



Clearing Risk Committee Terms of Reference

Please respond to:
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Chief Risk Officer

LME CLEAR LIMITED

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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 (“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, LMEC;
- 2) Chief Risk Officer;
- 3) Chief Operating Officer;
- 4) Chief Compliance Officer, LMEC;
- 5) Head of Market Development;
- 6) Head of Risk, LMEC;
- 7) Head of Credit Risk;
- 8) Head of Liquidity and Collateral Risk;
- 9) Head of Market Risk;
- 10) Head of Quantitative Risk;
- 11) Head of Clearing Operations;
- 12) Head of Legal, LME Clear; and
- 13) Deputy Group Risk Officer.

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 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 from outside the Risk Management 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) the review of all market, credit and liquidity risk papers for the Board Risk Committee;
- (c) the review of all market, credit, investment and liquidity risk policy changes, including the Risk Appetite Statement, its implementation and any associated exceptions;
- (d) 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;
- (h) credit risk profile and credit watch list;
- (i) the review of initial margin and collateral haircut changes;
- (j) the review of additional margin profile;
- (k) monitoring of default fund adequacy;
- (l) the review of liquidity profile;
- (m) the review of collateral profile;
- (n) the review and assessment of stress testing results and review of related parameters;
- (o) the review and approval of new collateral;



- (p) the review and approval of all new LME Clear counterparties and LME investment counterparties; and
- (q) 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 Board 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

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

References

Ref	Document Name	Description
	Collateral Policy	This document outlines LME Clear’s policies in respect of risk management for margin collateral and Treasury Investment collateral in all forms.
	Credit Policy	This policy sets out the process for monitoring and managing credit risk arising from clearing members of the LME, treasury investment counterparts, custodians, concentration banks, settlement banks, liquidity providers, and the credit risk related to margin collateral and treasury investment collateral.
	Default Fund Policy	This policy outlines the stress testing framework used in determining the LME Clear default fund, the construction of the LME Clear default fund along with the distribution and replenishment of financial resources to members and LME



Ref	Document Name	Description
		Clear.
	Investment Policy	The policy outlines the parameters of the LME Clear investment activity and
	Liquidity Policy and Funding Plans	This policy sets out LME Clear’s policy with regard to the management of liquidity risk arising through its various operational and default management activities.
	Margin Policy	This policy sets out how LME Clear’s policy for determination and calculation of margin arising from contracts traded by clearing members. It reflects the LME Clear Risk Appetite, particularly in the areas of market risk, credit risk, payment and settlement risk, and concentration risk.

