



Statement of
Financial Condition
December 31, 2016

Goldman Sachs Execution & Clearing, L.P.

GOLDMAN SACHS EXECUTION & CLEARING, L.P.
Statement of Financial Condition

INDEX

	Page No.
Statement of Financial Condition	1
Note 1. Description of Business.....	2
Note 2. Basis of Presentation	2
Note 3. Significant Accounting Policies	2
Note 4. Financial Instruments Owned, at Fair Value and Financial Instruments Sold, But Not Yet Purchased, at Fair Value	4
Note 5. Fair Value Measurements	5
Note 6. Cash Instruments.....	5
Note 7. Fair Value Option.....	6
Note 8. Collateralized Agreements and Financings	7
Note 9. Equity-Method Investment.....	8
Note 10. Other Assets	8
Note 11. Short-Term Borrowings	9
Note 12. Subordinated Borrowings.....	9
Note 13. Other Liabilities and Accrued Expenses	9
Note 14. Commitments, Contingencies and Guarantees	9
Note 15. Transactions with Related Parties	10
Note 16. Income Taxes	10
Note 17. Credit Concentrations.....	11
Note 18. Legal Proceedings	11
Note 19. Employee Benefit Plans	11
Note 20. Employee Incentive Plans	12
Note 21. Net Capital Requirements	13
Note 22. Subsequent Events	13



Report of Independent Registered Public Accounting Firm

To the Partners of Goldman Sachs Execution & Clearing, L.P.:

In our opinion, the accompanying statement of financial condition presents fairly, in all material respects, the financial position of Goldman Sachs Execution & Clearing, L.P. ("the Firm") as of December 31, 2016 in conformity with accounting principles generally accepted in the United States of America. The statement of financial condition is the responsibility of the Firm's management. Our responsibility is to express an opinion on the statement of financial condition based on our audit. We conducted our audit of this statement of financial condition in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition, assessing the accounting principles used and significant estimates made by management, and evaluating the overall statement of financial condition presentation. We believe that our audit of the statement of financial condition provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

February 28, 2017

GOLDMAN SACHS EXECUTION & CLEARING, L.P.
Statement of Financial Condition

As of
December 2016

\$ in thousands

Assets	
Cash and cash equivalents	\$ 63,751
Collateralized agreements:	
Securities purchased under agreements to resell, at fair value	134,576
Securities borrowed	1,830
Receivables:	
Brokers, dealers and clearing organizations	6,471
Customers and counterparties	631
Financial instruments owned, at fair value (includes \$328 pledged as collateral)	5,611
Equity-method investment	39,405
Other assets	15,979
Total assets	\$268,254
Liabilities and partners' capital	
Collateralized financings:	
Securities loaned	\$ 474
Payables:	
Brokers, dealers and clearing organizations	2,043
Customers and counterparties	3,941
Financial instruments sold, but not yet purchased, at fair value	1,068
Unsecured short-term borrowings	23,019
Other liabilities and accrued expenses	34,138
Total liabilities	64,683
Commitments, contingencies and guarantees	
Partners' capital	
Partners' capital	203,571
Total liabilities and partners' capital	\$268,254

The accompanying notes are an integral part of this statement of financial condition.

Notes to Statement of Financial Condition**Note 1.****Description of Business**

Goldman Sachs Execution & Clearing L.P. (the firm), a New York limited partnership, is a registered U.S. broker-dealer with the Securities and Exchange Commission (SEC), and a member of the Financial Industry Regulatory Authority. The firm is an indirectly wholly owned subsidiary of The Goldman Sachs Group, Inc. (Group Inc.), a Delaware corporation.

The firm executes and clears client transactions on major stock exchanges, primarily with broker-dealers, institutional investors and affiliates. During the first half of 2016, substantially all clearing business activities, and related assets and liabilities, of the firm were transferred to Goldman, Sachs & Co. (GS&Co.), a U.S. broker-dealer and futures commission merchant and an indirectly wholly owned subsidiary of Group Inc, except for de minimis non-voting, non-participating interests held by unaffiliated broker-dealers. (GSEC migration). In connection with the GSEC migration, the firm withdrew its registration as a futures commission merchant effective August 27, 2016.

Note 2.**Basis of Presentation**

This statement of financial condition is prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) and include the accounts of the firm.

All references to 2016 refer to the date December 31, 2016. Any reference to a future year refers to a year ending on December 31 of that year.

Note 3.**Significant Accounting Policies**

The firm's significant accounting policies include when and how to measure the fair value of assets and liabilities. See Notes 5 through 7 for policies on fair value measurements. All other significant accounting policies are either described below or included in the following footnotes:

Financial Instruments Owned, at Fair Value and Financial Instruments Sold, But Not Yet Purchased, at Fair Value	Note 4
Fair Value Measurements	Note 5
Cash Instruments	Note 6
Fair Value Option	Note 7
Collateralized Agreements and Financings	Note 8
Equity-Method Investment	Note 9
Other Assets	Note 10
Short-Term Borrowings	Note 11
Subordinated Borrowings	Note 12
Other Liabilities and Accrued Expenses	Note 13
Commitments, Contingencies and Guarantees	Note 14
Transactions with Related Parties	Note 15
Income Taxes	Note 16
Credit Concentrations	Note 17
Legal Proceedings	Note 18
Employee Benefit Plans	Note 19
Employee Incentive Plans	Note 20

Notes to Statement of Financial Condition

Equity-Method Investment

When the firm does not have a controlling financial interest in an entity but can exert significant influence over the entity's operating and financial policies, the investment is accounted for either (i) under the equity method of accounting or (ii) at fair value by electing the fair value option available under U.S. GAAP. Significant influence generally exists when the firm owns 20% to 50% of common stock or in-substance common stock.

The firm applies the equity method of accounting to investments that are strategic in nature or closely related to the firm's principal business activities, when the firm has a significant degree of involvement in the cash flows or operations of the investee or when cost-benefit considerations are less significant. As of December 2016, the firm holds one investment over which it exerts significant influence on the entity's operating and financial policies and accounts for that investment using the equity method of accounting. See Note 9 for further information about the firm's equity-method investment.

Use of Estimates

Preparation of this statement of financial condition requires management to make certain estimates and assumptions, the most important of which relate to fair value measurements and the provisions for losses that may arise from litigation, regulatory proceedings and tax audits. These estimates and assumptions are based on the best available information but actual results could be materially different.

Revenue Recognition

Financial Assets and Financial Liabilities at Fair Value. Financial instruments owned, at fair value and Financial instruments sold, but not yet purchased, at fair value are recorded at fair value either under the fair value option or in accordance with other U.S. GAAP. In addition, the firm has elected to account for certain of its other financial assets at fair value by electing the fair value option. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs. See Notes 5 through 7 for further information about fair value measurements.

Commissions and Fees. The firm earns commissions and fees primarily from executing and clearing client transactions on stock markets. Commissions and fees are recognized on the day the trade is executed.

Cash and Cash Equivalents

The firm defines cash equivalents as highly liquid overnight deposits held in the ordinary course of business. During 2016, the firm segregated cash for regulatory and other purposes related to client activity. See "Recent Accounting Developments" for further information.

In addition, the firm segregates securities for regulatory and other purposes related to client activity. See Note 8 for further information about segregated securities.

Receivables from and Payables to Brokers, Dealers, and Clearing Organizations

Receivables from and payables to brokers, dealers and clearing organizations are accounted for at cost plus accrued interest, which generally approximates fair value. While these receivables and payables are carried at amounts that approximate fair value, they are not accounted for at fair value under the fair value option or at fair value in accordance with other U.S. GAAP and therefore are not included in the firm's fair value hierarchy in Notes 5 through 7. Had these receivables and payables been included in the firm's fair value hierarchy, they would have been classified in level 2 as of December 2016.

Receivables from Customers and Counterparties

Receivables from customers and counterparties primarily relate to commission receivables. These receivables are accounted for net of estimated uncollectible amounts.

As of December 2016, the carrying value of receivables not accounted for at fair value generally approximated fair value. While these receivables are carried at amounts that approximate fair value, they are not accounted for at fair value under the fair value option or at fair value in accordance with other U.S. GAAP and therefore are not included in the firm's fair value hierarchy in Notes 5 through 7. Had these receivables been included in the firm's fair value hierarchy, they would have been classified in level 2 as of December 2016.

Payables to Customers and Counterparties

Payables to customers and counterparties primarily consist of customer credit balances related to the firm's execution and clearing activities. Payables to customers and counterparties are accounted for at cost plus accrued interest, which generally approximates fair value. While these payables are carried at amounts that approximate fair value, they are not accounted for at fair value under the fair value option or at fair value in accordance with other U.S. GAAP and therefore are not included in the firm's fair value hierarchy in Notes 5 through 7. Had these payables been included in the firm's fair value hierarchy, they would have been classified in level 2 as of December 2016.

Notes to Statement of Financial Condition

Offsetting Assets and Liabilities

To reduce credit exposures on securities financing transactions, the firm may enter into master netting agreements or similar arrangements (collectively, netting agreements) with counterparties that permit it to offset receivables and payables with such counterparties. A netting agreement is a contract with a counterparty that permits net settlement of multiple transactions with that counterparty, including upon the exercise of termination rights by a non-defaulting party. Upon exercise of such termination rights, all transactions governed by the netting agreement are terminated and a net settlement amount is calculated. In order to assess enforceability of the firm's right of setoff under netting, the firm evaluates various factors including applicable bankruptcy laws, local statutes and regulatory provisions in the jurisdiction of the parties to the agreement.

In the statement of financial condition, resale agreements and securities borrowed and loaned, are not reported net of the related cash and securities received or posted as collateral. See Note 8 for further information about offsetting and collateral received and pledged, including rights to deliver or repledge collateral.

Foreign Currency Translation

Assets and liabilities denominated in non-U.S. currencies are translated at rates of exchange prevailing on the date of the statement of financial condition and revenues and expenses are translated at average rates of exchange for the period. Foreign currency remeasurement gains or losses on transactions in nonfunctional currencies are recognized in earnings.

Recent Accounting Developments

Revenue from Contracts with Customers (ASC 606).

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures.

The ASU is effective for the firm in January 2018 under a modified retrospective approach or retrospectively to all periods presented. The firm's implementation efforts include identifying revenues and related costs within the scope of the ASU, reviewing contracts, and analyzing any changes to its existing revenue recognition policies. Based on implementation work to date, the firm does not currently expect that the ASU will have a material impact on its financial condition.

Restricted Cash (ASC 230). In November 2016, the FASB issued ASU No. 2016-18, "Statement of Cash Flows (Topic 230) — Restricted Cash." This ASU requires that cash segregated for regulatory and other purposes be included in cash and cash equivalents disclosed on the statement of cash flows and is required to be applied retrospectively.

In December 2016, the firm reclassified amounts previously included in "Cash and securities segregated for regulatory and other purposes" into "Cash and cash equivalents" and "Securities purchased under agreements to resell," in the statement of financial condition.

Note 4.

Financial Instruments Owned, at Fair Value and Financial Instruments Sold, But Not Yet Purchased, at Fair Value

Financial instruments owned, at fair value and financial instruments sold, but not yet purchased, at fair value are accounted for at fair value either under the fair value option or in accordance with other U.S. GAAP. See Note 7 for further information about other financial assets and financial liabilities accounted for at fair value under the fair value option.

In the table below:

- The financial instruments owned, at fair value, and financial instruments sold, but not yet purchased, are presented at fair value.
- Derivative assets are exchange traded and have been classified in level 2 of the firm's fair value hierarchy.

	As of December 2016	
	Financial Instruments Owned	Financial Instruments Sold, But Not Yet Purchased
<i>\$ in thousands</i>		
Equities	\$3,116	\$1,068
Corporate debt securities	2,393	-
Derivatives	102	-
Total	\$5,611	\$1,068

Notes to Statement of Financial Condition

Note 5.

Fair Value Measurements

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs.

The best evidence of fair value is a quoted price in an active market. If quoted prices in active markets are not available, fair value is determined by reference to prices for similar instruments, quoted prices or recent transactions in less active markets, or internally developed models that primarily use market-based or independently sourced inputs including, but not limited to, interest rates, volatilities, equity or debt prices, foreign exchange rates, commodity prices, credit spreads and funding spreads (i.e., the spread, or difference, between the interest rate at which a borrower could finance a given financial instrument relative to a benchmark interest rate).

U.S. GAAP has a three-level fair value hierarchy for disclosure of fair value measurements. This hierarchy prioritizes inputs to the valuation techniques used to measure fair value, giving the highest priority to level 1 inputs and the lowest priority to level 3 inputs. A financial instrument's level in this hierarchy is based on the lowest level of input that is significant to its fair value measurement. In evaluating the significance of a valuation input, the firm considers, among other factors, a portfolio's net risk exposure to that input. The fair value hierarchy is as follows:

Level 1. Inputs are unadjusted quoted prices in active markets to which the firm had access at the measurement date for identical, unrestricted assets or liabilities.

Level 2. Inputs to valuation techniques are observable, either directly or indirectly.

Level 3. One or more inputs to valuation techniques are significant and unobservable.

The fair values for substantially all of the firm's financial assets and financial liabilities are based on observable prices and inputs and are classified in levels 1 and 2 of the fair value hierarchy. Certain level 2 and level 3 financial assets and financial liabilities may require appropriate valuation adjustments that a market participant would require to arrive at fair value for factors such as counterparty and the firm's credit quality, funding risk, transfer restrictions, liquidity and bid/offer spreads. Valuation adjustments are generally based on market evidence.

See Note 6 and 7 for further information about fair value measurements of cash instruments and other financial assets accounted for at fair value primarily under the fair value option, respectively.

In the table below:

- Financial assets and financial liabilities accounted for at fair value under the fair value option or in accordance with other U.S. GAAP
- Total assets include \$213 million that is carried at fair value or at amounts that generally approximate fair value.

<i>\$ in thousands</i>	As of December 2016
Total level 1 financial assets	\$ 1,953
Total level 2 financial assets	138,227
Total level 3 financial assets	7
Total financial assets at fair value	\$140,187
Total assets	\$268,254
Total level 1 financial liabilities	\$ 1,068
Total level 2 financial liabilities	-
Total level 3 financial liabilities	-
Total financial liabilities at fair value	\$ 1,068

Note 6.

Cash Instruments

Cash instruments are primarily comprised of equities and corporate debt securities. See below for the types of cash instruments included in each level of the fair value hierarchy and the valuation techniques and significant inputs used to determine their fair values. See Note 5 for an overview of the firm's fair value measurement policies.

Level 1 Cash Instruments

Level 1 cash instruments include actively traded listed equities. These instruments are valued using quoted prices for identical unrestricted instruments in active markets.

The firm defines active markets for equity instruments based on the average daily trading volume both in absolute terms and relative to the market capitalization for the instrument.

Level 2 Cash Instruments

Level 2 cash instruments include less liquid equities and corporate debt securities. Valuations of level 2 cash instruments can be verified to quoted prices, recent trading activity for identical or similar instruments, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. Consideration is given to the nature of the quotations (e.g., indicative or firm) and the relationship of recent market activity to the prices provided from alternative pricing sources.

Notes to Statement of Financial Condition

Valuation adjustments are typically made to level 2 cash instruments (i) if the cash instrument is subject to transfer restrictions and/or (ii) for other premiums and liquidity discounts that a market participant would require to arrive at fair value. Valuation adjustments are generally based on market evidence.

Level 3 Cash Instruments

Level 3 cash instruments have one or more significant valuation inputs that are not observable. Absent evidence to the contrary, level 3 cash instruments are initially valued at transaction price, which is considered to be the best initial estimate of fair value. Subsequently, the firm uses other methodologies to determine fair value, which vary based on the type of instrument. Valuation inputs and assumptions are changed when corroborated by substantive observable evidence, including values realized on sales of financial assets.

As of December 2016, the firm's level 3 cash instruments were not material.

Fair Value of Cash Instruments by Level

The table below presents cash instrument assets and liabilities at fair value by level within the fair value hierarchy. In the table below:

- Cash instrument assets and liabilities are included in "Financial instruments owned, at fair value" and "Financial instruments sold, but not yet purchased, at fair value," respectively.
- Cash instrument assets are shown as positive amounts and cash instrument liabilities are shown as negative amounts.

\$ in thousands	As of December 2016			
	Level 1	Level 2	Level 3	Total
Assets				
Equities	\$ 1,953	\$ 1,156	\$ 7	\$ 3,116
Corporate debt securities	-	2,393	-	2,393
Total	\$ 1,953	\$ 3,549	\$ 7	\$ 5,509
Liabilities				
Equities	\$ (1,068)	\$ -	\$ -	\$ (1,068)
Total	\$ (1,068)	\$ -	\$ -	\$ (1,068)

Transfers Between Levels of the Fair Value Hierarchy

Transfers between levels of the fair value hierarchy are reported at the beginning of the reporting period in which they occur. There were no transfers of cash instruments between level 1 and level 2 or between level 2 and level 3 during 2016.

Note 7.

Fair Value Option

Other Financial Assets at Fair Value

In addition to all cash and derivative instruments included in "Financial instruments owned, at fair value" and "Financial instruments sold, but not yet purchased, at fair value," the firm accounts for certain of its other financial assets at fair value under the fair value option. The primary reasons for electing the fair value option are to:

- Reflect economic events in earnings on a timely basis; and
- Mitigate volatility in earnings from using different measurement attributes.

Other financial assets accounted for at fair value under the fair value option include resale agreements.

Fair Value of Other Financial Assets by Level

The table below presents, by level within the fair value hierarchy, other financial assets accounted for at fair value under the fair value option.

\$ in thousands	As of December 2016			Total
	Level 1	Level 2	Level 3	
Assets				
Securities purchased under agreements to resell	\$ -	\$ 134,576	\$ -	\$ 134,576
Total	\$ -	\$ 134,576	\$ -	\$ 134,576

Valuation Techniques and Significant Inputs

Other financial assets at fair value are generally valued based on discounted cash flow techniques, which incorporate inputs with reasonable levels of price transparency, and are generally classified as level 2 because the inputs are observable.

See below for information about the significant inputs used to value other financial assets at fair value.

Resale Agreements. The significant inputs to the valuation of resale agreements are funding spreads, the amount and timing of expected future cash flows and interest rates. As of December 2016, the firm's resale agreements were classified as level 2. See Note 8 for further information about collateralized agreements and financings.

Transfers Between Levels of the Fair Value Hierarchy

Transfers between levels of the fair value hierarchy are reported at the beginning of the reporting period in which they occur. There were no transfers of other financial assets between level 1 and level 2 and between level 2 and level 3 during 2016.

Notes to Statement of Financial Condition**Note 8.****Collateralized Agreements and Financings**

Collateralized agreements are securities purchased under agreements to resell (resale agreements) and securities borrowed. Collateralized financings are securities loaned. The firm enters into these transactions in order to, among other things, facilitate client activities, invest excess cash, acquire securities to cover short positions and finance certain firm activities.

Collateralized agreements and financings are presented on a net-by-counterparty basis when a legal right of setoff exists. Interest on collateralized agreements and collateralized financings is recognized over the life of the transaction. The table below presents the carrying value of resale agreements and securities borrowed and loaned transactions.

<i>\$ in thousands</i>	As of December 2016
Securities purchased under agreements to resell	\$134,576
Securities borrowed	1,830
Securities loaned	474

In the table above, resale agreements are carried at fair value under the fair value option. See Note 7 for further information about the valuation techniques and significant inputs used to determine fair value.

Resale Agreements

A resale agreement is a transaction in which the firm purchases financial instruments from a seller, typically in exchange for cash, and simultaneously enters into an agreement to resell the same or substantially the same financial instruments to the seller at a stated price plus accrued interest at a future date.

Even though resale agreements involve the legal transfer of ownership of financial instruments, they are accounted for as financing arrangements because they require the financial instruments to be resold before or at the maturity of the agreement. The financial instruments purchased in resale agreements typically include U.S. government and federal agency obligations.

To mitigate credit exposure on the financial instruments received under resale agreements, the firm monitors the market value of these financial instruments on a daily basis, and delivers or obtains additional collateral due to changes in the market value of the financial instruments, as appropriate. For resale agreements, the firm typically requires collateral with a fair value approximately equal to the carrying value of the relevant assets in the statement of financial condition.

The firm enters into all of its resale agreements with GS&Co.

Securities Borrowed and Loaned Transactions

In a securities borrowed transaction, the firm borrows securities from a counterparty in exchange for cash. When the firm returns the securities, the counterparty returns the cash. Interest is generally paid periodically over the life of the transaction.

In a securities loaned transaction, the firm lends securities to a counterparty in exchange for cash. When the counterparty returns the securities, the firm returns the cash posted as collateral. Interest is generally paid periodically over the life of the transaction.

The firm receives securities borrowed and makes delivery of securities loaned. To mitigate credit exposure, the firm monitors the market value of these securities on a daily basis, and delivers or obtains additional collateral due to changes in the market value of the securities, as appropriate.

Securities borrowed and loaned are recorded based on the amount of cash collateral advanced or received plus accrued interest. As these arrangements generally can be terminated on demand, they exhibit little, if any, sensitivity to changes in interest rates. Therefore, the carrying value of such arrangements approximates fair value. While these arrangements are carried at amounts that approximate fair value, they are not accounted for at fair value under the fair value option or at fair value in accordance with other U.S. GAAP and therefore are not included in the firm's fair value hierarchy in Notes 5 through 7. Had these arrangements been included in the firm's fair value hierarchy, they would have been classified in level 2 as of December 2016.

The firm enters into substantially all of its securities borrowed and loaned transactions with GS&Co.

Notes to Statement of Financial Condition

Offsetting Arrangements

The table below presents the gross and net resale agreements and securities borrowed and loaned transactions, and the related amount of counterparty netting included in the statement of financial condition. The table below also presents the amounts not offset in the statement of financial condition including counterparty netting that does not meet the criteria for netting under U.S. GAAP and the fair value of cash or securities collateral received or posted subject to enforceable credit support agreements.

<i>\$ in thousands</i>	As of December 2016		
	Assets		Liabilities
	Resale agreements	Securities borrowed	Securities loaned
Included in the statement of financial condition			
Gross carrying value	\$ 134,576	\$ 1,830	\$ 474
Counterparty netting	-	-	-
Total	134,576	1,830	474
Amounts not offset			
Counterparty netting	-	(354)	(354)
Collateral	(134,576)	(719)	-
Total	\$ -	\$ 757	\$ 120

In the table above:

- Gross carrying values of these arrangements are subject to enforceable netting agreements.
- Where the firm has received or posted collateral under credit support agreements, but has not yet determined such agreements are enforceable, the related collateral has not been netted.
- The collateral pledged related to the gross carrying value of securities loaned consisted entirely of equities.
- The gross carrying value of securities loaned had no stated maturity.

Collateral Received and Pledged

The firm receives cash and securities (e.g., U.S. government and federal agency, equities and convertible debentures) as collateral, primarily in connection with resale agreements, securities borrowed and customer margin loans. The firm obtains cash as collateral on an upfront basis for collateralized agreements to reduce its credit exposure to individual counterparties.

In many cases, the firm is permitted to deliver or repledge financial instruments received as collateral when entering into securities loaned transactions, primarily in connection with secured client financing activities.

The firm also pledges certain financial instruments owned, at fair value in connection with securities loaned transactions to counterparties who may or may not have the right to deliver or repledge them.

The table below presents financial instruments at fair value received as collateral that were available to be delivered or repledged and were delivered or repledged by the firm.

<i>\$ in thousands</i>	As of December 2016
Collateral available to be delivered or repledged	\$1,187
Collateral that was delivered or repledged	11

In the table above, collateral available to be delivered or repledged excludes \$134.6 million of securities received under resale agreements that contractually had the right to be delivered or repledged, but were segregated for regulatory and other purposes.

The table below presents information about assets pledged.

<i>\$ in thousands</i>	As of December 2016
Financial instruments owned, at fair value pledged to counterparties that:	
Had the right to deliver or repledge	\$328
Did not have the right to deliver or repledge	-

Note 9.

Equity-Method Investment

The firm holds an interest in Redi Holdings LLC (Redi) which is accounted for as an equity-method investment. As of December 2016, the carrying value of the firm's investment in Redi was \$39.4 million.

In January 2017, the firm sold its investment in Redi. See Note 22 for further information.

Note 10.

Other Assets

Other assets are generally less liquid, non-financial assets. The table below presents other assets by type.

<i>\$ in thousands</i>	As of December 2016
Exchange memberships	\$ 7,124
Tax-related receivable	7,053
Miscellaneous receivables and other	1,802
Total	\$15,979

Identifiable Intangible Assets

During 2016 the firm recorded an impairment charge of \$5.1 million related to exchange market maker rights. As of December 2016, the firm had no identifiable intangible assets.

Notes to Statement of Financial Condition

Impairments

The firm tests identifiable intangible assets and other assets for impairment whenever events or changes in circumstances suggest that an asset's or asset group's carrying value may not be fully recoverable. To the extent the carrying value of an asset exceeds the projected undiscounted cash flows expected to result from the use and eventual disposal of the asset or asset group, the firm determines the asset is impaired and records an impairment equal to the difference between the estimated fair value and the carrying value of the asset or asset group. In addition, the firm will recognize an impairment prior to the sale of an asset if the carrying value of the asset exceeds its estimated fair value. During 2016, except for the impairment of identifiable intangible assets previously mentioned, no other impairment losses were recorded.

Note 11.

Short-Term Borrowings

The firm obtains unsecured short-term borrowings primarily from Group Inc. As of December 2016, these borrowings were \$23.0 million. Unsecured short-term borrowings are accounted for at cost plus accrued interest which generally approximates fair value due to the short-term nature of the obligations. While these unsecured short-term borrowings are carried at amounts that approximate fair value, they are not accounted for at fair value under the fair value option or at fair value in accordance with other U.S. GAAP and therefore are not included in the firm's fair value hierarchy in Notes 5 through 7. Had these borrowings been included in the firm's fair value hierarchy, they would have been classified in level 2 as of December 2016.

Note 12.

Subordinated Borrowings

The firm has a \$1.60 billion revolving subordinated loan agreement with Group Inc., which matures in 2018. Amounts borrowed under this subordinated loan agreement bear interest at a rate of LIBOR plus 0.75% per annum. In conjunction with the GSEC migration, the firm repaid all outstanding amounts drawn under this agreement. As of December 2016, the firm had no outstanding subordinated borrowings from Group Inc.

Note 13.

Other Liabilities and Accrued Expenses

The table below presents other liabilities and accrued expenses by type.

<i>\$ in thousands</i>	As of December 2016
Compensation and benefits	\$ 3,452
Income tax-related liabilities	16,174
Payables to affiliates	7,095
Accrued expenses and other	7,417
Total	\$34,138

Note 14.

Commitments, Contingencies and Guarantees

Commitments

The firm had no outstanding commitments as of December 2016.

Contingencies

Legal Proceedings. See Note 19 for information about legal proceedings arising in connection with the conduct of the firm's businesses.

Guarantees

Indemnities and Guarantees of Service Providers. In the ordinary course of business, the firm indemnifies and guarantees certain service providers, such as clearing and custody agents, trustees and administrators, against specified potential losses in connection with their acting as an agent of, or providing services to, the firm or its affiliates.

The firm may also be liable to some clients, or other parties, for losses arising from its custodial role or caused by acts or omissions of third-party service providers, including sub-custodians and third-party brokers. In certain cases, the firm has the right to seek indemnification from these third-party service providers for certain relevant losses incurred by the firm.

In addition, the firm is a member of payment, clearing and settlement networks as well as securities exchanges that may require the firm to meet the obligations of such networks and exchanges in the event of member defaults and other loss scenarios.

In the normal course of business, the firm clears and settles transactions on behalf of its clients. The firm's obligations in respect of such transactions are secured by the assets in the client's account as well as any proceeds received from the transactions cleared and settled by the firm on behalf of the client.

Notes to Statement of Financial Condition

The firm is unable to develop an estimate of the maximum payout under these guarantees and indemnifications. However, management believes that it is unlikely the firm will have to make any material payments under these arrangements, and no material liabilities related to these guarantees and indemnifications have been recognized in the statement of financial condition as of December 2016.

Note 15.

Transactions with Related Parties

The firm enters into transactions with Group Inc. and affiliates in the normal course of business. Amounts payable to, and receivable from, such affiliates are reflected in the statement of financial condition as set forth below:

<i>\$ in thousands</i>	As of December 2016
Assets	
Collateralized agreements:	
Securities purchased under agreements to resell, at fair value	\$134,576
Securities borrowed	1,830
Receivables:	
Brokers, dealers and clearing organizations	2,732
Other assets	93
Liabilities	
Collateralized financings:	
Securities loaned	\$ 474
Unsecured short-term borrowings	23,004
Other liabilities and accrued expenses	7,095

The firm receives and provides operational and administrative support to GS&Co. Group Inc. has guaranteed the payment obligations of the firm, subject to certain exceptions.

Note 16.

Income Taxes

Provision for Income Taxes

The firm has elected to be taxed as a corporation for U.S. federal income tax purposes. As a corporation for tax purposes, the firm is subject to U.S. federal and various state and local income taxes on its earnings. The firm is included with Group Inc. and subsidiaries in the consolidated corporate federal tax return as well as consolidated combined state and local tax returns. The firm computes its tax liability on a modified separate company basis and settles such liability with Group Inc. pursuant to a tax sharing agreement. To the extent the firm generates tax benefits from losses, it will be reimbursed by Group Inc. pursuant to the tax sharing agreement. The firm's state and local tax liabilities are allocated to reflect its share of the consolidated combined state and local income tax liability.

Income taxes are provided for using the asset and liability method under which deferred tax assets and liabilities are recognized for temporary differences between the financial reporting and tax bases of assets and liabilities.

Deferred Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the financial reporting and tax bases of assets and liabilities. These temporary differences result in taxable or deductible amounts in future years and are measured using the tax rates and laws that will be in effect when such differences are expected to reverse. Valuation allowances are established to reduce deferred tax assets to the amount that more likely than not will be realized and primarily relate to the ability to utilize losses in various tax jurisdictions. As of December 2016, the firm did not record a valuation allowance to reduce deferred tax assets. Tax assets and liabilities are presented as a component of "Other assets" and "Other liabilities and accrued expenses," respectively.

The table below presents the significant components of deferred tax assets and liabilities.

<i>\$ in thousands</i>	As of December 2016
Deferred tax assets	
Compensation and benefits	\$ 2,131
Depreciation and amortization	7,837
Total deferred tax assets	\$ 9,968
Deferred tax liabilities	
Unrealized gains	\$20,604
Occupancy-related	286
Other, net	23
Total deferred tax liabilities	\$20,913

Unrecognized Tax Benefits

The firm recognizes tax positions in the statement of financial condition only when it is more likely than not that the position will be sustained on examination by the relevant taxing authority based on the technical merits of the position. A position that meets this standard is measured at the largest amount of benefit that will more likely than not be realized on settlement. A liability is established for differences between positions taken in a tax return and amounts recognized in the statement of financial condition. As of December 2016, the firm did not record a liability related to accounting for uncertainty in income taxes.

Regulatory Tax Examinations

The firm is subject to examination by the U.S. Internal Revenue Service ("IRS") and other taxing authorities in jurisdictions where the firm has significant business operations such as New York State and City. The tax years under examination vary by jurisdiction. New York State and City examinations of tax filings for Group Inc. and its subsidiaries for fiscal 2007 through calendar 2010 are ongoing.

Notes to Statement of Financial Condition

The Joint Committee on Taxation finalized its review of the U.S. Federal examinations of Group Inc. for fiscal 2008 through calendar 2010 in 2016. The examinations of 2011 and 2012 began in 2013.

Group Inc. has been accepted into the Compliance Assurance Process program by the IRS for each of the tax years from 2013 through 2017. This program allows Group Inc. to work with the IRS to identify and resolve potential U.S. federal tax issues before the filing of tax returns. The 2013 through 2015 tax years remain subject to post-filing review.

Note 17.

Credit Concentrations

Credit concentrations may arise from client facilitation and collateralized transactions and may be impacted by changes in economic, industry or political factors. The firm seeks to mitigate credit risk by actively monitoring exposures and obtaining collateral from counterparties as deemed appropriate.

The firm executes and clears client transactions on major stock exchanges, primarily with broker-dealers, institutional investors and affiliates.

In the ordinary course of business, the firm may also be subject to a concentration of credit risk to a particular counterparty, or to a particular clearing house or exchange. As of December 2016, the firm did not have credit exposure to any external counterparty that exceeded 5% of total assets.

To reduce credit exposures, the firm may enter into agreements with counterparties that permit the firm to offset receivables and payables with such counterparties and/or enable the firm to obtain collateral on an upfront or contingent basis. Collateral obtained by the firm related to resale agreements transactions is primarily U.S. government and federal agency obligations. See Note 8 for further information about collateralized agreements and financings.

The table below presents U.S. government and federal agency obligations that collateralize resale agreements. Because the firm’s primary credit exposure on such transactions is to the counterparty to the transaction, the firm would be exposed to the collateral issuer only in the event of counterparty default.

<i>\$ in thousands</i>	As of December 2016
U.S. government and federal agency obligations	\$134,576

Note 18.

Legal Proceedings

The firm is involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of the firm’s businesses. Many of these proceedings are in early stages, and many of these cases seek an indeterminate amount of damages.

With respect to material proceedings, management is generally unable to estimate a range of reasonably possible loss for matters, including where (i) actual or potential plaintiffs have not claimed an amount of money damages, except in those instances where management can otherwise determine an appropriate amount, (ii) matters are in early stages, (iii) matters relate to regulatory investigations or reviews, except in those instances where management can otherwise determine an appropriate amount, (iv) there is uncertainty as to the likelihood of a class being certified or the ultimate size of the class, (v) there is uncertainty as to the outcome of pending appeals or motions, (vi) there are significant factual issues to be resolved, and/or (vii) there are novel legal issues presented.

Management does not believe, based on currently available information, that the outcomes of any matters will have a material adverse effect on the firm’s financial condition, though the outcomes could be material to the firm’s operating results for any particular period, depending, in part, upon the operating results for such period.

Note 19.

Employee Benefit Plans

The firm’s employees participate in various Group Inc. sponsored pension plans and certain other postretirement benefit plans, primarily healthcare and life insurance. Group Inc. also provides certain benefits to former or inactive employees prior to retirement. The costs of these plans are allocated to the firm by Group Inc.

Defined Benefit Pension Plans and Postretirement Plans

Group Inc. maintains a defined benefit pension plan for substantially all U.S. employees hired prior to November 1, 2003. As of November 2004, this plan was closed to new participants and frozen for existing participants. In addition, Group Inc. maintains unfunded postretirement benefit plans that provide medical and life insurance for eligible retirees and their dependents covered under these programs. These plans do not have a material impact on the firm.

Defined Contribution Plan

The firm contributes to Group Inc.’s employer-sponsored U.S. defined contribution plan.

Notes to Statement of Financial Condition

Note 20.

Employee Incentive Plans

The cost of employee services received in exchange for a share-based award is generally measured based on the grant-date fair value of the award. Share-based awards that do not require future service (i.e., vested awards, including awards granted to retirement-eligible employees) are expensed immediately. Share-based awards that require future service are amortized over the relevant service period. Expected forfeitures are included in determining share-based employee compensation expense. GSEC pays cash dividend equivalents on outstanding restricted stock units (RSUs).

Stock Incentive Plan

Group Inc. sponsors a stock incentive plan, The Goldman Sachs Amended and Restated Stock Incentive Plan (2015) (2015 SIP), which provides for grants of RSUs, restricted stock, dividend equivalent rights, incentive stock options, nonqualified stock options, stock appreciation rights, and other share-based awards, each of which may be subject to performance conditions. The 2015 SIP is scheduled to terminate on the date of Group Inc.'s annual meeting of shareholders that occurs in 2019.

Restricted Stock Units

Group Inc. grants RSUs to employees under the 2015 SIP, which are valued based on the closing price of the underlying shares on the date of grant after taking into account a liquidity discount for any applicable post-vesting and delivery transfer restrictions. RSUs generally vest and underlying shares of common stock deliver as outlined in the applicable award agreements. Employee award agreements generally provide that vesting is accelerated in certain circumstances, such as on retirement, death, disability and conflicted employment.

The subsequent amortization of the cost of these RSUs is allocated to the firm by Group Inc. Delivery of the underlying shares of common stock is conditioned on the grantees satisfying certain vesting and other requirements outlined in the award agreements.

The table below presents the activity related to RSUs.

	Restricted Stock Units Outstanding		Weighted Average Grant-Date Fair Value of Restricted Stock Units Outstanding	
	Future Service Required	No Future Service Required	Future Service Required	No Future Service Required
Outstanding, December 2015	3,459	15,361	\$ 160.55	\$ 144.00
Granted	2,187	6,087	136.98	133.93
Forfeited	(1,186)	(26)	158.81	154.55
Delivered	-	(10,899)	-	138.41
Vested	(1,426)	1,426	160.51	160.51
Transfers	(1,721)	-	144.01	-
Outstanding, December 2016	1,313	11,949	145.31	145.92

In the table above:

- The weighted average grant-date fair value of RSUs granted during 2016 was \$134.74. The fair value of the RSUs granted during 2016 includes a liquidity discount of 11.08% to reflect post-vesting and delivery transfer restrictions of up to 4 years.
- The aggregate fair value of awards that vested during 2016 was \$1.12 million.
- Delivered RSUs include RSUs that were cash settled.

In the first quarter of 2017, 1,641 year-end RSUs were granted to employees, of which 248 RSUs require future service as a condition of delivery for the related shares of common stock. These awards are subject to additional conditions as outlined in the award agreements. Generally, shares underlying these awards, net of required withholding tax, deliver over a three-year period but are subject to post-vesting and delivery transfer restrictions through January 2022. These grants are not included in the table above.

Stock Options

Stock options generally vest as outlined in the applicable stock option agreement. In general, options expire on the tenth anniversary of the grant date, although they may be subject to earlier termination or cancellation under certain circumstances in accordance with the terms of the applicable stock option agreement and the SIP in effect at the time of grant.

The table below presents the activity related to outstanding stock options, all of which were granted in 2006 through 2008.

	Options Outstanding	Weighted Average Exercise Price	Aggregate Intrinsic Value (in millions)	Weighted Average Remaining Life (years)
Outstanding, December 2015	22,360	\$ 78.78	\$ 2	3.00
Exercised	(4,000)	78.78		
Outstanding, December 2016	18,360	78.78	3	2.00
Exercisable, December 2016	18,360	78.78	3	2.00

In the table above the total intrinsic value of options exercised during 2016 was \$0.51 million.

As of December 2016, unrecognized compensation cost related to non-vested share-based compensation arrangements was immaterial.

Notes to Statement of Financial Condition

Note 21.

Net Capital Requirements

The firm is a registered U.S. broker-dealer subject to Rule 15c3-1 of the SEC, which specifies uniform minimum net capital requirements, as defined, for its registrants. The firm has elected to compute its minimum capital requirements in accordance with the “Alternative Net Capital Requirement” as permitted by Rule 15c3-1. As of December 2016, the firm had regulatory net capital, as defined by Rule 15c3-1, of \$141.6 million, which exceeded the amount required by \$140.6 million.

Note 22.

Subsequent Events

During January 2017, the firm sold its investment in Redi.

During February 2017, the firm made a capital distribution of \$100 million to Group Inc.

Management has evaluated whether any events or transactions occurred subsequent to the date of the statement of financial condition and through February 28, 2017, the date the statement of financial condition was issued, and determined that there were no other material events or transactions that would require recognition or disclosure in this statement of financial condition.