

UNITED STATES OF AMERICA
Before the
COMMODITY FUTURES TRADING COMMISSION

**Treatment of Funds Held in Connection with
Clearing by LCH SA of Single-Name Credit Default
Swaps, Including Spun-Out Component Transactions**

ORDER

Banque Centrale de Compensation, doing business as LCH SA (“LCH SA”), a derivatives clearing organization (“DCO”) registered under Section 5b of the Commodity Exchange Act (“Act”) and a securities clearing agency registered under Section 17A of the Securities Exchange Act of 1934 (“Exchange Act”), has submitted a request that the Commodity Futures Trading Commission (“Commission”) issue an Order permitting LCH SA and its clearing members that are futures commission merchants registered under Section 4f(a)(1) of the Act and are also registered broker-dealers registered under Section 15(b) of the Exchange Act (“FCM/BD Clearing Members”) to (i) hold in a cleared swaps account subject to Section 4d(f) of the Act customer money, securities, and property (collectively, “customer property”) used to margin, guarantee, or secure both cleared swaps and cleared security-based swaps; and (ii) provide for portfolio margining of such cleared swaps and cleared security-based swaps.

The Commission has reviewed the request and the record in this matter (“Submission”), and finds that LCH SA has demonstrated that it can continue to comply with the requirements under the Act and the Commission's regulations thereunder. Therefore,

IT IS ORDERED, pursuant to Section 4d(f) of the Act, 7 U.S.C. § 6d(f), that, subject to the terms and conditions below, LCH SA and its FCM/BD Clearing Members that are acting pursuant to this Order may hold customer property used to margin, guarantee, or secure trades or positions in cleared security-based swaps with other customer property used to margin, guarantee, or secure trades or positions in cleared swaps in a cleared swaps account or accounts maintained in accordance with Section 4d(f) of the Act (including any orders issued pursuant to Section 4d(f) of the Act) and the regulations thereunder, and provide for portfolio margining of such cleared security-based swaps and swaps, subject to the requirements of Commission Regulation 39.13(g)(4). All such customer property shall be accounted for and treated and dealt with as belonging to the cleared swaps customers of the participating FCM/BD Clearing Members, consistent with Section 4d(f) of the Act and the regulations thereunder.

IT IS FURTHER ORDERED, that:

(1) Customer property used to margin, guarantee, or secure positions in credit default swaps (“CDS”) that are narrow-based index CDS or single-name CDS, (together, “Security-Based CDS”) that are currently, or will in the future be, cleared through LCH SA, may be commingled and portfolio margined with broad-based index CDS that are currently, or will in the future be, cleared through LCH SA, in accounts subject to Section 4d(f) of the Act.

(2) Each FCM/BD Clearing Member acting pursuant to this Order shall take appropriate measures to identify, measure, and monitor financial risk associated with carrying the Security-Based CDS in a cleared swaps account and implement risk management procedures to address those financial risks.

(3) LCH SA and each FCM/BD Clearing Member acting pursuant to this Order shall provide notice to its customers that customer property used to margin, guarantee, or secure

Security-Based CDS will not receive customer protection treatment under the Exchange Act or Securities Investor Protection Act of 1970, and will instead receive customer protection treatment under Subchapter IV of Chapter 7 of Title 11 of the United States Code and the rules and regulations thereunder.

(4) LCH SA shall apply appropriate risk management oversight procedures with respect to positions in the Security-Based CDS. LCH SA shall conduct oversight sufficient to assure that each FCM/BD Clearing Member acting pursuant to this Order has the operational capabilities necessary to manage defaults in such positions.

(5) LCH SA shall require FCM/BD Clearing Members to collect customer initial margin, as defined in Commission Regulation 1.3, from their customers at a minimum level determined by LCH SA.

(6) LCH SA shall conduct financial surveillance and oversight with respect to the Security-Based CDS carried by each FCM/BD Clearing Member acting pursuant to this Order.

(7) LCH SA and each FCM/BD Clearing Member acting pursuant to this Order shall take all other steps appropriate to manage risk related to clearing the Security-Based CDS.

(8) LCH SA and each FCM/BD Clearing Member acting pursuant to this Order shall hold all customer property deposited with LCH SA and such FCM/BD Clearing Member, respectively, to margin, guarantee, or secure Security-Based CDS in accordance with the requirements of section 4d(f) of the Act and the Commission's regulations thereunder.

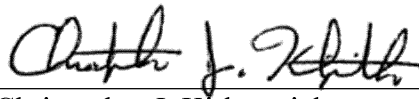
(9) LCH SA shall at all times fulfill all representations made in the Submission.

This Order is issued pursuant to Section 4d(f) of the Act based upon the representations made and supporting material provided to the Commission by LCH SA in its Submission. Any

material changes or omissions in the facts and circumstances pursuant to which this Order is granted may require the Commission to reconsider its finding that the relief set forth herein is appropriate. Further, in its discretion, the Commission may condition, modify, suspend, terminate, or otherwise restrict the exemptive relief granted in this Order, as appropriate, on its own motion.

Issued in Washington, D.C., this 1st day of November, 2021.

By the Commission

A handwritten signature in black ink, appearing to read "Christopher J. Kirkpatrick", written over a horizontal line.

Christopher J. Kirkpatrick
Secretary of the Commission