

UNITED STATES OF AMERICA
Before the
COMMODITY FUTURES TRADING COMMISSION

In the Matter of the Application of
LedgerX, LLC
For Registration as a Derivatives Clearing Organization

AMENDED ORDER OF REGISTRATION

On July 24, 2017, the Commodity Futures Trading Commission (the “Commission”) issued an order (“Original Order”) pursuant to Section 5b of the Commodity Exchange Act (the “Act”), 7 U.S.C. § 7a-1, granting LedgerX LLC (“LedgerX”) registration as a derivatives clearing organization (“DCO”) for the clearing of “fully collateralized digital currency swaps.”

On January 22, 2020, LedgerX requested that the Commission amend the product scope of the Original Order to permit LedgerX to also clear futures and options on futures. On June 23, 2020, LedgerX amended its request to additionally ask the Commission to remove the “digital currency” limitation in the product scope. The Commission has reviewed the request, along with supporting information, and finds that the requested amendment is consistent with the requirements of the Act and applicable regulations thereunder, but has identified additional terms and conditions necessary to ensure LedgerX’s compliance with the Act and applicable Part 39 regulations.

In light of the foregoing, **IT IS ORDERED**, pursuant to Section 5b of the Act, 7 U.S.C. § 7a-1, that the Original Order is superseded and LedgerX is granted registration as a DCO, subject to the terms and conditions specified herein:

(1) Cleared Products. LedgerX is permitted to clear, in its capacity as a DCO, fully collateralized futures, options on futures, and swaps. A contract cleared by LedgerX will be considered fully collateralized if LedgerX holds, at all times, funds sufficient to cover the

maximum possible loss a counterparty could incur upon liquidation or expiration of the contract, in the form of the required payment.

(2) Treatment of Funds. Funds held in the Proprietary Accounts (as this term is defined in 17 C.F.R. § 1.3) shall be considered member property, as that term is defined in the Bankruptcy Code. LedgerX shall at all times maintain funds of its clearing members separate and distinct from its own funds.

(3) Restriction on FCM Participants. This order does not permit any FCM participant to clear on behalf of any customer at LedgerX. Prior to permitting any FCM participant to clear on behalf of any customer, LedgerX shall submit all rules applicable to customer clearing to the Commission pursuant to Commission Regulation 40.5 or 40.6.

(4) Insurance. LedgerX shall obtain and endeavor to maintain to the extent commercially reasonable insurance coverage for theft or loss of participant digital asset collateral.

(5) Risk Disclosure. LedgerX shall fully disclose to any potential clearing member, in plain language, material risks associated with the clearing of fully collateralized digital asset contracts, including, without limitation, the theft, loss, or hacking of the underlying digital asset. The disclosure may include a discussion of any mitigating insurance or similar policies so long as the scope and limitations of any policy are clearly explained.

(6) Digital Asset Audit. LedgerX shall engage an independent certified public accountant to audit LedgerX's digital asset balances and issue an opinion on the accounting treatment of digital assets held by LedgerX on an annual basis.

(7) Digital Asset Third-Party Service Providers. LedgerX shall obtain and provide to the Division, as available to LedgerX, a copy of any SOC 1 – Type I or Type II audit report of

any third-party service provider used in the custody or storage of any digital assets held on behalf of clearing members.

(8) Compliance with Certain Statutes. LedgerX shall comply with the Bank Secrecy Act (31 U.S.C. § 5311 *et seq.*), the International Emergency Economic Powers Act (50 U.S.C. § 1701 *et seq.*), the Trading with the Enemy Act (50 U.S.C. § 4301 *et seq.*), and the executive orders and regulations issued pursuant thereto, including the regulations issued by the U.S. Department of the Treasury and, as applicable, the Commission, as if LedgerX were a covered “financial institution” within the meaning of 31 C.F.R. § 1010 *et seq.*

(9) Compliance with the Act and Commission Regulations. LedgerX shall comply, and shall demonstrate compliance as requested by the Commission, with applicable provisions of the Act, including the core principles set forth in Section 5b of the Act (“Core Principles”), and Commission regulations, as may be amended or adopted from time to time. LedgerX shall fulfill each of the representations it has made to the Commission relating to compliance with the Core Principles and Commission regulations.

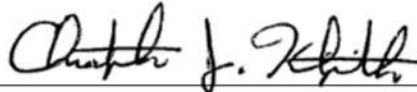
(10) Self-Regulatory Function. LedgerX shall ensure the performance of all self-regulatory functions required of it as a registered DCO under the Act and Commission regulations, including, without limitation: monitoring and enforcing clearing member compliance with LedgerX admission and continuing eligibility standards; and enforcing clearing member compliance with the terms of all other LedgerX rules, regulations, and procedures.

(11) New Regulations. Should the Commission promulgate or amend a regulation addressing or otherwise affecting any aspect of this order, then such regulation will apply and supersede the applicable term(s) in this order.

(12) Reservation of Rights. This order is based upon the representations made and supporting material provided to the Commission by LedgerX. In the event of any changes to or omissions in the material facts or circumstances pursuant to which this order is issued, or for any reason in its own discretion, the Commission may condition, modify, suspend, terminate, or otherwise restrict the terms of this order, as appropriate and as permitted by law, on its own motion.

Issued in Washington, D.C. on this 2nd day of September, 2020.

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