

**Meeting Between Governor Duke and
Representatives of Goldman Sachs
October 14, 2010**

Participants: Governor Elizabeth Duke, Pat White, Jeff Stehm and Molly Mahar
(Federal Reserve Board)

Gary Cohn and Harvey Schwartz (Goldman Sachs)

Summary: Governor Duke and Federal Reserve Staff met with representatives of Goldman Sachs to discuss the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”). During the meeting, representatives of Goldman Sachs raised concerns about aggregating risk at clearinghouses by requiring a much broader set of securities to be cleared through these entities. They emphasized that the clearinghouse model works well for portable, liquid positions, but is more difficult for securities that cannot be easily and quickly sold, significantly raising potential losses for clearinghouse members and increasing the need for larger clearinghouse guarantee funds. Given this increased risk, they stressed the need for the clearinghouse risk committees to be in control of decisions on which transactions would be cleared and the associated margin requirements. Ownership limitations in the clearinghouse were of less concern to their firm.

Representatives of Goldman Sachs also raised concerns that increased trading transparency would force many large institutional investors to conduct multiple small trades rather than a large single transaction, raising the costs associated with these activities. The representatives noted the difficulty in differentiating between market making activities and proprietary trading, and stressed the tradeoff between limiting banking institutions’ ability to act as principal for clients and market liquidity.