

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

**I. Purpose**

The Clearing House Risk Committee (“CHRC” or the “Committee”) has been established by the Board of Directors (“Board”) of Chicago Mercantile Exchange Inc. (“CME”) as a special committee with participation from market participants. The purpose of the Committee is to assist the Board and the Clearing House Oversight Committee in fulfilling their oversight responsibilities over the risk management (excluding operational risk), financial surveillance, clearing member admission and investigation functions of the Clearing House, other than those relating to interest rate swaps.

The CHRC shall make recommendations and provide reports, as appropriate, with regard to any issue within the CHRC’s responsibilities and authority, including making recommendations to the Clearing House Oversight Committee for approvals in accordance with this Charter, and reports to the Board.

In fulfilling its responsibilities, the CHRC 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 CHRC and its Chairperson(s) shall be appointed in accordance with the provisions of the company’s Corporate Governance Principles; provided the Chairperson(s) must be members of the Board of CME. In appointing members to the CHRC, the Board shall seek a balance of risk management and operational expertise taking into consideration the recommendations from Clearing House management. Appointments to the Committee recommended by management with support of the Chairperson(s) made in between the annual approval cycle may be approved jointly by the Chairman and Chief Executive Officer and the Chair of the Nominating and Governance Committee.
- The CHRC shall be comprised of at least nine members, including at least:
  - (i) two who are members of the CME Board;
  - (ii) five who are either an employee or director of a clearing member (“Base Clearing Committee Members”) approved to clear “Base Guaranty Fund Products” as defined in Chapter 8 of the Rulebooks (“Base Products”) 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”); and
  - (iii) one who is neither an employee or director of CME or its affiliates nor an employee or director of any Base Clearing Member.

Any member of the CHRC may be removed with or without cause jointly by the Chairman and Chief Executive Officer and the Chair of the Nominating Governance Committee. A member may resign by giving at least three (3) business days’ written notice of his or her intention to do so to the Chairperson(s) of the CHRC. Upon a resignation or removal, a replacement shall be considered as soon as practicable thereafter.

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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.

- Members that are not employees of CME or its affiliates may be paid an honorarium for attending CHRC meetings in an amount to be determined by CME. A member eligible for an honorarium may choose to forego being paid his or her honorarium upon written notice to the Chairperson(s) of the CHRC.

### **III. Committee Meetings, Tasks and Authority**

#### ***General***

- The CHRC shall meet as often as the Chairperson(s) determines necessary to carry out its duties and responsibilities but no less frequently than four times annually and keep minutes of its proceedings.
- The Chairperson(s) shall schedule all meetings of the CHRC and provide the CHRC with a written agenda, as appropriate. A quorum of the CHRC shall be a majority of its members. A motion shall pass upon approval from a majority of the members present. Voting may also be conducted outside a meeting via telephone and/or electronic polling of members; provided approval is received by a majority of the current members of the Committee. Members of management and others may attend meetings to provide information or recommendations, as necessary.
- The CHRC shall perform its responsibilities in accordance with this Charter and applicable regulatory requirements.

#### ***Responsibilities***

#### **Risk Management**

##### **Risk Management — Matters Presented to the CHRC for Guidance**

- The CHRC shall provide guidance to the Clearing House on risk management issues relating to the financial condition of the clearing membership for Base Products, including on matters relating to the financial deterioration of any Base Clearing Member.

##### **Risk Management — Matters for Review and Final Approval by the CHRC**

- The CHRC shall provide guidance to the Clearing House for the development of the Default Management Guidelines for Base Clearing Member defaults and approve all substantive changes to such Guidelines.

##### **Risk Management — Matters for Review, Approval and Recommendation to the Clearing House Oversight Committee**

- The CHRC shall review the adequacy of the financial safeguards for Base Products, 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 such changes to the Clearing House Oversight Committee for approval.
- The CHRC shall review the performance bond policies for Base Products and shall approve all substantive changes and recommend such changes to the Clearing House Oversight Committee for approval.
- The CHRC shall review and approve the Liquidity Risk Management Framework (“LRMF”) on an annual basis and recommend its approval to the Clearing House Oversight Committee. The CHRC shall also review and approve all substantive changes to the LRMF and recommend such changes to the Clearing House Oversight Committee for approval.

- The CHRC shall review and approve the Collateral Policy on an annual basis and recommend its approval to the Clearing House Oversight Committee. The CHRC shall also review and approve all substantive changes to the Collateral Policy and recommend such changes to the Clearing House Oversight Committee for approval.
- The CHRC shall review and approve the Credit Policy on an annual basis and recommend its approval to the Clearing House Oversight Committee. The CHRC shall also review and approve all substantive changes to the Credit Policy and recommend such changes to the Clearing House Oversight Committee for approval.
- The CHRC shall review and approve all substantive amendments to the Exchanges' Rulebooks impacting the Clearing House Division (other than Chapter 8G and Chapter 900 relating to Interest Rate Swap Products) and recommend such changes to the Clearing House Oversight Committee for approval.
- The CHRC shall review and approve any new Base Products that significantly impact the risk profile of the Clearing House and refer such products for approval to the Clearing House Oversight Committee. The management of the Clearing House shall report to the CHRC on the launch of any new Base Products as part of its regular monthly reporting process.
- The CHRC shall provide guidance on the Clearing House's risk management policies and practices relating to Base Products, including reviewing such policies and practices at least on an annual basis and shall review and approve any new risk frameworks and substantive changes to existing risk frameworks associated with Base Products and recommend such changes to the Clearing House Oversight Committee for approval.
- The CHRC shall review and approve all new financial institutions to serve in the role of a settlement bank or a collateral custodian for the Clearing House and recommend their approval to the Clearing House Oversight Committee.

#### **Clearing Membership**

- Clearing House management shall present all applications for Base Clearing Members to the CHRC for feedback and such feedback, if any, shall be communicated to the Clearing House Oversight Committee in connection with its review of such applicant for approval as a Base Clearing Member.
- The CHRC shall review any changes to the Clearing Membership requirements and new types of clearing membership and shall approve all substantive changes and recommend them to the Clearing House Oversight Committee for its approval.

#### **Disciplinary Matters**

- The CHRC shall enforce the provisions of the Exchanges' Rulebooks pertaining to the financial integrity of the Clearing Members and by any member who is an officer or a principal or who has assigned his membership on behalf of a Clearing Member, in connection with such Clearing Member's activities, except insofar as jurisdiction over matters relating to conduct, trading practices, trading ethics and certain sales practices of members, and market manipulations or other actions that threaten the integrity of the market are within the purview of the Business Conduct Committee. Notwithstanding the foregoing, the jurisdiction of the CHRC shall not extend to IRS Products or IRS Clearing Members in such capacity when clearing IRS Products.
- The CHRC may conduct investigations, issue charges and consider offers of settlement on its own initiative or by referral from management or the Business Conduct Committee.

## **General**

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

## **IV. Reporting Activities**

- One of the Chairperson(s) or his delegate who is also a member of the CME Board, on behalf of the Committee, shall make verbal reports to the Board on recent activities of the CHRC.
- The CHRC shall prepare and adopt a written annual report to the Board summarizing the key activities, conclusions and recommendations of the CHRC during the previous year.
- The CHRC shall reassess the adequacy of this Charter no less frequently than annually and submit any recommended changes to the Clearing House Oversight Committee who will then recommend the revised Charter 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.

## **V. Confidentiality**

- The CHRC and its members shall be responsible for preserving confidential information obtained in performance of the CHRC's activities. Each Member of the CHRC shall agree in writing that he will not publish, divulge, or make known in any manner, any facts or information regarding the business of any person or entity or any other information which may come to his attention in his official capacity as a member of the CHRC. No person may serve on the Committee until such writing is received by CME.

## **VI. Conflicts of Interest**

- Each CHRC member shall disclose the existence of any conflicts of interest to the Chairperson(s) or the meeting secretary at the beginning of each meeting or upon being aware of a conflict during a meeting and such disclosure shall be recorded. A member shall recuse himself or herself, as appropriate, from consideration of matters on which he or she is conflicted.

## **VII. Indemnification**

- Members of the CHRC are entitled to indemnification from CME as provided in the CME Bylaws and in accordance with Delaware law.

**Established 2000**

**Approved by the Clearing House Risk Committee: March 16, 2023**

**Approved by the Clearing House Oversight Committee: April 3, 2023**

**Approved by the Board of Directors: May 3, 2023**