

## *Regulator Seeks Information About Goldman Sachs Ethics Complaint*

By Emily Flitter

Oct. 23, 2018

The Securities and Exchange Commission has opened an inquiry into the departure of a senior investment banker and Goldman Sachs partner who raised concerns about what he viewed as unethical conduct at the bank, according to people briefed on the inquiry.

The partner, James C. Katzman, called Goldman's whistle-blower hotline in 2014 to complain about a number of practices inside the Wall Street investment bank, people close to Mr. Katzman told The New York Times last month. David M. Solomon, who is now Goldman's chief executive, urged Mr. Katzman to move past his complaints, and he left the firm in 2015.

Among the grievances that Mr. Katzman voiced to Goldman officials were that his colleagues had sought to obtain confidential client information and that the bank inappropriately tried to hire a customer's child.

After he left Goldman, he told people close to him that he felt he could not share his concerns with regulators without violating the terms of a confidentiality agreement with Goldman.

A Goldman Sachs spokesman, Michael DuVally, declined to comment on the S.E.C. inquiry. "The legal department conducted an exhaustive investigation of the matters Mr. Katzman raised in accordance with our whistle-blower policy," he said. He added that the job candidate Mr. Katzman was concerned about was never hired.

The S.E.C. requested information from the bank about Mr. Katzman's departure following the Times article, according to the people briefed on the inquiry. The agency also has contacted Mr. Katzman, one person said.

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The precise focus of the S.E.C.'s inquiry isn't clear.

Mr. Katzman did not respond to requests for comment. An S.E.C. spokeswoman declined to comment.

Andrew Vollmer, who previously served as deputy general counsel at the S.E.C. and now teaches securities law at the University of Virginia School of Law, said the agency would most likely be concerned by Mr. Katzman's belief that his agreement with Goldman barred him from talking to regulators.

"The S.E.C. sues companies that have what it claims to be over-broad confidentiality terms that prohibit an employee from disclosing misconduct to the S.E.C.," Mr. Vollmer said.

Any current or former Goldman employees with restricted stock must regularly sign a confidentiality agreement or forfeit the payments. Payments can be clawed back for "cause," including if the former employee engages "in any act or making any statement which impairs, impugns, denigrates, disparages or negatively reflects upon the name, reputation or business interests" of Goldman, according to the bank's regulatory filings.

Mr. Katzman took that language to mean that he was prohibited from discussing his concerns with the bank's board or with regulators.

Such agreements are common, but three years ago the S.E.C. began taking action against language it viewed as restricting employees from alerting regulators to perceived misconduct.

In one case, the S.E.C. sued the engineering company KBR, formerly a subsidiary of Halliburton, because the company required employees who reported misconduct to KBR's internal investigations group to sign an agreement promising not to discuss the matter with anyone without special authorization from KBR's legal department.

KBR settled the case by paying a \$130,000 penalty and adding language to its contract that specifically authorized employees to talk to government investigators without getting permission from its legal department.

Goldman's compensation agreements contain no such exemption for talking to government officials.

"We have never limited the ability of our current or former employees to raise any concern that they may have with regulators or the Goldman Sachs board," Mr. DuVally said.

The S.E.C. also might be looking at the substance of Mr. Katzman's complaints, including his accusation that investment bankers asked him for confidential information about a client he was representing. Mr. Katzman viewed the request as a violation of internal rules meant to prevent the improper use of client materials.

"The potential breach of client confidentiality is a huge touch-button issue for the regulators these days," said Ross Intelisano, a lawyer who represents corporate whistle-blowers.

*Correction: October 23, 2018*

*An earlier version of this article misstated the middle initial of James Katzman, the former Goldman Sachs partner. He is James C. Katzman, not James M. Katzman.*

David Enrich contributed reporting.

A version of this article appears in print on Oct. 24, 2018, on Page B5 of the New York edition with the headline: Goldman Partner's Exit Draws Scrutiny of S.E.C.