



**August, 2009**

**Goldman Sachs Practices Relating to High Frequency Shares Trading**

To our Goldman, Sachs & Co. clients –

In response to recent media stories on high-frequency shares trading (HFT) and the complex landscape surrounding it, we would like to clarify our position to clients.

Below are key facts:

**- Goldman Sachs does not make use of “Flash” programs in the execution of client agency orders.**

- The vast majority of Goldman Sachs' HFT activity is a function of acting as a Supplemental Liquidity Provider (SLP) on the NYSE, where over 98% of our executions YTD is liquidity providing rather than liquidity taking.

**- Goldman Sachs' HFT does not see client order flow.** Client order flow is either contained within a separate broker-dealer – Goldman Sachs Execution & Clearing, LP – or is walled-off from HFT, both physically and systematically.

- Even using the broadest definition, **HFT accounted for less than 1% of Goldman Sachs' total revenues**, used less than 1% of Goldman Sachs' balance sheet, and contributed less than 1% to the firm-wide VaR in the first half of 2009.

Goldman Sachs has a long history of providing liquidity to the marketplace. We strongly believe that those who participate in HFT with the benefit of co-location should assume additional obligations and be subject to appropriate regulatory oversight. The most significant challenge ahead is for the regulatory framework to keep current with the rapid pace of innovation in the marketplace.

Our philosophy is to always put clients' interest first, protect the firm's reputation, and conduct our business with the utmost level of integrity.