Goldman in Talks on $50 Million Fine Over Release of New York Fed Secrets

A former employee allegedly shared sensitive supervisory materials

Goldman Sachs is in negotiations with the Department of Financial Services for a $50 million fine over a former bank employee's misuse of confidential supervisory information. *PHOTO: LUCAS JACKSON/REUTERS*

By
KATY BURNE
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A state banking regulator is poised to fine Goldman Sachs Group Inc. $50 million for a former employee's alleged obtaining and sharing of confidential supervisory materials from the Federal Reserve Bank of New York, according to people familiar with the matter.
The New York Department of Financial Services is putting the finishing touches to a tentative agreement with Goldman to resolve the matter, the people said, noting the language may yet change. The terms of an agreement are expected to be finalized as soon as this week, one person added.

The pact between Goldman and the DFS also could subject the firm to a three-year ban on regulatory consulting work in New York and an admission of failing to properly supervise its employees, this person said.

The case is the latest incident to draw attention to the close ties between the New York Fed and the banks it oversees. It comes days before the New York Fed is set to host an event at its headquarters in downtown Manhattan, blocks away from Goldman's offices, on reforming bank culture.

The DFS began probing the incident at Goldman late last year, after a junior employee at the firm, Rohit Bansal, was alleged to have shared confidential information obtained from his former employer, the New York Fed, with his bosses while working to advise banking clients on regulatory matters.

A higher-ranking executive at Goldman, Scott Romanoff, reported the matter to compliance supervisors, leading to an internal investigation by the firm. The Goldman probe determined that the confidential information came into the bank from Mr. Bansal, who had joined a few months earlier in late July 2014 from the New York Fed.

Goldman then notified the New York Fed, which launched its own probe of the information leak. The firm fired both Mr. Bansal and one of his supervisors, Joseph Jiampietro.
Sean Casey, a lawyer for Mr. Bansal at Kobre & Kim LLP, didn't immediately respond to a request for comment.

Peter Chavkin, a lawyer for Mr. Jiampietro at Mintz, Levin, Cohn, Ferris, Glovsky & Popeo PC, declined to comment.

A spokesman for Goldman said in a statement that, "Upon discovering that a new junior employee had obtained confidential supervisory information from his former employer, the Federal Reserve Bank of New York, we immediately began an investigation and notified the appropriate regulators, including the Federal Reserve. That employee and a more senior employee who failed to escalate the issue, were terminated shortly thereafter."

The bank spokesman added in the statement that it has "zero tolerance for improper handling of confidential information." As a result of the incident and its internal probe into the matter, the spokesman said the firm said it has "reviewed our policies regarding hiring from governmental institutions and have implemented changes to make them appropriately robust."

The fine, earlier reported by the New York Times, would constitute the latest step in a battle against rogue banker behavior on Wall Street.
A $50 million fine also would constitute twice the largest-ever penalty extracted by DFS related to misconduct in a consulting-related incident. Last year, PricewaterhouseCoopers LLP agreed to pay $25 million to resolve a DFS probe into its consulting services.

Also Monday, Jason Gross—the junior bank-examining official inside the New York Fed who allegedly passed information to Mr. Bansal at Goldman Sachs—reached a plea deal with federal prosecutors, his lawyer said.

Mr. Gross pleaded guilty to a misdemeanor under a deal with the U.S. attorney's office for the Southern District of New York, according to his lawyer, Bruce Barket of Barket, Marion, Epstein & Kearon LLP.

Mr. Gross and Mr. Bansal became friends when both worked at the New York Fed, said people familiar with the matter.

Mr. Gross, who is now 37 years old and is unemployed after departing the New York Fed last year, faces a maximum penalty of up to $100,000 and a year in jail, Mr. Barket said. The exact penalty will be set by a judge at a coming sentencing.

"We hoped to avoid criminal liabilities altogether, but we are happy the U.S. attorney's office approached this reasonably and offered him a misdemeanor plea," Mr. Barket said in a telephone interview. "Those pleas are rare in federal court, and we are happy we were able to obtain one for him."