No

Penalty

In accordance with the terms of settlement, in which GSI neither admitted nor denied the alleged rule violations, GSI agreed to pay a monetary penalty of \$125,000 and disgorge \$1,319,249.80 in profits.

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Effective Date

June 29, 2022

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Key Information Documents for certain products covered by the EU Packaged Retail and Insurance-based Investment Products Regulation can be accessed on the relevant exchange website under the heading "Key information Documents (KIDS)," commencing January 1, 2022.