



Executive Risk Committee

Terms of Reference

Please respond to:
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Chief Risk Officer

THE LONDON METAL EXCHANGE AND LME CLEAR LIMITED

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The London Metal Exchange is registered in England no 2128666.

LME Clear Limited is a private limited company and is registered in England no 07611628.

Registered offices as above.

LME.COM

1 Status

The LME Executive Risk Committee (the “**Committee**”) is a sub-committee of the respective Executive Committees (“Excoms”) of both LME and LME Clear (“LMEC”) 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)
- 2) Chief Executive Officer (LMEC)
- 3) Chief Risk Officer;
- 4) Chief Operating Officer;
- 5) Head of Regulation and Compliance;
- 6) Chief Financial Officer;
- 7) General Counsel;
- 8) Head of Market Development;
- 9) Chief Technology Officer (LME)
- 10) Chief Technology Officer (LMEC)
- 11) Chief Compliance Officer (LMEC);
- 12) LMEC Head of Risk;
- 13) Head of ERM and Operational Risk;
- 14) Group Head of ERM; and
- 15) Group Risk Officer.

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

1.2 Chairman

The chairman of the Committee will be the Chief Executive Officers, in their absence the Chief Risk Officer will act as chairman. The Committee chairman shall report formally to the respective Executive Committee’s after each meeting on all matters within its duties and responsibilities.

1.3 Reporting Procedures and Frequency of Meetings

The Committee shall meet monthly or more frequently if so required. Minutes will be taken for all meetings and shall be made available to the Executive Committees and respective Boards upon request.

1.4 Quorum

Four Committee members shall constitute a quorum. 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 Executive Committee(s).



3 Role

The role of the Committee is to advise the Executive Committees on the key risk management elements and to assist the Chief Risk Officer in ensuring all risks across the business are captured and appropriately managed.

4 Areas of Responsibility

The Committee is responsible for overseeing the day-to-day risk management of LME and LMEC, the implementation of the relevant parts of the Risk Appetite Statement and to ensure the active management of financial and non-financial risks.

The Committee has specific responsibility for the following matters:

- (a) to review the Risk Appetite Statement, its implementation and any associated exceptions;
- (b) to review related policies as outlined below;
- (c) to review the Enterprise Risk Management framework approach and heatmap;
- (d) to identify emerging risks to the business;
- (e) to review reports from the Clearing Risk Committee on key clearing risks;
- (f) to review reports from the Business Continuity Steering Committee on business continuity plans and risks;
- (g) to review the approach to Recovery and Resolution, regulatory capital calculations and associated policies and plans;
- (h) to review risks relating to the compliance monitoring programme;
- (i) to review independent risk model assessments;
- (j) to review outstanding risk acceptances and internal audit issues;
- (k) to review investment performance and associated risks;
- (l) to review and endorse LME Group tax strategy for Board approval;
- (m) to review and monitor the IT and operational risk profile;
- (n) to review official, settlement price and reference price formation approach and performance;
- (o) to review material changes of the overall pricing framework;
- (p) to review material conflicts of interest where sufficient mitigants cannot be established;
- (q) to review risk relating to physical operations;
- (r) to periodically review outsourcing arrangements;



- (s) to review the approach to default management;
- (t) to review proposals for new products and services;
- (u) to review periodic reports from the Pricing & Valuations Committee (“PVC”) concerning, amongst other things, any exercise of the PVC’s powers to approve minor amendments to pricing policies, methodologies and procedures;
- (v) to review any other risk management related issues as appropriate; and
- (w) to ensure coordination and information flows with the HKEX Group.

In addition, at least once a year, the Committee will 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 Excoms for consideration and if appropriate approval.



Document Change History

Date	Version	Author	Summary of Changes
20 Feb 18	0.1	Christopher Jones	First draft
15 Mar 18	0.2	Christopher Jones	Updated to reflect comments: change to attendees removal of market surveillance and rules addition of physical operation
3 May 18	0.3	Christopher Jones	Addition of compliance policies Removal of Info Sec Committee Renamed Executive Risk Committee to align with HKEX
4 June 18	0.4	Christopher Jones	Comments from HKEX aligning to Group ERIC; including CEOs as chair.
28 June 18	0.5	Kye Pearson	Incorporation of comments from the Committee.
24 May 19	0.6	KPMG/Keti Tano/Paul Kirkwood/Matt Wade	Update list of responsibilities to ensure clear BMR scope.
25 September 19	0.7	Keti Tano/Kye Pearson/Geoff Hammond	Further update to list of responsibilities to achieve dovetailing between ERIC and PVC terms of reference.



References

Ref	Document Name	Description
	Default Management Policy	This policy sets out the LME Clear default management framework including the default declaration, risk analysis & neutralisation, the treatment of client accounts and the auction process.
	Operational Risk Policy	This policy sets out the operational risk management approach for risk identification, assessment, treatment and monitoring.
	Recovery and Resolution Policy	This policy outlines the proposed recovery and resolution to be followed by LME Clear in the event of: <ul style="list-style-type: none"> the default of one or more clearing members or; losses suffered from a counterparty default situation.
	Wind Down Plan	This plan outlines the approach and associated costs of winding down LME Clear as a business.
	Business Continuity Policy	This policy outlines the approach to business continuity across LME and LME Clear.
	Risk Appetite Statement	This document is approved by the LME and LME Clear Boards and outlines the tolerance to risk that they wish the company to take
	Group Risk Management Policy	The HKEX overarching policy on risk management
	Payment, Settlement and Custody Policy	This policy outlines the approach to the use of payment, settlement and custody counterparties and the criteria for use of their services.
	Ethical Conduct, Legal and Compliance Risks Policy	
	Continuous Disclosure Policy	
	Transparency Policy	
	Group Record Retention Policy	
	Conflicts of Interest Policy	
	Group Anti-Bribery and Anti-Corruption Policy	
	Financial Crime Policy	



Ref	Document Name	Description
	Market Abuse Policy	
	Modern Slavery Policy	
	Group Whistleblowing Policy	
	Group Personal Account Dealing Policy	
	Incident Management Policy	The policy and criteria for the classification of incidents across the business

