UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK
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UNITED STATES OF AMERICA : INFORMATION
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- v. - : 13 Cr.
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MATTHEW TAYLOR, :
:
Defendant. :
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- - - - - - - - - - - - - - - - - -x

COUNT ONE

(Wire Fraud)

The United States Attorney charges:

Relevant Persons and Entities

1. At all relevant times, Goldman, Sachs & Co. ("Goldman Sachs") was a global financial services firm with its headquarters in New York, New York.

2. At all relevant times, MATTHEW TAYLOR, the defendant, was employed at Goldman Sachs as a Vice-President and a trader on the Capital Structure Franchise Trading ("CSFT") desk. The CSFT desk was composed of approximately ten traders who traded in equities, equity options, convertible securities, and debt, among other things. At all relevant times, TAYLOR worked at the New York, New York office of Goldman Sachs.

Background

3. MATTHEW TAYLOR, the defendant, was responsible for trading equity derivatives products for the CSFT desk, including trading in equity options. Specifically, TAYLOR's primary trading account was the CSFT Equity Volatility Portfolio (the

"Trading Account"). For 2007, TAYLOR's salary was approximately $150,000 and he was expecting a bonus of approximately $1.6 million.

4. Among the products that MATTHEW TAYLOR, the defendant, traded on the CSFT desk were S&P 500 E-mini futures contracts ("S&P 500 E-mini futures"). S&P 500 E-mini futures are futures contracts that are tied to the S&P 500 stock index. S&P E-mini futures are traded on the Chicago Mercantile Exchange ("CME") through an electronic trading platform called "Globex." TAYLOR used the Globex platform to trade S&P 500 E-mini futures. These electronic trades were recorded automatically on Goldman Sachs's systems.

5. In addition to using the electronic trading platform - Globex - MATTHEW TAYLOR, the defendant, also executed trades manually through a floor broker. For the manual trades TAYLOR executed, TAYLOR used a manual trade entry system to record his trades (the "Manual Trade Entry System"). The Manual Trade Entry System, however, was typically intended to be used by traders for recording trades that - unlike S&P 500 E-mini futures - could not be executed through an electronic trading platform like Globex.

6. MATTHEW TAYLOR, the defendant, was supervised by two individuals ("Supervisor-1" and "Supervisor-2") who were responsible for overseeing all of the traders on the CSFT desk. As part of their responsibilities, Supervisor-1 and Supervisor-2 communicated to all of the traders on the CSFT desk, including

TAYLOR, various acceptable limits on the total market risk for the CSFT desk. Supervisor-1 and Supervisor-2 also held weekly meetings to discuss risk limits and risk strategy, in addition to frequent meetings with individual traders to discuss acceptable risk levels and trading limits.

7. In or about November 2007, MATTHEW TAYLOR, the defendant, had lost a significant portion of the profits he had accumulated in the Trading Account earlier that year. Because of this reduction in TAYLOR's profits and the general market conditions at that time, TAYLOR was specifically instructed by both Supervisor-1 and Supervisor-2 to reduce the overall risk in the Trading Account. TAYLOR was subsequently informed by his supervisors that his performance-based compensation, or bonus, for 2007 was going to significantly decline as a result of the reduction in the profitability of the Trading Account.

The December 13, 2007 Fraudulent Trading Activity and False P&L Report

8. On or about December 13, 2007, MATTHEW TAYLOR, the defendant, increased the size of his position in S&P 500 E-mini futures despite prior instructions from Supervisor-1 and Supervisor-2 to decrease the overall risk in the Trading Account. Specifically, by entering a series of electronic trades on the CME through Globex, TAYLOR increased his position to a notional value of approximately $8.3 billion long. In doing this, TAYLOR amassed a position that far exceeded all trading and risk limits set by Goldman Sachs, not only for individual traders such as TAYLOR, but for the entire CSFT desk.

9. At the same time that MATTHEW TAYLOR, the defendant, increased his S&P 500 E-mini futures position, he recorded multiple false entries in the Manual Trade Entry System for S&P 500 E-mini futures trades that he never made. These false trading entries were made in the opposite direction of the electronic trades in the Trading Account -- that is, where TAYLOR purchased S&P 500 E-mini futures in the Trading Account via Globex, he then manually entered fictitious S&P 500 E-mini futures sales in the Manual Trade Entry System. The purpose of entering these fabricated trades was to conceal and understate the true size of the S&P 500 E-mini futures position within the Trading Account, as the fictitious sales functioned to offset portions of TAYLOR's actual purchases.

10. Specifically, on December 13, 2007, MATTHEW TAYLOR, the defendant, entered approximately sixteen fabricated S&P 500 E-mini futures sales on the Manual Trade Entry System. By doing this, TAYLOR caused to be routed false information concerning these fabricated trades to Goldman Sachs's internal systems. This resulted in false information being communicated to TAYLOR's supervisors and others about TAYLOR's position and risk, and therefore, the true size of TAYLOR's position and the risk associated with TAYLOR's actual trading activity were masked.

11. At the end of the trading day on December 13, 2007, MATTHEW TAYLOR, the defendant, prepared a false end of day profit and loss ("P&L") report for the Trading Account (the "December 13, 2007 P&L Report"). The December 13, 2007 P&L

Report was ultimately forwarded by TAYLOR to Supervisor-1, Supervisor-2, and others. The December 13, 2007 P&L Report reflected a false P&L loss of approximately $2 million for the Trading Account, whereas the actual P&L for the December 13, 2007 trading day was a profit of approximately $52 million. TAYLOR concealed this profit so as not to expose TAYLOR's actual oversized position and market risk, which, as TAYLOR well knew, exceeded all risk limits set by Goldman Sachs for the CSFT desk.

The December 14, 2007 Cover-Up

12. On or about the morning of December 14, 2007, Goldman Sachs's internal risk management and trade recording systems revealed the actual position of S&P E-mini futures held by MATTHEW TAYLOR, the defendant, in the Trading Account: TAYLOR's position was long over $8.3 billion. Moreover, various employees at Goldman Sachs began to detect a significant discrepancy between TAYLOR's actual position in the Trading Account and what he had falsely reported in the December 13, 2007 P&L Report.

13. Later that same day, in order to conceal his actual $8.3 billion position in S&P 500 E-mini futures, MATTHEW TAYLOR, the defendant, made false statements to employees of Goldman Sachs:

a. A member of the Operations Department at Goldman Sachs contacted TAYLOR to inquire about a "trade break," i.e. an inconsistency between Goldman Sachs's internal trading records and the P&L or trading position reported by a trader. Specifically, this trade break reflected a significant difference between the loss reported in the December 13, 2007 P&L Report submitted by TAYLOR and his actual profit and trading positions as reflected in Goldman Sachs's internal trading records. In response to this inquiry, TAYLOR falsely stated that he had either misbooked a trade or put too many zeroes in the quantity field. TAYLOR also added that he planned to fix the error shortly.

b. A member of the Market Risk Management and Analysis team at Goldman Sachs contacted TAYLOR to inquire about the approximately $8 billion large exposure in the Trading Account. In response, TAYLOR falsely stated that the approximately $8 billion position reflected in the Trading Account was wrong. TAYLOR also falsely stated that the correct exposure in the Trading Account was approximately $65 million.

c. A member of the Equities Product Control Group at Goldman Sachs also contacted TAYLOR to inquire about the "trade break" caused by TAYLOR's December 13, 2007 P&L Report. In response, TAYLOR falsely stated that there were problems with booking trades in the Trading Account. Additionally, in the afternoon of December 14, 2007, TAYLOR forwarded that individual an email from the previous day that falsely reflected a $2 million loss for the Trading Account, whereas the true position was a $52 million gain.

d. Supervisor-1 sent TAYLOR an email questioning TAYLOR about a risk report which reflected exposure in excess of $8 billion in the Trading Account. In response, TAYLOR falsely indicated in an email that this exposure was wrong, stating that a "trade booking issue [had occurred, which] blew up [his] risk/pnl." TAYLOR also advised Supervisor-1 that this exposure was not accurate and was the result of error.

14. On December 14, 2007, MATTHEW TAYLOR, the defendant, then entered approximately six additional fabricated S&P 500 E-mini futures sales in the Manual Trade Entry System. Like the sales entered on December 13, 2007, these fabricated sales were designed to, and had the effect of, concealing the true size of TAYLOR's position.

15. The S&P 500 E-mini futures trades made by MATTHEW TAYLOR, the defendant, and TAYLOR's fraudulent efforts to conceal his unauthorized position, resulted in realized losses to Goldman Sachs of approximately $118 million, as it was immediately necessary for Goldman Sachs to unwind TAYLOR's $8 billion position in order to reduce its risk. TAYLOR amassed this large position hoping to quickly increase the profitability of the Trading Account for the purposes of restoring his professional reputation within Goldman Sachs and increasing his performance based compensation.

<u>Statutory Allegation</u>

16. In or about December 2007, in the Southern District of New York and elsewhere, MATTHEW TAYLOR, the defendant, willfully and knowingly, having devised and intending to devise a scheme and artifice to defraud and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises, did transmit and cause to be transmitted by means of wire communication in interstate and

foreign commerce writings, signs, signals, pictures and sounds, for the purpose of executing such scheme and artifice, to wit, TAYLOR accumulated and then concealed an unauthorized $8 billion position in a trading account he managed, which resulted in significant losses to Goldman Sachs, in order to increase the profitability of this trading account for the purposes of restoring his professional reputation and increasing his performance based compensation.

(Title 18, United States Code, Section 1343.)

FORFEITURE ALLEGATION

17. As a result of committing the offense charged in Count One of this Information, MATTHEW TAYLOR, the defendant, shall forfeit to the United States, pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461, all property, real and personal, that constitutes or is derived from proceeds traceable to the commission of the offense, and as a result of his commission of, the foregoing offense.

Substitute Asset Provision

18. If any of the above-described forfeitable property, as a result of any act or omission of the defendant:

(1) cannot be located upon the exercise of due diligence;

(2) has been transferred or sold to, or deposited with, a third person;

(3) has been placed beyond the jurisdiction of the Court;

(4) has been substantially diminished in value; or

(5) has been commingled with other property which cannot be subdivided without difficulty;

it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), to seek forfeiture of any other property of said defendant up to the value of the above forfeitable property.

(Title 18, United States Code, Section 981 and Title 28, United States Code, Section 2461.)

PREET BHARARA
United States Attorney

Form No. USA-33s-274 (Ed. 9-25-58)

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(Title 18, United States Code, Section 1343)

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