

**CHICAGO MERCANTILE EXCHANGE INC.  
CLEARING HOUSE OVERSIGHT COMMITTEE  
CHARTER<sup>1</sup>**

**I. Purpose**

The Clearing House Oversight Committee (the “Committee”) is a Committee of the Board of Directors (“Board”) of Chicago Mercantile Exchange Inc. (“CME”). The purpose of the Committee is to provide oversight of the risk management activities and the senior management of the Clearing House, including oversight with respect to the effectiveness of the risk management program, but excluding operational risks as overseen by the Risk Committee.

In fulfilling its responsibilities, the Committee shall prioritize the safety and efficiency of the Clearing House, generally support the stability of the broader financial system and consider legitimate interests of clearing members and customers of clearing members at all times in accordance with prudent risk management standards (including systemic risk mitigation) and best practices in the industry.

**II. Membership & Organization**

- The members of the Committee and its Chairperson shall be appointed in accordance with the provisions of the Company's Corporate Governance Principles; provided, however, the Chair may not be a Clearing Risk Committee Member (as defined below).
- The Committee shall be comprised of at least six (6) or more non-executive directors and shall include the members of the Board who serve as chairperson(s) or as members on the Clearing House Risk Committee and/or the Interest Rate Swap Risk Committee (the “Clearing Risk Committee Members”); provided, however the number of other non-executive directors must be equal to or exceed the number of Clearing Risk Committee Members.

**III. Engagement of Outside Advisors**

- The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to engage independent professional advisors, as it deems appropriate, and may direct the proper officers of CME to pay the reasonable fees and expenses of any such advisor.

**IV. Committee Meetings, Tasks and Authority**

***General***

- The Committee shall meet as often as the Chairperson determines necessary to carry out its duties and responsibilities but no less frequently than quarterly and keep minutes of its proceedings.
- The Chairperson shall schedule all meetings of the Committee and provide the Committee with a written agenda, as appropriate. A quorum of the Committee shall be a majority of the appointed members of the Committee. A motion shall pass upon approval from a majority of the members present; provided, however, that at least one of the Committee members who is not a Clearing Risk Committee Member must have voted in favor of the motion. The Committee may ask members of management or others to attend the meeting and provide information or recommendations, as necessary.
- The Committee shall perform its responsibilities in accordance with this Charter and applicable regulatory requirements.

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<sup>1</sup> The terms “significant” and “substantive” have the meanings ascribed to them in Appendix D to the Commitment and Signing Authority Policy.

- Amendments to the Clearing House's rules that do not have a significant impact to the Clearing House's risk profile, as discussed below, may be submitted to the Committee for approval by electronic polling and shall be considered approved upon receipt of approval from all members of the Committee.

## ***Responsibilities***

### ***Risk Management***

- The Committee shall review the adequacy of the financial safeguards for the Clearing House, including receiving regular risk reports from Clearing House management which provide information on the effectiveness of its risk management program, and shall approve all substantive changes and recommend to the Board any changes to the extent such changes would have a significant impact on the Clearing House's risk profile. The Committee shall review the sizing computation of the guaranty fund at least on an annual basis.
- The Committee shall review and approve substantive changes to the performance bond policies for the Clearing House.
- The Committee shall review and approve all substantive amendments to the Rulebooks for Chicago Mercantile Exchange Inc., Board of Trade of the City of Chicago, Inc., New York Mercantile Exchange, Inc. and Commodity Exchange, Inc. (collectively referred to as the "Exchanges") impacting the Clearing House Division and recommend to the Board any changes to the extent such changes would have a significant impact on the Clearing House's risk profile.
- The Committee shall review and approve any new products that significantly impact the risk profile of the Clearing House and refer such products to the Board for approval.
- Oversight of the Risk Management Framework ("RMF"), including annual review and approval and review and approval of substantive changes thereto. The Committee will annually submit a recommendation to the Board to approve the RMF. The Committee will submit a recommendation to the Board for changes to the RMF to the extent such changes would have a significant impact on the Clearing House's risk profile.
- Oversight of the Liquidity Risk Management Framework ("LRMF"), including annual review and approval and review and approval of substantive changes thereto. The Committee will annually submit a recommendation to the Board to approve the LRMF. The Committee will submit a recommendation to the Board for changes to the LRMF to the extent such changes would have a significant impact on the Clearing House's risk profile.
- Oversight of the Credit Risk Assessment Methodology, including annual review and approval and review and approval of substantive changes thereto.
- Oversight of the Model Validation Framework ("MVF"), including annual review and approval and review and approval of substantive changes thereto.
- Oversight of the CME Clearing Investment Policy (the "Investment Policy"), including annual review and approval and review and approval of substantive changes thereto. The Committee will annually report to the Board on its review of the Investment Policy and a copy of the policy shall be provided to the Board.
- Oversight of the Clearing House Recovery & Wind Down Plan (the "Plan"), including annual review and approval and review and approval of substantive changes thereto. The Committee will annually submit a recommendation to the Board to approve the Plan. The Committee will submit a recommendation to the Board for changes to the Plan to the extent such changes would have a significant impact on the Clearing House's risk profile.
- Reviewing the results of independent validations of risk models and recommended actions and overseeing the remediation plan, if any is required.

- Reviewing the terms and conditions of the Clearing House 364-day clearing facility, including an analysis regarding the size of the facility, and recommending their approval to the Board or the Executive Committee.
- Reviewing the terms and conditions of the Clearing House 364-day committed FX facility, including an analysis regarding adequate size of the facility.
- Approving all new financial institutions to perform the functions of a settlement bank, a collateral custodian, a cash depository institution or an investment counterparty for the Clearing House.
- Reviewing the annual written report from Clearing House Management regarding the risk management activities of the Clearing House and recommend that such report be provided to the full Board.
- Reviewing proposed changes to the Charters for the Clearing House Risk Committee and the Interest Rate Swap Committee and recommending their approval to the Board.
- Providing guidance on the appropriate matters related to the Clearing House to be presented to the Board.

#### Clearing Membership

- Approve all applications for Clearing Members and all such Clearing Member mergers, substantive changes and withdrawals.
- Approve all substantive changes to the Clearing Membership requirements and substantive new types of clearing membership.

#### Clearing House Succession Planning and Reporting Lines

- At least annually, meet with the management of the Clearing House, including the President, Chief Risk Officer and Chief Compliance Officer to review and make recommendations with respect to succession planning and management development of such roles and to identify high performers as potential successors.
- Recommend to the Board for its approval the individuals to serve in the roles of President and Chief Risk Officer for the Clearing House.
- The Chief Risk Officer and the Chief Compliance Officer shall have indirect reporting lines to the Committee to ensure the effectiveness and independence of such functions, which will include periodic meetings in executive session, review of their performance evaluations and compensation and review of their budget and staffing.

#### General

- The Committee will undertake the specific responsibilities listed in this Charter and such other matters as contemplated by the Exchanges' Rulebooks or as the Board may from time to time prescribe.

#### **V. Reporting Activities**

- The Committee Chairperson or his delegate, on behalf of the Committee, shall make verbal reports to the Board on recent activities of the Committee, including any overview of any significant items.
- The Committee shall prepare and adopt a written annual report to the Board summarizing the key activities, conclusions and recommendations of the Committee during the previous year.
- The Committee shall reassess the adequacy of this Charter no less frequently than annually and submit any recommended changes to the full Board for approval.

- The Committee shall evaluate its performance on an annual basis and establish criteria for such evaluation. The Committee shall report to the Board regarding the results of its evaluation and provide copies of written evaluations, if any, to the full Board.

**Last approved May 5, 2020**