

Via CFTC Portal

6 October 2021

Mr. Christopher J. Kirkpatrick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

Re: Proposed changes to the Terms of Reference of LCH SA 's Board Committees.

Dear Mr. Kirkpatrick,

Pursuant to CFTC regulation §40.6(a), LCH SA, a derivatives clearing organization (“**DCO**”) registered with the Commodity Futures Trading Commission (the “**CFTC**”), is submitting for self-certification the proposed amendments to the Terms of Reference (“**ToR**”) of its Board of Directors (“**Board**”) and of the Nomination Committee (“**NomCo**”), a committee of LCH SA Board (the “**Proposed Rule Changes**”).

The intended date of implementation of this initiative is on or after 25 October, 2021, subject to any relevant regulatory review or approval process duly completed and in no event will the changes be implemented earlier than ten (10) business days after the formal filing with the CFTC.

The text of the Proposed Rule Changes is attached hereto as Appendix.

Part I: Explanation and Analysis

Following the departure of the LCH Group Chief Risk Officer (“**LCH Group CRO**”), this role has been retired. As a consequence, the reference to the LCH Group CRO needs to be removed from both ToR of LCH SA Board and NomCo. In addition, LCH is making a change allowing the LCH Group CEO to nominate a LCH or LSEG Executive, who may be the LSEG Chief Risk Officer.

Part II: Description of Rule changes

The main objective of these revisions to the ToRs of the Board and NomCo is to properly maintain the LCH SA governance documents duly updated.

(i) **Terms of Reference of the Board (“*Règlement Intérieur*”)**

The provisions of Article 3 of the ToRs of the LCH SA Board on Composition of the Board were updated to remove the reference to LCH Group CRO that become non relevant anymore.

LCH also proposes to edit the provisions in order to enable the LCH Group CEO to nominate a LCH or LSEG Executive who may or may not be the Chief Risk Officer of London Stock Exchange Group plc (“LSEG”).

(ii) **Terms of Reference of the Nomination Committee**

The provisions of Article 2.3.3 currently identify the LCH Group CRO or any other LCH executive as determined by the LCH Group CEO within the composition of the Board.

LCH proposes to remove the reference to the LCH Group CRO (referred to as the chief risk officer of the Parent Company), as this role has been retired, as noted above. LCH also proposes to edit the article in order to enable the LCH Group CEO to nominate a LCH or LSEG Executive who may or may not be the LSEG Chief Risk Officer.

Part III: Core Principles Compliance

LCH SA has reviewed the Proposed Rule Changes against the requirements of the Commission’s regulations and DCO Core Principles, and finds that these changes will continue to comply with all the requirements and standards therein and in particular with the **Core Principle O (Governance and Fitness Standards)** and CFTC regulations including, but not limited to § 39.24. As the revisions do not result in any substantive changes in LCH’s governance, LCH will continue to meet the objectives of Core Principle O, including that LCH SA have governance arrangements that (i) are clear and documented; (ii) include clear and direct lines of responsibility and accountability; and (iii) clearly specify the roles and responsibilities of the board of directors and its committees.

Part IV: Public Information

LCH SA has posted a notice of pending certifications with the CFTC and a copy of the submission on LCH’s website at: [Proposed Rule Changes | LCH Group](#)

Part V: Opposing Views

There were no opposing views expressed to LCH SA by governing board or committee members, members of LCH SA that were not incorporated into the rules.

Certification

LCH SA hereby certifies to the CFTC, pursuant to the procedures set forth in the Commission regulation §40.6, that this change submission complies with the Commodity Exchange Act, as amended, and the regulations promulgated there under.

Should you have any questions please contact me.

A handwritten signature in blue ink, appearing to read 'Faure', with a long horizontal stroke underneath.

Francois Faure
Chief Compliance Officer
+33 1 70 37 65 96
françois.faure@lseg.com

APPENDIX

Proposed changes to LCH SA Governance Arrangements:

- 1) Terms of Reference of the Board (*Règlement intérieur*)
- 2) Terms of Reference of the Nomination Committee

LCH SA
Terms of Reference of the Board
(Adopted by the Board on ~~9 September 2020~~^[●])

Article 1. Purpose

These Terms of Reference provide for the terms relating to the organisation and functioning of the Board of the Company and of its Committees, which in addition to the law and to the articles of association, specify certain rules relating to the allocation of tasks and responsibilities between the General Management, the Chairman and the Board, and specify the rules applicable to the Directors.

The Directors are bound by the provisions of these Terms of Reference.

Article 2. Definitions

The following words and expressions when used in these Terms of Reference have the meaning given to them below:

Audit Committee means the audit committee of the Company.

Board means the board of directors (*conseil d'administration*) of the Company.

Cash Clearing Agreement means the agreement for cash equities clearing between the Company and EURONEXT dated 28 January 2013 as amended.

Cash Clearing Infrastructure means UCS Cash, or the successor clearing infrastructure used for cleared financial instruments agreed upon between the Company and EURONEXT as the clearing infrastructure to be used by the Company to render the clearing services.

Cash Common Services means the clearing services provided by the Company to the trading facilities for the cash clearing of financial instruments listed on the Euronext markets and other trading facilities operated by EURONEXT using the Cash Clearing Infrastructure developed and operated by the Company for the clearing of such financial instruments.

CEO means the chief executive officer (*directeur général*) of the Company.

Chairman means the chairman (*président du conseil d'administration*) of the Board.

Clearing Member has the meaning ascribed to it in the Company's clearing rules.

Committee means a committee established by the Board, which are listed in Article 15.

Company means LCH SA.

Conflicted Shareholder has the meaning ascribed to it in Article 14.18 of these Terms of Reference.

Conflict of Interest means a situation in which a Director has, or can have, an interest which conflicts, or possibly may conflict, with the interests of the Company.

Conflict Situation has the meaning ascribed to it in Article 14.18 of these Terms of Reference.

Deputy-CEO means a deputy managing director (*directeur général délégué*) of the Company, if any.

Director means a director (*administrateur*) of the Company.

Eligible Institution has the meaning ascribed to it in the articles of association of LCH Group Holdings Limited from time to time.

EMIR Regulation means the Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories as well as the Commission Implementing Regulation (EU) No. 1249/2012 of 19 December 2012 implementing regulatory technical standards and Commission Delegated Regulation (EU) No. 153/2013 of 19 December 2012 supplementing Regulation (EU) No. 648/2012 of the European Parliament and of the Council, or any applicable successor law or regulation.

Euronext means Euronext Brussels S.A./N.V., Euronext Amsterdam N.V., Euronext Paris S.A., Euronext Lisbon – Sociedade Gestora De Mercados Regulamentados S.A., Euronext Oslo Børs ASA, Euronext UK Markets Ltd and any other member of the Euronext group from time to time.

Exchanges has the meaning ascribed to it in the articles of association of LCH Group Holdings Limited from time to time.

General Management means the general management (*direction générale*) of the Company.

Head of Compliance means the person who satisfies the role of chief compliance officer of the Company, as defined under the EMIR Regulation.

Independent Director means an independent director, who satisfies applicable Regulatory Requirements regarding independent directors and who is appointed in accordance with the Nomination Committee terms of reference.

LCH Group means LCH Group Holdings Limited and its subsidiaries from time to time.

Local Management Committee means the Local Management Committee of LCH SA, which advises and supports the Chief Executive Officer on all key management matters of the company, in order for him to fulfill his responsibilities. The composition and powers of the Local Management Committee are set out in its terms of reference.

LSEG means London Stock Exchange Group plc.

LSEG Director means a director appointed to the board of LCH Group Holdings Limited by LSEG (other than the CEO of LCH Group Holdings Limited).

LSEG Group means London Stock Exchange Group plc and its subsidiaries from time to time other than those entities comprising the LCH Group.

Managers in Charge means the CEO and the other person(s) designated as "dirigeant effectif" of the Company in accordance with applicable Regulatory Requirements, who are empowered with the effective determination of the operation of the Company's business, as described in Article 13.2 of these Terms of Reference.

Nomination Committee means the nomination committee of the Company.

Regulatory Requirements means, with respect to the Company, any regulation or requirement of applicable law or of any applicable regulatory body or any request of any applicable regulatory body, with which failure to comply would result or would reasonably be expected by the Company to result in the withdrawal of authorisation necessary to conduct clearing business in any relevant jurisdiction or other disciplinary or enforcement action that would have a material adverse effect on the ability of any member of the LCH Group to conduct clearing business in any relevant jurisdiction.

Remuneration Committee means the remuneration committee of the Company.

Risk Committee means the risk committee of the Company.

Secretary means the secretary (*secrétaire*) of the Board.

Senior Management has the meaning given thereto in the EMIR Regulation.

Settlement Systems means one of the settlement systems used by the Company for the Cash Common Services which are Euroclear Bank, Euroclear Belgium, Euroclear France, Euroclear Netherlands, or Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. (Interbolsa), Banque Nationale de Belgique (BNB), or any successor settlement system agreed upon between the Company and EURONEXT.

Terms of Reference means these terms of reference (*réglement intérieur*) of the Board.

User means Eligible Institutions other than Exchanges.

User Director means a director who is nominated by a shareholder of LCH Group Holdings Limited which is a User or who is otherwise connected to such User shareholder by virtue of his employment or directorship.

Article 3. Composition of the Board

The Board is composed of a minimum of three and a maximum of eighteen Directors. Each Director is proposed by the Board at a shareholders' meeting and appointed for a period of three years. The Board's proposals regarding appointment of Directors shall be based on recommendations made by the Nomination Committee in accordance with its terms of reference.

Subject to the decision of the shareholders' meeting, the Board shall be composed of the following categories of Directors:

- an independent non-executive Chairman;
- Independent Directors (provided that at least two of the Independent Directors (which may include the Chairman) shall not also be independent directors on the board of directors of LCH Limited);
- ~~_____~~ executive Directors (including the CEO of the Company ~~and~~ the CEO of LCH Group Holdings Limited)
- ~~and an~~ additional LCH ~~or LSEG~~ executive, who may be but shall not be limited to the chief risk officer of ~~LCH Group Holdings Limited~~ ~~the Company or LSEG~~, as proposed by the CEO of LCH Group;
- a Director proposed by EURONEXT in accordance with and subject to the terms of these Terms of Reference;
- User Directors; and
- a Director representing LSEG,

such categories and such numbers of Directors within each category being subject to change to comply with any applicable legal or regulatory requirements from time to time (including the appointment of additional Independent Directors as may be required from time to time to comply with applicable Regulatory Requirements).

Pursuant to either (i) the Cash Clearing Agreement and for so long as the Cash Clearing Agreement is in force or (ii) the Derivatives Clearing Agreement and for so long as the Derivatives Clearing Agreement remains in force, EURONEXT is entitled to propose the appointment of a maximum of one Director to the Board through the Nomination Committee, such appointment being approved by the shareholders' meeting upon recommendation made by the Board (with the assistance of the Nomination Committee).

In its proposals, the Board aims for its own composition and that of the Committees it creates to be balanced and in line with the needs of the Company in terms of the skills and experience of the Directors chosen. The

preceding sentence notwithstanding, the composition of the Board and its Committees shall at all times reflect Regulatory Requirements. The Board shall take appropriate measures to ensure that the Directors meet all appropriate fitness standards under applicable law and that their duties are carried out with the necessary level of independence, integrity and objectivity.

Directors may be dismissed at any time by the shareholders' meeting without cause. If the conduct of a Director appears to the Nomination Committee likely to be prejudicial to the sound and prudent management of the Company, the Nomination Committee shall (and with regard to Directors appointed by LSEG, with LSEG's consent (not to be unreasonably withheld or delayed)) recommend to the Board convening a shareholders' meeting and the Board may propose such Director's removal at the shareholders' meeting. The shareholders may decide, in their sole discretion, taking into account the recommendation of the Board, to dismiss the relevant Director.

Directors may also resign by notice to the Company.

Otherwise, a Director's duties come to an end at the close of the shareholders' meeting approving the annual accounts for the past financial year and held the year the Director's term ends.

Directors shall be eligible for re-appointment up to a maximum of three three-year terms, unless otherwise determined by the Nomination Committee.

Only in case of a vacancy due to the death or resignation of one or more Directors, the Board may, in the period between shareholders' meetings, decide on temporary appointments, subject to the ratification by the next shareholders' meeting and compliance with Regulatory Requirements. A Director appointed by the Board to replace another shall remain in office for the remaining period of his/her predecessor's term. He/she is eligible for re-appointment.

Article 4. Rules applicable to Directors

4.1 General obligations

The Directors represent the shareholders as a whole and must act under all circumstances in the corporate interest of the Company.

A Director must, at the time of his/her appointment, review the laws and regulations regarding his/her function as well as the specific provisions laid out in the articles of association and the internal rules and procedure of the Board and its Committees. A Director should, if he/she deems it necessary, be able to receive training regarding the specific features of the Company and its activities.

A Director's acceptance of his/her appointment requires his/her commitment, in particular:

- To dedicate the required time and attention to his/her duties and to matters considered by the Board, and where applicable, by the Committee of which he/she is a member;
- To ask for any additional information he/she might find useful;
- To form an opinion prior to making any decision; taking into consideration only the Company's best interests; and
- To actively participate in Board meetings.

He/she undertakes to attend Board meetings according to the pre-established annual calendar and, where possible, to make him/herself available for any exceptional meetings.

Each Director must fulfil his/her duties with respect to the requirement to commit sufficient time to perform their functions in the Company and the rules governing the number of corporate directorships that can be held. In a case where a Director intends to accept an office in addition to the ones he/she already holds, he/she must notify the Secretary.

Directors shall be prohibited from accepting an office (*mandat social*) in a competing company, save for an office in the LSEG Group.

4.2 Right of information of Directors

Save as otherwise prescribed in these Terms of Reference, the Chairman or the CEO shall communicate to the Directors all necessary information for the fulfilment of their duties and the Directors may obtain all documents they consider useful prior to any meeting.

If a majority of the Independent Directors determine in good faith that, in order to prevent a breach of applicable competition law or regulation, a Director connected to a particular shareholder of LCH Group Holdings Limited or of the Company should not have access to competitively sensitive information concerning a particular Eligible Institution, the relevant Director shall be notified of this situation and shall immediately make appropriate arrangements in order not to receive such competitively sensitive information. The relevant Director shall also absent him/herself from any part of a Board meeting at which such competitively sensitive information is discussed, and/or shall abstain him/herself to participate in discussions or vote on any resolution at such Board meeting (or a meeting of any Committee) relating to such competitively sensitive information, unless a majority of the Independent Directors agree otherwise.

The Independent Directors may only make a determination described in the paragraph above on a case by case basis and:

- on their own initiative, provided that they have consulted the Company's legal advisers in advance of such determination and taken their views into account; or
- if, following receipt by the Company of a written request from any Eligible Institution that a particular Director should not have access to certain competitively sensitive information concerning such Eligible Institution, a majority of the Independent Directors determine, having obtained such legal advice as they consider appropriate, that such request is proportionate and not vexatious.

Any restriction imposed pursuant to the previous paragraphs shall be without prejudice to any rights of consent which LSEG may have under these Terms of Reference.

The Chairman, assisted by the Secretary, is responsible for the communication to Directors of all relevant information according to the circumstances and the points on the scheduled agenda. Where practicable, the Board's files shall be made available to the Directors at least a week before the proposed Board meeting.

Directors shall be informed regularly, by any means, of the Company's financial situation, its accounts and its undertakings as well as of any significant risk, event or operation regarding the Company as well as risk management policies and any amendments thereto.

To complete the information they have and for the fulfilment of their duties, Directors may meet with the Company's managers as reasonably requested, provided that the Chairman and the CEO have given their prior approval to such a meeting.

4.3 Discretionary and confidentiality duties

Reports and documents provided to the Board shall be deemed confidential, unless otherwise indicated. The discussions as well as the minutes transcribing their content shall also be confidential. This duty of confidentiality applies to all persons attending the Board meetings.

Directors shall be bound by an absolute duty of confidentiality, even after the end of their term, with respect to the content of the discussions and deliberations of the Board with the exception of cases where the disclosure of such information is required by the laws or regulations in force or where it is in the public interest.

4.4 Duty of expression

Directors commit to clearly express any objection they might have to a draft decision they deem might harm the Company.

Article 5. Board meetings

The dates of Board meetings for the following calendar year shall be agreed on a provisional basis, taking into account the scheduled dates of the meetings of the other boards of the LCH Group, as well as those of the board-level committees in the LCH Group. The proposed schedule is subject to the approval of the Chairman and the CEO as well as executives of the LCH Group. It is then placed on the Board's agenda to inform all Directors. Board meetings will be convened by e-mail.

The Board shall meet as often as required in the interests of the Company, at the request of any Director of the Company. The Board shall meet, on average, six times per year and at least once per annum. The Board shall devote an item on its agenda to a discussion of its working procedures.

When the Board does not meet for more than two months, a Director may request that the Chairman call a meeting with a determined agenda. The CEO may also request at any time that the Chairman call the Board with a determined agenda.

Board meetings shall be held at the registered office or at any other location specified in the notice (including abroad). Meetings shall be chaired by the Chairman or, failing that, by a Director temporarily carrying out the duties of chairman designated for that purpose by the Board.

Within the limits and conditions of the legal and regulatory provisions, the Board meetings may take place by means of video-conferencing or telecommunication. Any Directors participating in this manner shall be deemed to be present for the purpose of establishing quorum and majority, except (i) if provided otherwise by the articles of association, or (ii) when decisions relating to the closing of the annual accounts and consolidated financial statements and the drafting of the corporate management report are being made.

Article 6. Quorum

The board of Directors may validly deliberate only if at least half of the Directors are present.

If there is a breakdown in the telecommunication or video-conference link noted by the Chairman, the Board may validly deliberate and/or continue with the Directors who are physically present as long as the conditions of quorum have been fulfilled. The occurrence of any technical incident disrupting the operation will be mentioned in the minutes, including the interruption and re-establishment of remote participation.

Should no quorum exist at the commencement of a meeting, the Board shall be reconvened within five days with the same agenda.

Article 7. Voting majority

7.1 Simple majority

Subject to Article 7.2, decisions shall be made by a majority vote of the Directors present or represented at the Board meeting. The Chairman casts the deciding vote in the event of an equality of votes.

When only two Directors are present, decisions must be made by unanimous vote.

7.2 Enhanced majority

Decisions of the Board in respect of the following topics require a majority vote of 75% of the non-conflicted Directors voting at the meeting, unless otherwise agreed by EURONEXT and the Company:

- reduction in the choice, access to, and operating principles of Settlement Systems relevant to the Cash Common Services;

- changes of information technology systems or developments of new information technology architectures, advancements, in technologies (hardware, software and parameterisation of these hardwares and softwares) relating to the Cash Clearing Infrastructure; and
- allocation of costs relating to information technology systems developments (which include the costs incurred for hardware purchasing, software development, parameterisation, consultancy services, project management, related maintenance and support services and the Clearing Members technical support services) relating to the Cash Clearing Infrastructure.

Article 8. Alternate Director

Any Director may give a proxy in writing (by email, fax or letter) to another Director to represent him/herself at a specified Board meeting.

Each Director may only hold one proxy per meeting and cannot represent more than one Director. An Independent Director may only appoint a proxy who qualifies as an Independent Director and any purported appointment of an alternative who does not so qualify will be void *ab initio*.

Article 9. Record of Board attendance

Where Directors are unable to attend any Board meeting, they must notify the Secretary of their intended absence in a timely manner following receipt of their convening notice. The Secretary shall have the Directors sign the attendance register and take note of the Directors attending by means of videoconferencing or telecommunication, as the case may be. In the event that a Director has been repeatedly absent for more than three consecutive Board meetings, the Director concerned may be called to order by the Chairman.

The attendance register is kept in a safe in the office of the Secretary.

Article 10. Minutes

The minutes of any Board meetings shall be prepared by the Secretary. The minutes shall be subject to approval of the Chairman and CEO. They shall be distributed to the Directors and approved at the following meeting. Given the French and English composition of the Board, minutes shall be translated into French before being presented to the Board.

The minutes shall be signed by the chairman of the meeting and at least one Director. In case of impediment of the chairman of the meeting, the minutes shall be signed by at least two Directors.

Copies or extracts from the minutes of the meetings shall be validly certified either by the Chairman, the CEO, a Deputy-CEO (if any), any other Director temporarily delegated to fulfil the functions of the chairman, or by a proxy empowered for this purpose.

During the liquidation of the Company, these copies or extracts would be certified by a sole liquidator.

Article 11. Board Secretary

The Secretary may be any person that the Board elects to appoint.

The Secretary is responsible for convening the Board meetings and the shareholders' meetings on behalf of the Chairman. In conjunction with the Chairman and CEO, the Secretary draws up the agenda of the Board. The agenda and notice of any Board meeting shall be then sent to the Directors or any other Board meeting attendees such as representatives of the works council.

The Secretary establishes the list of the documents that will be provided to the Directors in accordance with the proposed agenda and ensures their collection. The content of all the supplied documents shall be subject to the approval of the Chairman and the CEO before being sent or transmitted to Directors where practicable, approximately a week before the proposed Board meeting.

In compliance with laws and regulations, the Secretary shall ensure that copies of minutes are provided upon request to anyone entitled to receive such copies.

The Secretary is available to satisfy any request for information from a Director regarding his/her rights and obligations, the operation of the Board or the life of the Company.

The Secretary submits evidence of any official changes (Directors, financial statements, articles of association, etc.) to the commercial registry and to any relevant legal gazette, if required.

Article 12. Powers of the Board

The Board determines the business strategies of the Company and oversees their implementation. Subject to the powers that the laws and regulations expressly reserve to general meetings of shareholders and to the Managers in Charge, namely the CEO and the other person(s) designated as "dirigeant effectif" of the Company, and within the limits of the Company's corporate purpose, the Board is responsible for the overall management of the Company, deals with all questions concerning the smooth course of the Company's business and passes resolutions to settle all matters that concern it.

This Article does not prevent the Board from having full access to relevant information which is outside the scope of the matters listed in this Article.

Within this framework, and without this list being exhaustive:

- (a) with respect to business management and strategy, the Board shall:
 - establish clear objectives and strategies for the Company;
 - approve the Company's annual operating and capital expenditure budget subject to the consent of LSEG;
 - approve any material changes to the Company's budget (including any third party debt financing) subject to the consent of LSEG;
 - review the Company's performance in light of the strategy, objectives, business plans and budgets approved by the Board and any subsequent revision, and ensure that appropriate corrective action is taken;
 - approve any change in the fee grid which has a material impact on the relevant Business line's approved budget;
 - approve the terms and conditions of any merger agreement between the Company and a third party subject to the consent of LSEG;
 - convene and set the agenda of the shareholders' meeting;
 - approve the planned extension of the Company's activities through the launch of new products or the launch of existing products in new geographic areas where new or novel risk is being introduced;
- (b) with respect to the structure and capital of the Company, the Board shall issue a report to the shareholders to recommend:
 - any changes relating to the Company's share or regulatory capital structure including any reduction of capital, issue of shares or other securities and share buy-back, to be decided upon by a general meeting of shareholders (save where such change results from the loan by a member of the LCH Group of a de minimis number of shares to one or more of its directors). In addition to shareholder approval, each issue of shares in the Company shall be subject to the consent of LSEG (such consent not to be unreasonably delayed);

- any changes to the Company's legal status to be decided upon by general meeting of shareholders;
 - any changes to the Company's management and control structure to be decided upon by general meeting of shareholders;
- (c) with respect to remuneration of the Company's employees, the Board shall:
- establish and regularly review appropriate remuneration policies, with the assistance of the Remuneration Committee, and control its implementation;
 - on the basis of the recommendation of the Remuneration Committee, to the extent required by EMIR Regulation or by the Company's regulators, approve the remuneration policy for the Chairman of the Board, the Executive Directors of the Company, the Company's Head of Compliance and any other senior executive personnel of the Company as decided by the Board;
 - determine the remuneration of the non-executive Directors of the Company;
 - in consultation with the Boards of other LCH Group subsidiary companies (as applicable), determine any material changes to the Company's pension arrangements;
- (d) with respect to financial reporting and controls, the Board shall:
- prepare the Company's annual accounts to be approved by general meeting of shareholders and issue a related management report to the shareholders;
 - having due regard to the Company's interests, issue a report to the shareholders recommending the payment of a final dividend, to be decided upon by general meeting of shareholders, having taken into account the following matters:
 - applicable regulatory and regulatory capital requirements, including reasonable capital "buffers";
 - restrictions in any finance documents;
 - investment to support capital expenditure contemplated by the business plan and budget from time to time, including technology, taking into account future expected cash flows; and
 - applicable laws;
 - approve any significant changes in accounting policies or practices;
- (e) with respect to risk management, the Board shall:
- establish and monitor the risk management function of the Company;
 - determine the general framework of membership rules (e.g. criteria for admission) following recommendation from the Risk Committee;
 - determine the general framework of risk control rules following recommendation from the Risk Committee;
 - determine the framework of Default Fund rules following recommendation from the Risk Committee;
 - approve the internal policy framework for defining the type of extreme but plausible market conditions that could expose the Company to greatest risk following recommendation of the Risk Committee and review any material change reported by the

Risk Committee and any review undertaken by the Risk Committee and reported to the Board;

- approve the new stress-testing model following recommendation from the Risk Committee;
- at least annually, approve the adoption of the LCH Group Risk Governance Framework;
- at least annually, approve the Company's Financial Resource Adequacy Policy, Default Management Policy, Collateral Risk Policy, Investment Risk Policy, Liquidity Risk Policy, Settlement, Payment & Custody Risk Policy, Counterparty Credit Risk Policy, Contract and Market Acceptability Policy, Model Governance, Validation & Review Policy, Operational Risk Policy and Procyclicality Policy and any significant changes to those policies following recommendations from the Risk Committee;
- approve the liquidity plan after consulting the Risk Committee;
- approve the level of liquidity risk tolerance determined by the Managers in Charge, and come to a decision at least once per year on such level of risk tolerance and on the strategies, policies, procedures, systems, tools and limits allowing the Company to detect, measure, manage and follow the liquidity risk, and approve any material change thereto;
- approve the limits (including, without limitation, the risk global limits) proposed by the Managers in Charge after having consulted, as the case may be, the Risk Committee;
- determine the conditions of communication and periodicity under which information on whether risk limits are satisfied, including whether global limits are likely to be reached, is communicated to the Board and the Risk Committee;
- approve the IT strategy of the company, the strategic guidelines and any significant changes annually;
- approve the business continuity policy and the disaster recovery plan of the Company, and review independent reviews of such business continuity policy and disaster recovery plan reported to the Board;
- oversee the crisis management function of the Company;
- ratify the suitability of any guarantor which is the issuer of a commercial bank guarantee to be accepted as collateral, after a full assessment of the issuer and of the legal, contractual and operational framework of the guarantee and ensure that the Company has a high level of comfort on the effectiveness of the guarantee;
- approve the policy for the use of derivative contracts by the Company for the purpose of investing its financial resources, after having consulted the Risk Committee;
- approve each year, or following any material change, the model that the financial and non-financial counterparties shall have for using marking-to-model as referred to in the EMIR Regulation, unless this approval has been delegated by the Board to a Committee (e.g. the Risk Committee);
- review the results of the independent audit assessments of the information technology systems and the information security framework reported to the Board;
- approve the contemplated dismissal of the chief risk officer (*responsable de la fonction de gestion des risques*);
- review at least annually risk tolerance limits and the associated warning thresholds (including policies and procedures containing these metrics),

provided that, in each case, any matter which constitutes a material increase in the risk profile of the investment policy or capital management policy of the Company or which would result in a material decrease in the liquidity resources available to the Company will be subject to LSEG consent, provided that nothing will prevent the Company from taking such steps as are: (i) necessary or desirable to comply with any legal or regulatory requirements; or (ii) considered by the Company's Chief Risk Officer; or, in his or her absence, the CEO; or, in his or her absence, the Chairman of the Risk Committee, to be required to be taken in response to a default by a clearing member or members or adverse macro-economic event;

- (f) with respect to Board membership and other appointments, the Board shall:
- subject to LSEG consent, recommend changes to the structure, size and composition of the Board upon recommendations from the Nomination Committee, to be approved by general meeting of shareholders;
 - ensure adequate succession planning for the Board;
 - decide appointments to the Board Committees further to recommendations from the Nomination Committee;
 - appoint the Chairman of the Board and the CEO (in accordance with the terms of reference of the Nomination Committee) and determine their remuneration;
 - in consultation with the Company's Head of Compliance (or his or her designee) manage and authorise Director conflicts of interest in accordance with these Terms of Reference;
 - recommend the appointment or reappointment of the external auditor upon recommendations from the Audit Committee, to be approved by general meeting of shareholders;
 - be responsible for the oversight of the Company's Head of Compliance, internal audit function and chief risk officer (all of which report directly to the Board); and
 - effectively monitor the Senior Management of the Company;
- (g) with respect to delegation of authority, the Board shall approve the terms of reference of Board Committees and any changes thereto subject to the consent of LSEG (to the extent provided for in those terms of reference or in these Terms of Reference below);
- (h) with respect to compliance and internal control, the Board shall:
- determine the compliance policies and procedures of the Company, jointly with the Managers in Charge;
 - monitor the compliance function and internal control function of the Company;
 - review on a regular basis, with the assistance of the Risk Committee, the policies implemented in order to comply with internal control requirements, and assess the efficiency of such policies, arrangements and procedures implemented for the same purpose and of the measures taken to remedy any failures;
 - review on a regular basis, with the assistance of the Risk Committee, the effectiveness of the implementation of the Company's risk and control processes by the Managers in Charge and take all appropriate measures to remedy any failures;
 - undertake twice a year a review of the Company's risk and control processes, results and activities of the internal control system, including the control of compliance, and the significant incidents revealed by the internal control procedures;

- determine the nature, volume, form and frequency of information communicated to the Board;
 - set the criteria and thresholds of significance allowing the identification of incidents by risk analysis and risk measurement systems, which must be brought to its attention;
 - approve the audit planning of the Company and its review;
 - oversee the outsourcing arrangements of the Company;
 - oversee the compliance of the Company with all provisions of the EMIR Regulation and all other regulatory and supervisory requirements;
 - meet with the Company's Head of Compliance at least once per year, together with the Managers in Charge, to which the Company's Head of Compliance reports;
 - provide accountability to the shareholders or owners and employees, clearing members and their customers of the Company and other relevant stakeholders;
 - review at least annually the specific / formal sign-off of exceptions to Group policies;
- (i) with respect to corporate governance and compliance, the Board shall:
- undertake an annual review of its own performance and that of its Committees;
 - oversee compliance with applicable legal, regulatory and contractual requirements from time to time; and
 - take into account any implications of the group for the Company's own governance arrangements (including having an appropriate conflicts policy in place) including whether the Company has the necessary level of independence to meet its regulatory obligations as a distinct legal person and whether its independence could be compromised by the group structure.

If there is any doubt as to whether a particular matter falls within the scope of this Article, the matter shall be brought to the attention of the Secretary of the Board who shall refer it to the Chairman of the Board who shall then decide whether the matter referred to him is reserved for the Board and his decision shall be final.

Article 13. Company management (Chairman – CEO)

The Board appoints from the Directors a Chairman, who shall be an individual. The Chairman may be dismissed at any time by the Board.

13.1 General Management

The Board shall entrust the General Management to the CEO.

The Chairman does not assume the General Management, he/she has no executive responsibilities and will be in charge of the following functions:

- To ensure the proper operation of the Company's bodies and in particular ensure that the Directors are able to carry out their duties within the Board;
- To report to the shareholders' meeting on the manner in which the work of the Board and the internal control procedures implemented by the Company are prepared and organized;
- To ensure the application of good governance standards;

- To maintain, in consultation with the CEO, the Company's high-level relationships with customers, regulators and public authorities both in France and abroad.

As the functions of Chairman and CEO are separated, the Board, with assistance from its Committees, appoints the CEO, sets the term of office, determines the remuneration and, if necessary, the limitations on its powers.

The CEO may be dismissed at any time by the Board.

With respect to day-to-day management, the CEO is vested with the broadest powers to act in any and all circumstances in the name of the Company. He/she exercises these powers within the limits of the Company's corporate purpose and subject to those powers that the law expressly reserves to general meetings of shareholders and to the Board.

The CEO represents the Company in its relationship with third parties. The CEO is also responsible for providing the Board and its Committees with the information they need and to implement the decisions taken by the Board.

The CEO ensures, through the Local Management Committee, that no person, save for the CEO, is entitled on his/her own, on behalf of the Company, to make an expense exceeding EUR 100,000 and to commit to its payment. The approval of the list of authorized signatories and any changes thereto is of the competence of the Local Management Committee.

As an internal restriction only and without effect towards third parties, (subject to any LSEG consent rights under article 12 of these Terms of Reference) the CEO must obtain the prior approval by a resolution of the Board in order to carry out:

- any planned extension of the Company's activities through the launch of new products or through the launch of existing products in new geographic areas where new or novel risk is being introduced;
- any opening of a new branch or representative office of the Company, whether conducting clearing activities through such branch or office or otherwise;
- any major change to the Company's corporate structure such as the creation of new holding or subsidiary companies;
- any contract which the Company or any subsidiary of the Company proposes to enter into in the ordinary course of business of the Company, which is material to the Company's business strategically or by reason of its duration (over three years) or its size, namely with an estimated or actual present value of EUR 5,000,000 or more;
- any contract which the Company or any subsidiary of the Company proposes to enter into outside the ordinary course of business of the Company including any loan or similar arrangement with a value of EUR 1,000,000 or more;
- any prosecution, defence or settlement of litigation worth at least EUR 2,000,000 or otherwise material to the Company's interests (provided that the settlement of any litigation which could result in a payment to or by the Company in excess of EUR 2,000,000 will be subject to LSEG consent);
- any item of expenditure or the incurrance of any liability if such expenditure or liability is in excess of EUR 10,000,000 or results in the total limit on spending or costs set out in the annual budget exceeding the budgeted level by more than 10%;
- any material borrowings and material capital expenditure. For the purposes of this paragraph: (i) **material borrowings** includes any new committed facilities (irrespective of the size of the borrowing) and any intra-day or over-night settlement bank and concentration bank facilities entered into for the purposes of the Company's clearing activities; and (ii) capital expenditure shall be **material** if it exceeds an aggregate annual amount of EUR 3,000,000; and

- any material IT investments proposed to be made by the Company (subject to LSEG consent). IT investments shall be material if they exceed an aggregate annual amount of EUR 3,000,000.

As an internal restriction only and without effect towards third parties, (subject to any LSEG consent rights under article 12 of these Terms of Reference) the CEO must consult with the board of LCH Group Holdings Limited and must obtain the prior approval by a resolution of the Board in order to carry out:

- any type of joint venture arrangement between the Company and any third party;
- any acquisition of a business with a valuation representing 5% or more of the Company's net revenue stated in the last audited accounts published by the Company;
- any disposal of all or any material part of the Company's business;
- any decision to cease to operate all or any material part of the Company's business;
- any acquisition or disposal of shares or any interest in shares of the Company, any significant investment in any third party or the making of any takeover offer; and
- any material acquisitions and disposals, including in relation to intellectual property and the Company's various business segments and group undertakings. For the purposes of this paragraph, an acquisition or disposal shall be **material** if the value of the consideration or the assets which are the subject of the transaction exceed an aggregate amount of EUR 10,000,000.

13.2 Managers in Charge

The Managers in Charge are both empowered with the effective determination of the operation of the Company's business. In summary, they are notably responsible, with the support of the other members of the Senior Management of the Company for (i) the accounting and financial information of the Company, (ii) ensuring the Company complies with French and EU law requirements relating to its own funds and (iii) ensuring the Company complies with French law requirements relating to internal control within the Company. In particular but not limited to:

- (a) **with respect to accounting and financial information the Managers in Charge and other members of the Senior Management of the Company (if any) shall:**
 - With respect to the ACPR, a Manager in Charge shall answer any request for information, circulate accurate information and ensure the submission of annual accounts in consolidated form.
 - With respect to statutory auditors, a Manager in Charge shall ensure the nomination of statutory auditors, ensure their convening to all general meetings and more generally cooperate with them in performing their duties.
 - They shall ensure that the annual accounts are made publicly available.
- (b) **with respect to risk management, the Managers in Charge and other members of the Senior Management of the Company (if any) shall:**
 - ensure consistency of the Company's activities with the objectives and strategy of the company as determined by the Board;
 - ensure that sufficient resources are devoted to risk management;
 - ensure that feedback and suggestions are provided to the Board and to the Risk Committee in respect of risk management framework including the measures taken to ensure the continuity of the activity and the assessment of the efficiency of the current

arrangements, and the measures taken to ensure the control of the outsourced activities and the potential risks arising therefrom for the Company;

- more generally, ensure that risks posed to the Company are duly addressed in compliance with policies, risk appetite defined by the board and applicable regulations;

(c) **with respect to compliance and internal controls, the Managers in Charge and other members of the Senior Management of the Company (if any) shall:**

determine the compliance, risk and internal control policies, processes and procedures of the company that promote the company's objectives, jointly with the Board (subject to regular review and testing and control of their efficiency).

13.3 The Board delegates responsibility to the CEO or his/her management team to provide to LSEG (subject to all laws and regulations (including antitrust laws and regulations)):

- (a) sufficient financial and other information that LSEG may reasonably require to meet any applicable reporting requirements or standards and LSEG's budgeting and forecasting processes; and
- (b) the audited accounts for each financial year and monthly management reports.

Article 14. Conflicts of Interest

14.1 Subject to Article 14.18 and applicable Regulatory Requirements, a Director shall be authorised by the Board to act or continue to act as a Director of the Company notwithstanding that at the time of his/her appointment or subsequently he/she also:

- holds office as a director of, or holds any other office or employment with, any other member of the LCH Group or the LSEG Group;
- holds office as a director of, or holds any other office or employment with, any other Eligible Institution that is a shareholder;
- participates in any scheme, transaction or arrangement for the benefit of the employees or former employees of the Company or any other member of the LCH Group or the LSEG Group (including any pension fund or retirement, death or disability scheme or other bonus or employee benefit scheme); or
- is interested directly or indirectly in any shares or debentures (or any rights to acquire shares or debentures) in the Company or any other member of the LCH Group or the LSEG Group,

and such authorisation shall also apply to a conflicting interest or duty that subsequently arises as a result of such office, employment, participation or interest.

14.2 A majority of the Independent Directors (in consultation with the Company's Head of Compliance (or his or her designee)) may, in accordance with Article 14.18, authorise any matter proposed to them which would, if not so authorised, involve a breach by a Director of his/her duty to avoid Conflicts of Interest

14.3 Any authorisation under Article 14.2 will be effective only if:

- any requirement as to the quorum at the Board meeting at which the matter is considered is met without counting the Director in question or any other Director interested in the matter under consideration; and
- the matter was agreed to without such Directors voting or would have been agreed to if such Directors' votes had not been counted.

- 14.4 The Board may give any authorisation under Article 14.2 upon such terms as it thinks fit. The Board may vary or terminate any such authorisation at any time.
- 14.5 For the purposes of this Article 14, a Conflict of Interest includes a conflict of interest and duty and a conflict of duties, and interest includes both direct and indirect interests.
- 14.6 A Director shall be under no duty to the Company with respect to any information which he/she obtains or has obtained otherwise than as a Director and in respect of which he/she owes a duty of confidentiality to another person. In particular the Director shall not be in breach of the general duties he/she owes to the Company if he/she:
- fails to disclose any such information to the Board or to any Director or other officer or employee of the Company; or
 - does not use or apply any such information in performing his/her duties as a Director.

However, to the extent that his/her relationship with that other person gives rise to a Conflict of Interest or possible Conflict of Interest, this Article 14.6 applies only if the existence of that relationship has been authorised pursuant to Articles 14.1 or 14.2.

- 14.7 Where the existence of a Director's relationship with another person has been authorised pursuant to Articles 14.1 or 14.2 and his/her relationship with that person gives rise to a Conflict of Interest or possible Conflict of Interest, such Director shall not be in breach of the general duties he/she owes to the Company if at his/her discretion or upon suggestion of the Board or any Committee he/she:
- absents him/herself from a meeting of the Board or a Committee at which any matter relating to the Conflict of Interest or possible Conflict of Interest will or may be discussed or from the discussion of any such matter at a meeting or otherwise; or
 - makes arrangements not to receive documents and information relating to any matter which gives rise to the Conflict of Interest or possible Conflict of Interest sent or supplied by or on behalf of the Company or for such documents and information to be received and read by a professional adviser on his/her behalf,

for so long as he/she reasonably believes such Conflict of Interest (or possible Conflict of Interest) subsists.

- 14.8 The provisions of Articles 14.6 and 14.7 are without prejudice to any equitable principle or rule of law which may excuse the Director from:
- disclosing information, in circumstances where disclosure would otherwise be required under these Terms of Reference; or
 - attending meetings or discussions or receiving documents and information as referred to in Article 14.7, in circumstances where such attendance or receiving such documents and information would otherwise be required under these Terms of Reference.
- 14.9 Subject to Article 24, a Director who is in any way, directly or indirectly, interested in a proposed transaction or arrangement with the Company shall declare the nature and extent of his/her interest to the Board before the Company enters into the transaction or arrangement.
- 14.10 Subject to Article 24, a Director who is in any way, directly or indirectly, interested in a transaction or arrangement that has been entered into by the Company shall declare the nature and extent of his/her interest to the Board as soon as is reasonably practicable, unless the interest has already been declared under Article 14.9.

- 14.11 Subject to Article 24, any declaration required by Article 14.9. may (but need not) be made at a Board meeting or by notice in writing. Any declaration required by Article 14.10 must be made at a Board meeting or by notice in writing.
- 14.12 If a declaration made under Article 14.9 or 14.10 proves to be, or becomes, inaccurate or incomplete, a further declaration must be made as appropriate.
- 14.13 Subject to Article 24, a Director need not declare an interest under this Article 14:
- if it cannot reasonably be regarded as likely to give rise to a Conflict of Interest;
 - if, or to the extent that, the Board is already aware of it (and for this purpose the Board is treated as aware of anything of which it ought reasonably to be aware); or
 - if he/she is not aware of his/her interest or is not aware of the transaction or arrangement in question (and for this purpose a Director is treated as being aware of matters of which he/she ought reasonably to be aware).
- 14.14 Subject to the provisions of the law and provided that he/she has declared the nature and extent of any direct or indirect interest of his/hers in accordance with this Article 14, where Article 14.13 applies and no declaration of interest is required, or where Article 14.1 applies, a Director notwithstanding his/her office:
- may be a party to, or otherwise be interested in, any transaction or arrangement with the Company or in which the Company is directly or indirectly interested;
 - may act by him/herself or through his/her firm in a professional capacity for the Company (otherwise than as auditor), and in any such case on such terms as to remuneration and otherwise as the Board may decide; or
 - may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise be interested in, any corporate body:
 - in which the Company is directly or indirectly interested as shareholder or otherwise; or
 - which is the parent undertaking of the Company or a subsidiary undertaking of any parent undertaking of the Company; or
 - with which he/she has such a relationship at the request or direction of the Company or any parent undertaking of the Company or a subsidiary undertaking of any parent undertaking of the Company.
- 14.15 A Director shall not, by reason of his/her office, be accountable to the Company for any remuneration or other benefit which he/she derives from any office or employment or from any transaction or arrangement or from any interest in any body corporate:
- the acceptance, entry into or existence of which has been authorised pursuant to Articles 14.1 or 14.2; or
 - which he/she is permitted to hold or enter into pursuant to Article 14.14 or otherwise pursuant to these Terms of Reference,
- nor shall the receipt of any such remuneration or other benefit constitute a breach of his/her duty not to accept benefits from third parties. No transaction or arrangement authorised or permitted pursuant to Article 14.1, 14.2 or 14.14 or otherwise pursuant to these Terms of Reference shall be liable to be avoided on the ground of any such interest or benefit.
- 14.16 Save that this provision shall not restrict information being shared with LSEG in its capacity as an indirect shareholder of the Company for legal, accounting, tax, regulatory or disclosure purposes,

a Director nominated by a shareholder of LCH Group Holdings Limited may not provide to the shareholder of LCH Holdings Group Limited which nominated him any information which he or she receives by virtue of being a Director without the consent of a majority of the Independent Directors. The Independent Directors may give such consent either generally or in relation to specific information, and may vary or withdraw such consent at their absolute discretion.

14.17 Without prejudice to the Director's disclosure obligations under the law and these Terms of Reference, but subject to Articles 4.2 above, 14.18 and 24 below, a Director may:

- vote at any meeting of the Board or of a Committee on any resolution and be counted in the quorum present at a meeting in relation to any resolution; or
- participate in any decision unanimously taken,

concerning a transaction or arrangement with the Company or in which the Company is interested, or concerning any other matter in which the Company is interested, notwithstanding that the Director is interested in that transaction, arrangement or matter or has in relation to it a duty which conflicts or may conflict with the interests of the Company in relation to it.

14.18 If a majority of the Independent Directors (in consultation with the Company's Head of Compliance (or his or her designee)) determine that there is a conflict of interest, pursuant to Articles 14.1 to 14.15, between:

- (a) (i) a shareholder of LCH Group Holdings Limited which is connected to a Director by virtue of his employment or directorship (a "**Conflicted Shareholder**") and (ii) the Company or any other member of the LCH Group due to litigation, arbitration or other dispute, or the proposed entry into, material variation or termination of a contract, between any member of the LCH Group and the Conflicted Shareholder; or
- (b) (i) a Conflicted Shareholder other than LSEG and (ii) the Company or any other member of the LCH Group due to a matter other than those set out in (a) above;

each of (a) and (b) being a "**Conflict Situation**", then any Director connected to such Conflicted Shareholder shall abstain him/herself from attending any meeting (or part of a meeting) or participating in discussions or voting on any resolution at meetings of the Board or any Committee which relate to the relevant Conflict Situation, or from receiving confidential information concerning such Conflict Situation, unless a majority of the Independent Directors, in consultation with the Company's Head of Compliance (or his or her designee) agree otherwise.

Article 15. Committees of the Board

Committees established by the Board shall be responsible for preparing some of the deliberations of the Board and submitting to the Board their opinions, proposals and recommendations.

Committees may, in the exercise of their duties, after having informed the Chairman, carry out at the Company's expense any study that may inform the deliberations of the Board. In carrying out its duties, the Committees may interview the LCH Group management as well as auditors.

There are five standing committees which assist the Company: the Audit Committee, the Risk Committee, the Remuneration Committee, the Nomination Committee and the Technology, Security and Resilience Committee. Each Committee is composed of Directors or other individuals with specific skills in given areas.

In addition to these standing Committees, the Board may establish one or more *ad hoc* Committees.

The proceedings of the Committees shall be governed by those provisions of the articles of association of the Company and of these Terms of Reference which regulate the proceedings of Directors so far as they apply.

Article 16. Audit Committee

Organisation and functioning of the Company's Audit Committee is detailed in the terms of reference of the Audit Committee from time to time.

These Audit Committee terms of reference are reviewed annually and are subject to approval of the Board and, in respect of the rights of LSEG under the terms of reference, the consent of LSEG. These Audit Committee terms of reference are subject to any changes required by the regulators of the Company or as a result of applicable law or regulation, including with regard to the composition of the Company's Audit Committee.

A director representing LSEG shall be part of the Company's Audit Committee.

A director representing Euronext shall be part of the Company's Audit Committee in accordance with the terms of the Derivatives Clearing Agreement (**DCA**) entered into by LCH SA, LCH Group Holdings Limited and the Euronext market undertakings.

Article 17. Risk Committee

Organisation and functioning of the Company's Risk Committee is detailed in the terms of reference of the Risk Committee from time to time.

These Risk Committee terms of reference are reviewed annually and are subject to approval of the Board and, in respect of the rights of LSEG under the terms of reference, the consent of LSEG.

A director representing LSEG shall be the vice-chairman of the Company's Risk Committee, provided that such person has the skills and experience commensurate with such a role.

Article 18. Nomination Committee

Organisation and functioning of the Nomination Committee is detailed in the terms of reference of the Nomination Committee from time to time.

These Nomination Committee terms of reference are reviewed annually and are subject to approval by the Board and the consent of LSEG.

A director representing LSEG shall be part of the Company's Nomination Committee.

Article 19. Remuneration Committee

The Company has established its own Remuneration Committee and has therefore adopted terms of reference which take into account the remuneration policy and principles applied by the remuneration committee of LSEG for its executive management.

Organisation and functioning of the Remuneration Committee is detailed in the LCH SA terms of reference of the Remuneration Committee of the Board of Directors from time to time. These terms of reference are reviewed annually.

Such Remuneration Committee terms of reference may be amended with the approval of the Board only and, in respect of the rights of LSEG under the terms of reference, the consent of LSEG.

A director representing LSEG shall be part of the Company's Remuneration Committee. Ideally such director of the board of LSEG would also be a member of LSEG's remuneration committee.

Article 20. Technology, Security and Resilience Committee

Organisation and functioning of the Technology, Security and Resilience Committee is detailed in the terms of reference of the Technology, Security and Resilience Committee from time to time.

These Technology, Security and Resilience Committee terms of reference are reviewed annually and are subject to approval by the Board.

Article 21. Remuneration of non-executive Directors

Non-executive Directors may only receive a fixed annual sum as compensation for their activity (as Directors and/or Committees members), the amount of which would be decided by the shareholders' meeting.

The Board may decide to entrust certain Directors with specific tasks or services for and on behalf of the Company. Directors shall on the recommendation of the Remuneration Committee be entitled to exceptional remuneration as the Board may determine in respect of these specific tasks or services, excluding the Independent Directors.

No Independent Director or non-executive Director may receive performance-based remuneration for their services.

Article 22. Reimbursement of expenses

Expenses regarding travel, accommodation, food services and the tasks of Directors related to Board meetings, Committee meetings or any other meeting regarding the work of the Board or its Committees, shall be covered or shall be subject to reimbursement by the Company, upon the presentation of receipts.

The Secretary receives and verifies the aforementioned receipts and sees to their payment or to the reimbursement of the amounts due.

Article 23. Training

Upon their appointment or throughout the duration of their term, each Director can receive training regarding the activities of the Company as deemed necessary for the fulfilment of their tasks.

Any Director who wishes to receive training on his/her role as a Director or the specific features of the Company may request it at any time. One or more ad hoc training sessions will then be set up which will include meetings with the executive officers.

Information on the specific accounting, financial and operational features of the Company is made available to all members of the Audit Committee on request.

Article 24. Evaluation of the Board

Each year, a questionnaire evaluating the Board's performance is submitted to each Director.

This questionnaire covers the Board's activities demonstrating its role and responsibilities, organisation, operation and training policy. The analysis of the questionnaire is done anonymously and the results shall be presented at the last meeting of the Board for the year. The results of this evaluation as well as the follow up measures that may be decided shall be outlined in the minutes of the meeting.

Article 25. Related party agreements between the Company and a manager, a Director or a shareholder

Save for transactions entered into by the Company in the ordinary course of business and transactions entered into two companies if one of them holds, directly or indirectly, the entire share capital of the other (after deduction of the minimum number of shares required to comply with article L. 225-1 of the French Commercial Code), agreements between the Company and its Chairman, its CEO, one of its Deputy-CEO (if any), one of its Directors, or one of its shareholders holding over 10% of the voting rights of the Company, or in the case of a

company which is a shareholder of the Company, agreements with the entity that controls this shareholder, shall be subject to the authorisation, verification and approval procedure provided for in the French commercial code. The same applies to agreements in which one of the above persons has an indirect interest or where they enter into an agreement with the Company through an intermediary.

Agreements between the Company and an entity where the CEO of the Company, one of the Deputy-CEO of the Company (if any) or one of the Directors of the Company is a shareholder, a partner with unlimited liability, a manager, a director, a member of the supervisory board or, in general, a manager of that entity, are also subject to the aforementioned procedure.

Directors (whether legal persons or not) are prohibited, under penalty of nullity of the contract, from entering into contracts in relation to obtaining from the Company (i) loans or overdrafts on a current account, or (ii) an endorsement or guarantee of the Directors' commitments towards third parties. This prohibition also applies to the spouses, ascendants and descendants of the Directors as well as to all intermediaries.

Any contracts and agreements (including commercial and trading arrangements in the ordinary course of business) between the Company and LSEG or any member of the LSEG Group, will be subject to the prior approval of a committee of the Board consisting solely of the independent non-executive directors of the Company, which approval shall be given provided that the contract or agreement is on bona fide arm's length terms (and such committee's determination will be final).

Article 26. Group Compliance

In acknowledgement of LSEG's obligations under the Financial Conduct Authority's Listing Rules (from time to time), the Board will notify LSEG of any proposed transaction in relation to the Company or of which the Board is otherwise aware which may constitute for LSEG either:

- 26.1 a significant transaction under Listing Rule 10 (including, for example, any material acquisitions or disposals or providing a non-ordinary course indemnity to a third party); or
- 26.2 a related party transaction under Listing Rule 11 (including, for example, any proposed transaction or arrangement with (i) a person holding 10% or more of the voting rights in LSEG or any member of the LSEG Group (or who held such voting rights in the past 12 months) and (ii) any director of LSEG or any member of the LSEG Group (including for these purposes, any director of any LCH Group company), or who was such a director in the past 12 months),

and, if LSEG informs the Board that such proposed transaction does constitute a transaction (or other relevant matter) under Listing Rule 10 or 11, no such transaction will take place without the prior approval of LSEG.

Article 27. Amendment

These Terms of Reference may be amended by the Board, provided that any changes to LSEG's rights or any changes which would otherwise have a detrimental effect on LSEG's rights pursuant to these Terms of Reference will be subject to the consent of LSEG.

LCH SA
(the *Company*)

**TERMS OF REFERENCE OF THE NOMINATION COMMITTEE
OF THE BOARD OF DIRECTORS**

Adopted by the board of directors on ~~9 September 2020~~^[•]

1. BACKGROUND

The board of directors of the Company (the *Board*) has resolved to establish a nomination committee (the *Committee*) and to adopt these Terms of Reference with effect from the date set out above. These Terms of Reference address the nomination of certain directors to the Board and replace any previous terms of reference for any nomination committee of the Board.

2. PURPOSE

Board

2.1 The Committee shall make recommendations to the Board for nominations of the following candidates for appointment as directors of the Board:

2.1.1 the independent chairman of the Board (the *Chairman*);

2.1.2 up to four independent directors who meet the standards of independence set out in paragraph 7.3 (the *Independent Directors*) (at least two of whom shall not also be independent directors on the board of directors of LCH Limited);

2.1.3 up to two directors (the *User Directors*) associated with or connected to shareholders of LCH Group Holdings Limited (the *Parent Company* and together with its subsidiaries, the *LCH Group*) other than London Stock Exchange Group plc (*LSEG* and together with its subsidiaries (other than the LCH Group), the *LSEG Group*) or other exchanges, trading venues, multilateral trading facilities, alternative trading systems or similar (the *User Shareholders*);

2.1.4 the director nominated by LSEG in accordance with paragraph 3; and

2.1.5 the director nominated by Euronext Brussels S.A./N.V., Euronext Amsterdam N.V., Euronext Paris S.A., Euronext Lisbon – Sociedade Gestora De Mercados Regulamentados S.A., Euronext Oslo Børs ASA, Euronext UK Markets Ltd and any other member of the Euronext group from time to time (*Euronext*) in accordance with paragraph 4.

2.2 The recommendations made by the Committee as set out in paragraph 2.1 shall (i) take into account the criteria set out in these Terms of Reference and (ii) be subject to any changes to the composition of the Board for regulatory purposes or as otherwise may be agreed by a majority of the directors of the Board from time to time, subject to LSEG consent.

- 2.3 The Board will also comprise:
- 2.3.1 the chief executive officer of the Parent Company (the *Group CEO*);
 - 2.3.2 the chief executive officer of the Company (the *Company CEO*) as proposed by the Group CEO (together with the Group CEO, the *Executive Directors*); and
 - 2.3.3 the chief risk officer of ~~the Parent Company or LSEG~~ as proposed by Group CEO or such other LCH or LSEG executive as may be proposed by the Group CEO, ~~(together with the Group CEO and the Company CEO, the *Executive Directors*).~~
- 2.4 The Committee shall regularly assess the structure, size, composition and performance of the Board, and shall make recommendations to the Board if any changes are considered necessary or desirable.

3. LSEG DIRECTOR

- 3.1 Without prejudice to any other rights which LSEG may have, LSEG has the right to appoint one LSEG director to the Board (the *LSEG Director*).
- 3.2 If the existing LSEG Director retires or is removed, LSEG shall propose to the Committee a candidate to be the replacement LSEG Director.
- 3.3 The Committee shall consider:
- (i) the seniority, experience, skill and expertise of each candidate; and
 - (ii) the regulatory good standing of each candidate.
- 3.4 The Committee shall recommend to the Board the appointment of the candidate proposed by LSEG unless it considers the candidate not to be appropriate based on the criteria set out in paragraph 3.3 .

4. EURONEXT DIRECTOR

- 4.1 Without prejudice to any other rights which Euronext may have, Euronext has the right to appoint one Euronext director to the Board (the *Euronext Director*).
- 4.2 If the existing Euronext Director retires or is removed, Euronext shall propose to the Committee a candidate to be the replacement Euronext Director.
- 4.3 The Committee shall consider:
- (i) the seniority, experience, skill and expertise of each candidate;
 - (ii) the regulatory good standing of each candidate.
- 4.4 The Committee shall recommend to the Board the appointment of the candidate proposed by Euronext unless it considers the candidate not to be appropriate based on the criteria set out in paragraph 4.3.

5. **EXECUTIVE MANAGEMENT TEAM**

The Company CEO will be responsible for appointing their own management team in consultation with the Group CEO.

6. **DUTIES AND POWERS OF THE COMMITTEE**

- 6.1 The Committee shall put forward candidates for appointment as directors in accordance with paragraphs 2, 3 and 4 and coordinate any necessary succession planning in respect of the Chairman or directors of the Board.
- 6.2 The Committee will need to be satisfied that candidates understand the responsibilities of Board membership and will be able to devote the necessary time to Company matters.
- 6.3 The Committee will need to ensure that its recommended candidates are respected for their competence and are of good standing in their field of business and that such recommended candidates are not disqualified under any provisions of applicable law from serving on the Board.
- 6.4 The Committee shall make available to the Board on a regular basis all such information as is required to ensure that the Board is formally kept up to date with the actions, deliberations and determinations of the Committee.
- 6.5 The Committee will undertake any other tasks required of it by the Board.
- 6.6 The Committee is authorised by the Board to:
- (a) undertake any activity within its frame of reference;
 - (b) make whatever enquiries or solicit whatever further information it may need from nominees or employees of the Company or the LCH Group or elsewhere, in order to perform its duties;
 - (c) maintain a list of potential candidates and may discuss with any such candidate the Committee's requirements for nomination;
 - (d) obtain, at the Company's expense, outside legal or other professional advice on any matter within its Terms of Reference and to invite those persons to attend at meetings of the Committee; and
 - (e) delegate any of its powers to one or more of its members or the Committee Secretary.
- 6.7 The Committee will consult from time to time with the nomination committee of LCH Limited to ensure that there is a coordinated process for the appointment of suitable directors to the Board and the board of directors of LCH Limited.
- 6.8 The Committee shall keep itself informed of any changes in the laws and regulations applicable to the composition of the Board and the other matters for which the Committee is responsible.

7. PROCEDURES OF THE COMMITTEE

Appointment of the Chairman and the Independent Directors

- 7.1 The Committee shall set its own procedures when making decisions on recommendations in relation to the appointment of a new Chairman and/or the Independent Directors to the Board. However, as part of such procedures it will:
- (a) draw up a short-list of potential candidates whose suitability and willingness to be appointed should be explored in greater detail (and may engage a reputable firm of search consultants to recommend candidates);
 - (b) consult the Group CEO, the chief executive officer of LSEG and the chairman of LSEG (and may consult other persons who are not members of the Committee as appropriate) as to the suitability of the short-listed candidates being considered by the Committee, and if requested, arrange meeting(s) with short-listed candidates;
 - (c) with regard to the appointment of a new Chairman, consult with the Independent Directors in advance of making a recommendation to the Board.
- 7.2 When the Committee makes decisions on recommendations in relation to the appointment of a new Chairman to the Board, unless the Independent Directors on the Committee approve otherwise, the then current Chairman shall not be entitled to attend any part of a meeting of the Committee at which a candidate for the role is considered or to vote on whether a candidate should be short-listed or recommended to the Board for appointment.
- 7.3 In determining whether a person is fit for appointment as Chairman or as an Independent Director, the Committee shall consider whether such person is independent in character and judgment, and whether there are relationships or circumstances (including any with LSEG or any member of the LSEG Group and/or with any User Shareholder) which are likely to affect, or could appear to affect, such person's judgment. In addition, the Committee shall have regard to relevant factors which may include if such person has a relationship that would disqualify such person as a "public director" within the meaning of the CFTC Rules in force from time to time or as an "independent director" under any corporate governance standards applicable from time to time or which the Board otherwise determines should be complied with in the interests of best practice corporate governance.
- 7.4 The Committee shall, as often as necessary in light of all the facts and circumstances, but at least annually, verify its determination made pursuant to paragraph 7.3 in respect of each Independent Director's fitness.
- 7.5 When the Committee makes decisions on recommendations in relation to the appointment of a new Independent Director to the Board, the Committee will take into account (amongst other things) that ideally there should be, amongst the Independent Directors:
- (a) a breadth of industry expertise and experience and product knowledge;

- (b) particular expertise and experience in each of (i) risk management, (ii) audit, (iii) clearing services and (iv) financial services; and
- (c) diversity, including gender, age, geographical provenance, and educational and professional background.

7.6 When the Committee makes recommendations of Independent Director candidates, it shall state its reasons, identifying (if relevant) why it considers that the candidate is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination as described in paragraph 7.3.

Appointment of User Directors

7.7 The Appendix to these Terms of Reference sets out the process whereby User Directors shall be nominated to the Board, including the approval rights of LSEG with respect to such appointees.

8. TENURE OF DIRECTORS

8.1 Each director (other than the Executive Directors and User Directors) shall in principle have a maximum tenure on the Board of three three-year terms. However, the Committee may nominate an Independent Director for such longer period as is necessary to ensure that not all such Independent Directors' appointments terminate at the same time.

8.2 All User Directors shall have a tenure on the Board of one three-year term, unless otherwise agreed by the Board to ensure that not all such User Directors' appointments terminate at the same time.

8.3 The terms of appointment of each User Director shall provide that such User Director must retire from the Board if any of the circumstances set out in sub-paragraphs 2(a) through 2(f) of the Appendix occurs.

9. MEMBERSHIP OF THE NOMINATION COMMITTEE

9.1 The Committee shall be appointed by the Board and the membership shall comprise the Chairman, at least two Independent Directors, one User Director and the LSEG Director.

9.2 The size of the Committee will be at the discretion of the Board and, for the current time, will comprise four to six directors.

9.3 The Chairman, or such other Independent Director as the independent directors and LSEG may agree, shall act as chairman of the Committee (the *Committee Chairman*). In the absence of the Committee Chairman and/or an appointed deputy at any meeting, the remaining members present shall elect one of themselves to chair the meeting from among the Independent Directors present.

10. SECRETARY

The Company secretary or his or her appointed nominee shall be secretary of the Committee (the *Committee Secretary*).

11. TENURE OF NOMINATION COMMITTEE MEMBERS

- 11.1 The Committee Chairman will keep the Committee's composition under review, and shall make proposals to the Board accordingly.
- 11.2 If a member of the Committee ceases to be a director of the Company, that person's membership of the Committee shall automatically cease.

12. NOTICE OF MEETINGS

- 12.1 Notice of meetings shall be given by the Committee Chairman, or the Committee Secretary at the request of the Committee Chairman.
- 12.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend prior to the date of the meeting in a timely manner. Supporting papers shall be sent to Committee members, and to other attendees as appropriate, at the same time.

13. TIMING AND LOCATION OF MEETINGS

The Committee shall meet at least twice a year and additional meetings shall be arranged as necessary in order to fulfil the duties of the Committee.

14. ATTENDANCE AT MEETINGS

- 14.1 Only members of the Committee have the right to attend Committee meetings. Other individuals, such as appropriate senior employees and/or external advisers, may attend all or part of any meeting, as and when appropriate, at the invitation of the Committee Chairman.
- 14.2 Members of the Committee may hold meetings in person, by telephone or by video conference or any combination of these. Decisions may also be made by e-mail circulation, providing that approval is unanimous.

15. QUORUM

The quorum for meetings shall be one Independent Director, one User Director and the LSEG Director on the Committee. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

16. MINUTES OF MEETINGS

The Committee Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance, and such minutes shall be presented to the Committee for approval at the next following meeting.

17. **REPORTING AND REVIEWS**

- 17.1 The Committee Chairman shall report to the Board on the discussions, decisions and recommendations of the Committee.
- 17.2 The Committee shall produce to the Board for approval each year a summary of (i) its activities, (ii) the process used to make nominations, (iii) a description of its policy on diversity (including gender), any measurable objectives it has set for implementing the policy and progress on achieving such objectives and (iv) shall either explain if external advice or search consultants have not been used or, if they have been used, identify them and state whether they have a connection with the Company. Following such approval, that summary is to be included as a section in the Company's annual report.
- 17.3 The Committee Chairman, or his or her designee, will make available to the chief compliance officer of the Company (the *Chief Compliance Officer*) such information relating to the Committee's work as is necessary for the relevant Chief Compliance Officer to draft and submit the annual compliance reports required by the CFTC Rules and other applicable regulations in force from time to time.
- 17.4 The Committee shall, at least annually, carry out a review of the individual and collective performance of the "management body" of the Company (taking into account the joint ESMA and EBA Collective Assessment Guidelines in place from time to time) and shall recommend any changes considered necessary to the Board for approval.

18. **AMENDMENT**

These Terms of Reference may be amended with Board approval, subject to LSEG consent.

19. **CONFIDENTIALITY AND CONFLICTS OF INTEREST**

- 19.1 All confidential matters considered by the Committee and any confidential information disclosed to members of the Committee in connection with their position as a member of the Committee must remain confidential, notwithstanding the company to which that information relates, nor whether the member is a director of that company or not, save as required to be disclosed by law or regulation. Any other persons involved in the Committee's work shall either be bound by undertakings of professional secrecy or by ad hoc confidentiality agreements with the Committee.
- 19.2 Conflicts of interest relating to Committee members shall be governed by the relevant articles in the articles of association of the Company from time to time.

20. **OTHER**

- 20.1 The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required on all Committee matters.
- 20.2 Every member of the Committee shall be given a copy of these Terms of Reference.

20.3 The Committee shall be provided with appropriate and timely training, both as an induction process and on an ongoing basis, and provided with access to external consultancy support, when required.

APPENDIX

Mechanism for Appointment of User Directors to the Board

1. Any User Shareholder which (i) is not connected with an existing director (other than a director who retires or is removed in accordance with paragraph 2(b), (d) or (e) below), and (ii) has not served notice terminating its clearing relationship with any member of the Group (an *Eligible User*) may be invited by the Board as it sees fit from time to time to nominate to the Committee a candidate for appointment as a User Director on the Board.
2. The Committee will recommend an individual to replace any User Director who:
 - (a) retires of their own volition;
 - (b) retires or is removed as a result of the User Shareholder which nominated them ceasing to be an Eligible User;
 - (c) retires or is removed as a result of their ceasing to be employed by, or for any other reason upon request by, the User Shareholder which nominated them;
 - (d) retires or is removed following a change of role within the User Shareholder, if such role change would result in the User Director concerned no longer being able to maintain the relevant skill and expertise; or
 - (e) is disqualified or removed in accordance with the articles of association of the Company,together, *Retiring User Directors*.
3. The Committee will recommend the appointment of candidates to replace Retiring User Directors selected using the following process:
 - (a) The Committee will select which Eligible Users shall be invited to propose to the Committee a candidate or candidates to replace a Retiring User Director (each such Eligible User being a *Nominating User*). The Committee will review the list of Eligible Users that it considers most likely to promote the success of the Company and, in so doing, will have regard to the following factors (in no particular order):
 - (i) the number of each Eligible User's contracts or trades (as the case may be) cleared by any member of the Group in the immediately preceding 12 months;
 - (ii) any other contribution made to the Group's business by each Eligible User, including without limitation assistance provided to the Group in the development of new projects and the introduction to the Group of new clearing clients;
 - (iii) the size of each Eligible User's shareholding in the Parent Company; and

- (iv) how recently (if at all) the relevant Eligible User has been represented on any LCH Board, and the desirability of achieving a reasonably fair rotation of appointees among Eligible Users.
- (b) The Committee will invite each Nominating User to propose one or more candidate(s) for the role of User Director for consideration by the Committee.
- (c) Once the Committee has received details of a Nominating User's candidate(s), the Committee will decide whether to approve the relevant candidate(s) (or any of them) (each such candidate being an **Approved Candidate**) and, in so doing, will have regard to the following factors:
 - (i) the seniority, experience, skill and expertise of each candidate;
 - (ii) the regulatory good standing of each candidate;
 - (iii) the desirability of having deep expertise on a wide range of products on the Board, including those which pose the greatest risk challenges for the Company from time to time;
 - (iv) the desirability of having on the Board significant experience and expertise in the Company's principal markets; and
 - (v) the desirability of diversity on the Board, including gender, age, geographical provenance, and educational and professional background.
- (d) If the Committee fails to approve any candidate proposed by a Nominating User for appointment as a User Director, such Nominating User will be allowed time to nominate one or more alternative candidates for consideration by the Committee until the Committee has approved a candidate proposed by such Nominating User.
- (e) The Committee will select such number of Approved Candidates as is equal to the number of Retiring User Directors (the **Proposed Directors**) for appointment as User Directors. The Committee will select those Approved Candidates that it considers to be most appropriate for the Board's needs in light of the factors set out at paragraphs 3(a) and 3(c) above. The Committee will then seek LSEG's approval of each Proposed Director.
- (f) If LSEG does not approve a Proposed Director then the Committee shall propose an alternative Proposed Director selected pursuant to paragraph 3(g)(i) or (ii) below but may nevertheless decide to propose such rejected Proposed Director to the Board together with the alternative Proposed Director selected pursuant to paragraph 3(g)(i) or (ii).
- (g) If LSEG does not approve a Proposed Director, the Nominating User concerned may:
 - (i) accept that the relevant Proposed Director should not be appointed as a User Director (in which case the Committee shall select another Proposed Director from among the Approved Candidates to be put to LSEG for its approval); or

- (ii) propose one or more alternative candidates to be considered by the Committee on the basis set out above and, if approved by the Committee for appointment as a User Director, to be put to LSEG for its approval. However, the Committee will not be obliged to select such alternative candidate as a Proposed Director and may select another Approved Candidate as a Proposed Director in his or her place.
- (h) If LSEG approves a given Proposed Director, the Committee shall recommend the Proposed Director's appointment to the Board as a User Director.