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Account, the Goldman Sachs Private Equity Fund 2000 (which does not publicly trade), and a cryptic investment called Exchange Place LP which is listed on Kaplan's 2015 through 2020 financial disclosure forms in an amount of "over $1 million."

According to SEC filings, as of October 28, 2019, 1068 individuals had invested in Exchange Place LP to the tune of $2.1 billion. (It's impossible to tell from the SEC filing if that is the amount sold just in 2019 or the aggregate amount sold since the product was originated in 2014.)

Unlike typical investment offerings that are filed with the SEC, there is no prospectus or offering memorandum publicly available to provide a clue as to what this Goldman Sachs offering is all about. Other than our reporting today, it's a black hole in terms of what the general public knows about it.

The Dallas Fed has effectively denied that Exchange Place LP is a Goldman Sachs offering, stating in a press release last Monday that "Upon joining the Bank, Rob [Robert Kaplan, its President] systematically sold all of his personal holdings related to financial institutions over which the Federal Reserve had regulatory oversight or were otherwise restricted."

According to SEC filings, Exchange Place LP shares the headquarters address of Goldman Sachs. Its officers are employees of Goldman Sachs. Its phone number is Goldman Sachs' phone number. You decide if it's a Goldman Sachs' offering.

An independent source that is familiar with the Exchange Place LP tells us that it is an "Exchange Fund," also known as a "Swap Fund," that enables owners of highly appreciated stock to deposit their shares into a diversified portfolio of other stocks provided by other owners of appreciated stock. The depositor of stock receives a pro rata share of the diversified portfolio after seven years. The big tax perk is that the depositor of appreciated stock can indefinitely defer the payment of capital gains taxes through this type of product. Equally astonishing, if the investor holds the swapped position to his death, his heirs will get another big tax perk of a step-up in basis, escaping more capital gains taxes.

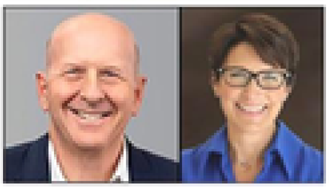
Morgan Stanley is listed in SEC filings as one of the many firms eligible to sell Exchange Place LP. We located a white paper from Morgan Stanley describing, in general terms, how Exchange Funds or Swap Funds work.

As is typical with Wall Street's tax schemes, the Exchange Place LP is only available to high net worth individuals, otherwise known as "Accredited Investors" on Wall Street. Average Americans are simply out of luck in getting access to such a product.

Dallas Fed President [redacted]ad a very good

New Documents Show the Fed's Trading Scandal Includes Two of the Wall Street Banks It Supervises: Goldman Sachs and Citigroup

By Pam Martens and Russ Martens: October 4, 2021 ~



David Solomon, CEO of Goldman Sachs; Jane Fraser, CEO of Citigroup

In the late eighteenth century, men gathered under a Buttonwood tree at 68 Wall in lower Manhattan and traded stocks among themselves. That's not how it works today. Dallas Fed President Robert Kaplan had to give his "over $1 million" trades in a litany of individual stocks and his "over $1 million" transactions in S&P 500 futures to a licensed broker at a registered broker-dealer. The same thing applied to Boston Fed President Eric Rosengren in placing his $1000 to $50,000 trades 68 times in 2020 in individual stocks and publicly traded Real Estate Investment Trusts (REITs).

The safeguards that failed at the Dallas Fed and the Boston Fed to stop their Presidents from trading like hedge fund wannabes should *not* have failed at the SEC-regulated Wall Street broker-dealers that placed these trades. The accounts at the trading firms for these two men should have been coded to indicate that the men came into regular contact with sensitive, market moving information. The nature and level of their trading should have triggered the immediate involvement of the firms' compliance departments and a halt to the trading. (See our earlier report on how a dozen legal safeguards failed, that should not have failed, to stop these men from humiliating the central bank of the United States around the world.)

Newly unearthed documents now put Wall Street megabanks Goldman Sachs and Citigroup at the center of this trading scandal. Both Goldman Sachs and Citigroup are bank holding companies that are supervised by…wait for it…the Federal Reserve. (Their broker-dealer units are supervised by the SEC and other securities regulators.) The documents suggest that rather than functioning as an arms-length *supervisor* of the banks, some Fed officials have gotten cozy with Goldman Sachs and Citigroup, receiving perks from these supervised entities.

Goldman Sachs has been supervised by the Federal Reserve since it became a bank holding company on September 21, 2008, in order to access bailout funds from the Fed. Despite Goldman Sachs being a supervised entity, Dallas Fed President Robert Kaplan owned four proprietary products offered by Goldman Sachs since he has been at the Dallas Fed: the Goldman Sachs Financial Square Money Market Fund; the Goldman S[redacted]d Corporate Bond

This raises another heart-stopping red flag: is the bank that blew itself up in 2008 actually fueling today's bubble market by using taxpayer-backstopped deposits to make margin loans to the rich to buy up stocks?

According to the Federal Deposit Insurance Corporation (FDIC), as of June 30 Citibank had $1.3 *trillion* in deposits. That makes it, once again, too big to fail and an albatross around the neck of taxpayers.

Following the 2008 financial crash, Citigroup became a 99-cent stock in early 2009. Despite the fact that it was clearly insolvent, the Federal Reserve made secret loans to the bank to prop it up from December 2007 through at least July 21, 2010. (The Fed is not legally allowed to make loans to insolvent institutions under the Federal Reserve Act.) When the Fed lost a court battle and had to finally disclose the full scale of its bailout to Wall Street's trading houses and banks, it was revealed that the Fed had made over $2.5 *trillion* in cumulative loans to Citigroup at below market interest rates. Citigroup was the largest recipient of loans from the Fed during and after the 2008 financial crash.

In addition, the U.S. Treasury injected $45 billion in capital into Citigroup; there was a government guarantee of over $300 billion on certain of its assets; and the FDIC provided a guarantee of $5.75 billion on its senior unsecured debt and $26 billion on its commercial paper and interbank deposits.

Earlier this year the public learned that Wall Street banks had loaned out their balance sheets to hedge funds to secretly trade billions of dollars of stocks with no disclosures to the SEC or the American people. In some cases, banks were providing as much as 85 percent margin loans, once again thwarting their own rules and the Fed's Regulation T. Banks took more than $10 billion in losses as a result of one of the family office hedge funds, Archegos, blowing up.

Given this set of facts, both the Senate Banking Committee and the U.S. Department of Justice should start promptly issuing subpoenas for trading records. The Senate Banking Committee should also hold a public hearing soon to take *sworn testimony* from Goldman Sachs and Citigroup CEOs so that the public can understand the full scale of their role in this trading scandal at the Fed and how their compliance department safeguards failed to prevent it.

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← The Justice Department Has 58 Documents About Its New Criminal Chief that It Doesn't Want the Public to See

Dallas Fed President Robert Kaplan might have had a very good reason to have an interest in an Exchange Fund to defer capital gains taxes. Kaplan joined the Dallas Fed on September 8, 2015. He had previously spent 22 years at Goldman Sachs, rising to the rank of Vice Chairman. According to SEC filings, on February 7, 2005, eight months before Kaplan joined the Harvard Business School, Kaplan held $266 million in Goldman Sachs' stock. Much of that was highly appreciated.

Kaplan's former boss and the former CEO of Goldman Sachs, Hank Paulson, had found his own means of indefinitely deferring capital gains taxes on his own Goldman Sachs highly appreciated stock. Paulson became U.S. Treasury Secretary in the George W. Bush administration and immediately filed to sell almost $500 million of his Goldman Sachs stock. There's a similar tax loophole that allows government employees who have to sell stock to avoid a conflict of interest to also indefinitely defer the payment of taxes, as long as they place the proceeds in government securities or a diversified portfolio of mutual funds. *The Economist* estimated that Paulson saved as much as $200 million through this tax maneuver.

A cursory search among financial disclosure forms for rich government officials turned up two other men who had large investments in Goldman Sachs Exchange Place LP. The 2020 financial disclosure form for Postmaster General Louis DeJoy turned up two entries of Exchange Place LP adding up to $2 million to $10 million. (Government officials report their assets in a ridiculously broad dollar range on their financial disclosure forms.) Exchange Place LP also shows up on the 2016 and 2017 financial disclosure forms for the former Republican Congressman from Florida, Francis Rooney, in an amount listed as $5 million to $25 million.

Less than one year ago, Goldman Sachs and its Malaysian unit admitted to conspiring to pay $1.6 billion in bribes to government officials in Malaysia and Abu Dhabi in order to win lucrative deals. The case was brought by the U.S. Department of Justice. Should the U.S. Department of Justice now be allowing high ranking government officials and a Federal Reserve Bank President to own black hole investments from Goldman Sachs?

We have asked six members of the Media Relations team at Goldman Sachs to confirm or deny that the general nature of the Exchange Place LP offering is to defer capital gains taxes on appreciated securities. A spokesperson for the group responded with "decline comment."

Can we positively say that these three men in high office owned a tax avoidance product? No, we can't. But we can say that numerous articles have been published about the fact that Goldman Sachs has been offering these types of Exchange Funds for at least two decades. We can also state that all that anyone at Goldman Sachs had to say to us in response to our ~~numerous inquiries was this:~~ your information on

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the nature of Exchange Place LP is wrong. That didn't happen.

For the legislative history of this tax maneuver and efforts to kill it, see this April 6, 1976 Memorandum prepared for the House Ways and Means Committee.

Last week we also asked the Media Relations team at Goldman Sachs to confirm or deny that Dallas Fed President Robert Kaplan was placing his "over $1 million" stock trades and S&P 500 futures trades at Goldman Sachs. It declined to answer that question as well. If these trades were placed at Goldman Sachs, its compliance department has a lot of explaining to do when investigators come knocking.

The situation with Citigroup and its federally-insured bank, Citibank, is equally dicey for Boston Fed President Eric Rosengren. His financial disclosure form shows that all of his trading occurred in a joint account with his wife and that his wife held a "secured loan for investment" at the federally-insured Citibank. (Scroll down to Schedule C, Liabilities, at the financial disclosure form link.)

Since there are no other assets than stocks and publicly-traded REITs listed as investments on the Rosengrens' financial disclosure form (that is, no rental real estate properties, for example) it would seem that the "secured loan for investment" was indeed a margin loan for investing in stocks.

We have attempted, via multiple emails, to get the Boston Fed to clarify if the "secured loan for investment" was a margin loan for trading in stocks. We have received only ambiguous responses, such as that it was "a secured loan for investment from CitiBank in NY."

If you were to ask any of the hundreds of thousands of licensed brokers on Wall Street if a federally-insured, taxpayer-backstopped, deposit-taking bank can offer margin loans for stock trading, they will tell you absolutely not — that only a broker-dealer overseen by the Securities and Exchange Commission can make margin loans for stock trading.

The 87-year old Securities and Exchange Commission apparently believes that is also the case. It defines a margin account as "a type of brokerage account in which your broker-dealer lends you cash, using the account as collateral, to purchase securities (known as 'margin securities')."

The Federal Reserve's Regulation T governs margin accounts, limiting initial loans to a maximum of 50 percent of the purchase price of the stock. That regulation is titled "Credit by Brokers and Dealers."

So imagine our surprise to locate a web page at Citibank promoting the use of "Margin and Securities Backed Finance" (MSBF). The web page states: "We enable qualified clients to borrow at competitive rates against investme[redacted]and equivalents,