



# Clearing Risk Committee Terms of Reference

*Please respond to:*  
**Christopher Jones**  
Chief Risk Officer

**LME CLEAR LIMITED**

10 Finsbury Square, London EC2A 1AJ | Tel +44 (0)20 7113 8888

A private limited company. Registered in England no 07611628. Registered office as above.

[LME.COM/CLEAR](https://www.lme.com/clear)

# 1 Status

The Clearing Risk Committee (the “**Committee**”) is a sub-committee of the respective Executive Committees (“Excom”) of both LME and LME Clear to which the Excoms have delegated consideration of the matters set out in paragraph 3 below.

## 2 Administrative Structure

### 1.1 Composition

The Committee will be composed of the:

- 1) Chief Executive Officer, LME Clear;
- 2) Chief Risk Officer;
- 3) Chief Operating Officer;
- 4) Chief Compliance Officer, LME Clear;
- 5) A representative from Market Development;
- 6) Head of Financial Risk
- 7) Head of Clearing Risk, LME Clear;
- 8) Head of Credit Risk;
- 9) Head of Liquidity and Collateral Risk;
- 10) Head of Market Risk;
- 11) Head of Quantitative Risk;
- 12) A Representative from Clearing Operations;
- 13) Head of Legal, LME Clear; and
- 14) A senior representative from the HKEX Group Risk Management Team.

Only members of the Committee have a right to attend meetings; other directors or senior management of the Company may be invited to attend in a non-voting capacity, as appropriate.

### 1.2 Chairman

The chairman of the Committee will be the Chief Risk Officer, in their absence the Head of Financial Risk will act as chairman.

The Committee chairman shall report formally to the LME Clear Executive Committee or (in relation to matters relating to the LME, as described below) the LME Executive Committee on its proceedings on a quarterly basis and to the London Executive Risk Committee on a monthly basis on all matters within its duties and responsibilities. Urgent matters which require escalation shall be reported by the Committee Chairman to the relevant Executive Committee or Committees at the following Executive Committee meeting, or via email as required.

### 1.3 Reporting Procedures and Frequency of Meetings

The Committee shall meet twice each month or more frequently if so required.

Minutes will be taken for all meetings and shall be made available to the LME Clear and LME Executive Committees, the LME Clear and LME Boards and Bank of England upon request.



#### 1.4 Quorum

Four Committee members shall constitute a quorum, at least one of which must be the Chairman or their deputy and one other member from outside the Clearing Risk Department.

Decisions shall be determined by simple majority and, in the event of a tie, the chairman of the Committee shall escalate the issue to the relevant Executive Committee.

### 3 Role

The principal role of the Committee is to advise the LME Clear Executive Committee on the key LME Clear risk management elements and to assist the Chief Risk Officer in producing all relevant information for the Board Risk Committee. The Committee will also advise the LME Executive Committee on certain LME risks as described below.

### 4 Area of Responsibility

The Committee is responsible for overseeing certain matters relating to the day-to-day risk management of LME Clear and any LME risks which fall under the headings below. In addition, the Committee will oversee the implementation of the relevant parts of the Risk Appetite Statement.

The Committee has specific responsibility for the following matters:

- (a) review and approve risk aspects of new member applications (including credit);
- (b) review of all market, credit and liquidity risk papers for the Board Risk Committee;
- (c) review of all market, credit, investment and liquidity risk policy changes, including the Risk Appetite Statement, its implementation and any associated exceptions;
- (d) review of market, credit and liquidity risk aspects of a new product approval;
- (e) back testing results for market and liquidity risk;
- (f) review of independent party model assessments;
- (g) annual counterparty credit reviews including approval of credit ratings;
- (h) credit risk profile and credit watch list;
- (i) review of initial margin and collateral haircut changes;
- (j) review of additional margin profile;
- (k) monitoring of default fund adequacy;
- (l) review of liquidity profile;
- (m) review of collateral profile;
- (n) review and assessment of stress testing results and review of related parameters;



- (o) review and approval of new collateral;
- (p) review of risks arising from “Access and Participation”, “Tiered Participation” and “Custody and Settlement” under CPMI-IOSCO;
- (q) review of model risk validations;
- (r) review and approval of all new LME Clear counterparties and LME investment counterparties; and
- (s) at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Executive Committees for approval.



## Document Change History

Date	Version	Author	Summary of Changes
	01-0.2		Drafts
09.12.2013	0.3	Michelle Thompson	Consistency updates for board review. Changes to the distribution of policies between audit and risk committees.
17.12.2013	1.0	Michelle Thompson	Updates following board meeting on 16.12.2013
03.10.2014	1.1	Hannah Moulton	Formatting
16.09.2015	1.2	Christopher Jones	Amended to include CEO & Head of Business Development & Relationship Mgt within quorum.
21.09.2015	1.2	EXCOM	Approved by EXCOM
18.01.2016	1.3	Jo Bieda	Amended to clarify frequency of meetings clause and include Group Risk Officer in the quorum.
3.11.2017	1.4	Christopher Jones	Amended to reflect change in organisation structure. Amended reference to default management as part of DMC ToR Clarification of delegated authority from Excom
20.02.2018	1.5	Christopher Jones	Amendment to become Clearing Risk Committee to reflect only market, credit and liquidity risks and to reference new broader LME Group Executive Risk Committee. Including HKEX comments
30.08.2018	1.6	Kye Pearson	Removed responsibility for new member applications
20.09.2019	1.7	Kye Pearson	Change of Membership
15.05.2020	1.8	Christopher Jones	Reflecting additional resources in second line risk management.

## Document Distribution

Name	Title	Role	Date of Approval
Trevor Spanner	Chief Executive Officer	Review & Sign Off	July 2013
Adrian Farnham	Chief Operating Officer	Review & Sign Off	July 2013
Chris Jones	Chief Risk Officer	Review & Sign Off	July 2013
Anouk Gauthier	Chief Legal and Compliance Officer	Review & Sign Off	July 2013
Marcos Castro	Company Secretary	Review	July 2013
Board	Directors	Approval	16.12.2013
ExCom		Approval	27.01.2016
Excoms		Approval	23.07.2018
Excoms		Approval	31.10.2018
Excoms		Approval	13.05.2019
Excoms		Approval	22.06.2020

