UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

DIVISION OF
TRADING AND MARKETS

March 8, 2013

Michael Huber
Goldman, Sachs & Co.
30 Hudson Street
27th Floor
Jersey City, NJ 07302-4699

Dear Mr. Huber:

On December 14, 2012, the Securities and Exchange Commission ("Commission") issued an order ("Order") granting conditional exemptive relief from compliance with certain provisions of the Securities Exchange Act of 1934 in connection with a program to commingle and portfolio margin customer positions in cleared credit default swaps ("CDS") that include both swaps and security-based swaps in a segregated account established and maintained in accordance with section 4d(f) of the Commodity Exchange Act ("CDS portfolio margin program").[1] The exemptive relief granted in the Order is subject to certain conditions, including the requirement that a dually-registered broker-dealer and futures commission merchant ("BD/FCM") operating pursuant to the Order must set minimum margin levels with respect to any customer transaction in the CDS portfolio margin program at least equal to the amount determined using a margin methodology established and maintained by the BD/FCM that has been approved in writing by the Commission or its staff. The Order also states that in appropriate circumstances the Commission or the Commission staff may provide temporary approval of a BD/FCM's margin methodology while the methodology is still being evaluated prior to granting final approval.

Goldman, Sachs & Co. ("Goldman") has indicated to the staff its intent to operate under the provisions of the Order and, consequently, is seeking Commission staff approval of its margin methodology for calculating margin amounts that must be collected from customers in a CDS portfolio margin program. On January 22, 2013 Goldman was provided with a request for information to be used by the Commission staff to evaluate Goldman's margin methodology in connection with its request for approval of the methodology to operate under the Order. In

---

1 *See* Order Granting Conditional Exemption Under the Securities Exchange Act of 1934 in Connection with Portfolio Margining of Swaps and Security-Based Swaps, Exchange Act Release No. 68433 (Dec. 14, 2012), 77 FR 75211 (Dec. 19, 2012).

response to this request and follow-up requests, Goldman has provided certain information to the Commission staff and is in the process of providing additional information.

The Commission staff is currently reviewing and evaluating the information submitted by Goldman to date, including the risk management systems and procedures associated with Goldman's margin methodology. Because a CDS customer subject to the CFTC's clearing mandate[2] would need to commingle swaps and security-based swaps in a single account to receive portfolio margin benefits, the Commission staff is granting conditional temporary approval of Goldman to use the margin methodology specified below.

Specifically, Goldman hereby is granted conditional temporary approval for purposes of the Order to use the following margin methodology to calculate the minimum margin amount that must be collected from a CDS customer with respect to a transaction in the CDS portfolio margin program:

1. Except as permitted under condition 2 below:

   A. Goldman must collect a margin amount from each CDS customer at least equal to 200% of the amount calculated using the model ("ICE Model") developed by ICE Clear Credit LLC ("ICE Clear Credit") as to the positions held in the portfolio margin account; or

   B. Goldman may collect a margin amount from a CDS customer at least equal to 150% of the amount calculated using the ICE Model if Goldman has assessed the creditworthiness of the CDS customer using its internal credit assessment methodology and has determined that the CDS customer has virtually no credit risk (i.e., the CDS customer is highly rated based on the Goldman's internal credit rating scale), provided that Goldman furnishes the Commission staff with a description of its methodology for assessing the creditworthiness of its CDS customers.

2. Goldman need not collect margin in excess of 100% of the amount calculated using the ICE Model, if the firm applies a 100% capital charge when computing its net capital under Rule 15c3-1 (17 CFR 240.15c3-1) in an amount equal to the difference between the amount required by 1.A. and B. above and the amount of margin collected.

3. This conditional temporary approval is based on the ICE Model used as of the date of this letter by ICE Clear Credit to compute margin for a portfolio of both swap and security-based swap CDS positions.[3] Any material change to the ICE

[2] *See* CFTC, Clearing Requirement Determination under Section 2(h) of the CEA, 77 FR 74284 (Dec. 13, 2012), which is a final rule establishing the first mandatory clearing compliance date of March 11, 2013, for certain classes of CDS and interest rate swaps.

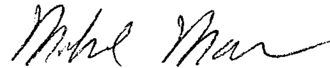
[3] The version of the ICE Model described in ICE Clear Credit's Risk Management Framework version 9.4.

Model after the date of this letter may result in the staff withdrawing or modifying this conditional temporary approval.

This conditional temporary approval is effective until such time as the Commission staff has completed its review and takes final action with respect to the firm's own margin methodology pursuant to the Order. This conditional temporary approval of the margin methodology described above does not constitute either temporary or final approval by the Commission staff of the ICE Model as a margin methodology that can be used for purposes of the Order.

If you have any questions, please do not hesitate to contact me at (202) 551-5525.

Sincerely,



Michael A. Macchiaroli