



LME Clear Board

Terms of Reference

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

- a) The Board of Directors (“the **Board**”) of LME Clear Limited (the “**Company**”) is the ultimate decision-making body within the Company. The Board shall be responsible for ensuring compliance with all of the Company’s legal and regulatory obligations, including but not limited to those specified within EMIR. Taking account of the strategy of the HKEX Group, the Board has primary responsibility for establishing objectives and driving the strategy locally for the Company. The Board is also responsible for the oversight of risk management and internal controls.
- b) Defined terms in the document shall have the same meaning as those defined in the Articles of Association of the Company.

2 Responsibilities

- a) The Board has the ultimate responsibility for the management, general affairs, direction, performance and long-term success of the Company and has the powers, authorities and duties vested in it by and pursuant to the Company’s Articles of Association and applicable law.
- b) Members of the Board must commit sufficient time to perform their functions on the Board, act with honesty, integrity and independence of mind, effectively assess and challenge – where necessary - the decisions of the senior management, and oversee and monitor decision making.
- c) The Board must define and oversee the implementation of governance arrangements that ensure the effective and prudent management of the Company in a manner which satisfies its relevant regulatory obligations.
- d) The specific responsibilities assigned to the Board – including those explicitly expected under EMIR - are set out in the Company’s Matters Reserved for the Board document.

3 Composition

- a) The Board shall be composed of ten Directors, comprising:
 - i. The Chief Executive¹;
 - ii. Five Non-Executive Directors appointed by the holders of the majority of the Shares²; and
 - iii. Four Independent non-Executive Directors³.
- b) One of the non-Executive Directors shall be appointed by the Board as Chair and shall be selected by the Directors by a majority vote. The Chair is responsible for leadership of the Board and ensuring its effectiveness in all aspects of its role.

4 Non-executive Directors

¹ Appointed by the holders of the majority of the Shares pursuant to Article 22(b)(i) of the Articles

² Pursuant to Article 22(b)(i) of the Articles

³ appointed by the Board pursuant to Article 22(c) of the Articles



Appointment

- a) Non-Executive Directors should be independent in character and judgement, be of good repute and must possess adequate collective knowledge, skills and experience in financial services, risk management and clearing services in order to understand the Company's activities, obligations and main risks.
- b) The non-Executive Directors shall be appointed by the Board upon recommendation from the Nomination Committee who will take into account the above requirements and other factors as they consider appropriate.
- c) The Board shall comply with all relevant regulatory requirements, including (without limitation) those set out in EMIR (as onshored).
- d) The Chief Executive and any non-executive Directors employed within the HKEX Group will serve until their appointment is terminated in accordance with Article 23.

Retirement

- a) Non-Executive Directors shall be appointed for an initial term of three years.
- b) The Nomination Committee may approve the extension of a non-Executive Director's term of office as it thinks fit, subject to the Nomination Committee being satisfied that the Director continues to have the requisite character, reputation and experience as set out above.
- c) Non-Executive Directors shall not ordinarily serve on the Board for more than nine years. In exceptional circumstances the Nomination Committee, subject to regulatory non-objection, may permit a non-Executive Director's term of office to exceed beyond nine years for a limited period with view to ensuring good Board succession and continuity.

Remuneration

- a) Only eligible non-Executive Directors appointed in accordance with Article 22(b)(i), 22(b)(ii) or 22(c) of the Articles of Association of the Company shall be entitled to remuneration for their services as Directors of the Company.

5 Secretary

- a) The Company Secretary shall act as Secretary of the Board and shall ensure that that the Board receives information and papers in a timely manner to enable full and proper consideration of all issues.

6 Frequency of Meetings

- a) The Board shall meet a minimum of five times per annum, in addition to one strategy day. Additional meetings can be requested at any time by any Director by making such request to the Company Secretary.
- b) All meetings, unless agreed otherwise, will be held in London. All meetings can be facilitated by either telephone conference and/or video conference.



- c) Notice of meetings, including time and location, the agenda and meeting papers shall be provided to Directors no later than five calendar days before the meeting.
- d) The frequency of meetings shall be spaced out across the year to assist the Board in discharging its duties effectively. In the event that a decision is required outside of the meeting cycle, an additional meeting may be convened, subject to sufficient notice to the Board unless waived by the Board, or made by unanimous decision via email and noted at the following meeting.

7 Quorum

- a) Three Directors, including one independent Non-Executive Director, shall constitute a quorum.

8 Committees

- a) The Board shall establish the following Board Committees:
 - Audit Committee
 - Nomination Committee
 - Remuneration Committee
 - EMIR Risk Committee
 - Board Risk Committee
 - Technology Operational Resilience Committee
 - Executive Committee
 - Default Management Committee
- b) The Company Secretary shall be responsible for ensuring that the activities of these Committees are reported to the Board.
- c) The Board will periodically review the effectiveness of these Committees and will establish such other Committees as it deems in its absolute discretion to be necessary.

9 Minutes of Meetings

- a) The Company Secretary shall minute the proceedings and decisions of all Board meetings.
- b) Draft minutes of the Board meetings shall be promptly circulated to and agreed with the Chair.

10 Relationship between the Company and the HKEX Group

- a) In order to comply with the Company's regulatory obligations as a UK Recognised Clearing House ("RCH"), the Board must ensure that the Company is operated as an independent and distinct legal entity. Subject to continuing to satisfy the Company's regulatory obligations, the Board will seek take account of any strategic considerations or framework set by the Board of HKEX and seek to promote the success of the Company for the benefit of HKEX as the Company's ultimate parent company.
- b) The Company may adopt HKEX Group policies and procedures where applicable and appropriate, and such policies and procedures shall be binding on the Company.



11 Authority

- a) The Board may delegate duties to Committees or individuals whilst ensuring there is effective oversight of the delegated duties.
- b) The Board may:
 - i. Seek any information it requires from any employee of the Company and/or the LME Group in order to perform its duties;
 - ii. Obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so; and
 - iii. Call any employee of the LME Group to be questioned at a Board meeting as and when required.

12 Confidentiality and Conflicts of Interest

- a) Directors shall treat all information and documentation obtained with the necessary discretion. Confidential information shall not be disclosed outside the Board, made public or otherwise made available to third parties, even after resignation from the Board, unless it has been made public by the Company or it has been established that the information is already in the public domain.
- b) Directors shall not participate in any discussions and/or decision making process on a subject or transaction in relation to which the Director has a conflict of interest with the Company.
- c) Each Director shall immediately disclose any potential conflict of interest to the Board – including but not restricted to member firms. These conflicts of interest shall be recorded and tracked by the Company Secretary and Compliance.

13 Review of Terms of Reference

- a) At least annually the Board shall review and approve these Terms of Reference.

