

Terms of Reference

Risk Management Committee
21 October 2014

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DOCUMENT CONTROL

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DOCUMENT HISTORY

Version	Version Date	Written & Updated by	Reviewed & Approved by	Description of Change(s)
1.0	14 May 2004	RMC Secretary	Board	First version
1.1	26 Oct 2006	RMC Secretary	Board	Fine-tuned TOR for various sections, including accountability, authority, and duties.
1.2	29 Oct 2009	RMC Secretary	Board	Included "technology risk" to the remit of the RMC. Included the RMC's role in making recommendations to the Board on "capital framework and clearing fund structure, as well as the Company's contribution to the relevant clearing funds".
1.3	26 Jul 2012	RMC Secretary	RMC	Harmonized wordings of Terms of Reference for all Board Committees.
1.4	30 Jun 2014	RMC Secretary	RMC	Included for clarity, the RMC's role to "Approve the framework and policies relating to the management of margin monies held with the Company.", " Review, the adequacy of the Company's insurance program" and "Review, the Company's performance against defined risk indicators".
	21 Oct 2014	CSO	Board	

1. PURPOSE

- 1.1 The role of the Risk Management Committee (“**RMC**”) is to review, recommend to the Board of Directors (“**Board**”) for approval, and, where authority is delegated by the Board approve:
 - 1.1.1 the type and level of business risks (“**risk appetite**”) that the Company undertakes on an integrated basis to achieve its business strategy; and
 - 1.1.2 the frameworks and policies for managing risks that are consistent with the Company’s risk appetite.

2. ACCOUNTABILITY

- 2.1 The RMC is accountable to the Board for the:
 - 2.1.1 Effectiveness of the Company’s risk governance structure;
 - 2.1.2 Effectiveness of the frameworks, policies and resources employed to identify, manage and report risks relating to the Company’s activities; and
 - 2.1.3 Effectiveness of the Company’s execution of risk management and mitigation policies.

3. AUTHORITY

- 3.1 The Board has delegated to the RMC the authority to:
 - 3.1.1 Approve the framework, policies and adequacy of resources, to identify, measure, manage and report risks;
 - 3.1.2 Approve the risk management strategies of the Company, specifically to address clearing and counterparty risks, technology risks and other enterprise risks that may have a significant impact on the reputation, financial position and business operations of the Company. Compliance and financial reporting risks will fall under the purview of the Audit Committee;
 - 3.1.3 Approve management’s attestation of the Company’s corporate business continuity planning; and
 - 3.1.4 Approve the framework and policies relating to the management of margin monies held with the Company.
- 3.2 In connection with its responsibilities, the RMC is authorised by the Board, at the Company’s expense, to obtain any external legal or other professional advice, appoint consultants and commission or purchase any relevant reports, surveys and information which it deems necessary, to help it fulfil its duties.

4. DUTIES

4.1 Make recommendations to the Board on:

- 4.1.1 The Company's key risks and risk appetite. Review of regulatory implications and regulatory risks of strategic initiatives will fall under the purview of the Regulatory Conflicts Committee;
- 4.1.2 Risk limits consistent with the Company's key risks and risk appetite-;
- 4.1.3 Delegation of authority on risk limits;
- 4.1.4 The Company's capital management policy and capital plan;
- 4.1.5 The Company's clearing fund structure, as well as the Company's contribution to the relevant clearing funds; and
- 4.1.6 The adequacy of the Company's long term technology strategy roadmap and progress of implementation against plan.

4.2 Review and approve:

- 4.2.1 The adequacy of the organizational framework and policies for managing risks of the Company;
- 4.2.2 The adequacy of resources such as manpower, financial and technology for the management of clearing risks and the support of the enterprise-wide risk management function;
- 4.2.3 The adequacy of the framework and policies relating to the management of margin monies held with the Company.

4.3 Review:

- 4.3.1 The adequacy of the Company's insurance program;
- 4.3.2 The Company's performance against defined risk indicators;
- 4.3.3 Technology service delivery against defined service levels; and
- 4.3.4 Operations service delivery against defined service levels.

4.4 Consider and advise on risk matters referred to it by management or the Board.

5. COMPOSITION

5.1 The RMC shall comprise:

- 5.1.1 at least 3 directors; and
- 5.1.2 a majority of members who are independent from management and business relationships with the Company;
- 5.1.3 at least one-third of members who are independent directors; and

- 5.1.4 a majority of members who are independent from any single substantial shareholder of the Company.
- 5.2 The independence of the members of the RMC shall be determined in accordance with the prevailing Securities and Futures (Corporate Governance of Approved Exchanges, Approved Clearing Houses, Licensed Trade Repositories and Approved Holding Companies) Regulations 2005.
- 5.3 A member of the RMC shall hold office until the next Annual General Meeting following that member's appointment and may be re-appointed to such office.
- 5.4 If the members of the RMC fall below 3, the Board shall, within 3 months, appoint new members to the RMC to make up the minimum number of 3. Any new member appointed shall hold office for the remainder of the term of office of the member of the RMC in whose place he is appointed.

6. MEETINGS AND PROCEEDINGS

- 6.1 Meetings and proceedings of the meetings of the RMC shall be governed by the provisions set out in [Appendix A](#).

7. STAFF FUNCTION / SECRETARY OF RMC

- 7.1 The Chief Risk Officer shall provide the staff function for the RMC. He/She shall propose the agenda of the meeting and take action on issues and matters arising from the meetings of the RMC.
- 7.2 The Company Secretary or his/her nominee shall act as the secretary of the RMC (the "Secretary").

Meetings and Proceedings

1. In addition to the meetings as scheduled in the calendar of Board and Board Committees, the RMC may regulate its own procedures and in particular the calling of meetings, the notice to be given of such meetings, the voting and proceedings thereat. The Secretary shall, on the requisition of a member, summon a meeting of the members.
2. Seven days' notice, or such shorter notice as may be agreed by members, will be given by the Secretary, specifying the place, time and agenda of the meeting. A copy of the notice shall also be sent to the external auditors.
3. The quorum necessary for the transaction of the business of the RMC shall be 2, provided that both shall be independent directors.
4. If, at any meeting, the Chairman is not present within 15 minutes after the time appointed for holding the meeting, the members present may choose one of the non-executive members to be Chairman of the meeting.
5. In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote.
6. A resolution in writing, signed by a majority of the members for the time being entitled to receive notice of a meeting of the RMC (of which a majority shall be independent), shall be valid as effectual as if it had been passed at a meeting of the RMC duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more members.
7. Minutes of proceedings of meetings of the RMC shall be recorded by the Secretary and circulated to all the members. The minutes are to be signed by the Chairman of the meeting. The minute books shall be kept by the Secretary and shall be open for inspection by any director of the Company.
8. The Chairman of the-RMC shall report on the proceedings of the RMC to the Board by way of submission of minutes of the RMC meetings or by such other mode as the Chairman shall in his discretion deem fit.
9. The RMC may invite members of management or others to attend the meeting and provide pertinent information as necessary.

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