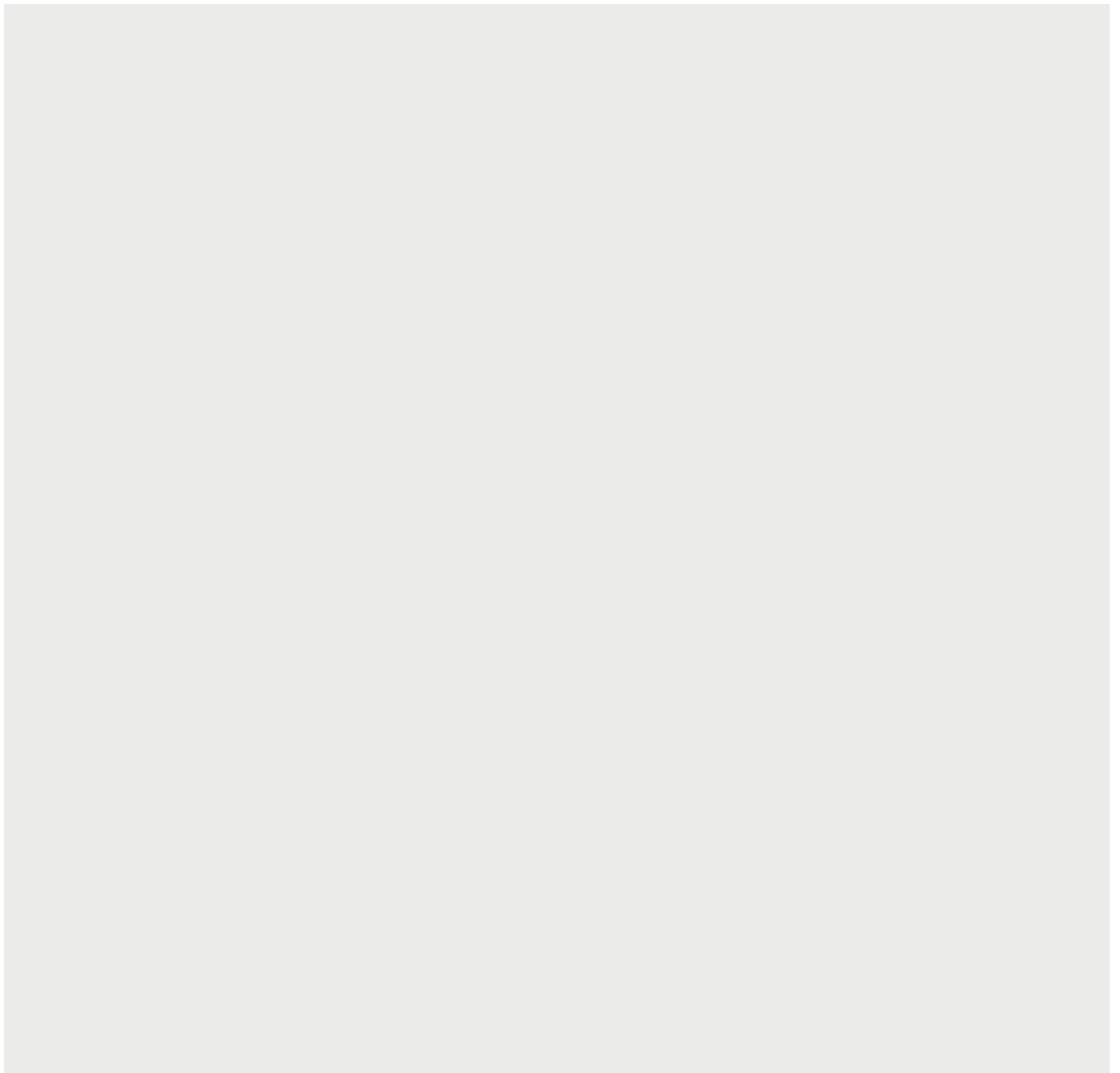


# LCH Group Holdings

Board Reserved Matters, Executive Delegation,  
Executive Committee Composition  
July 2018

**LCH** The Markets'  
Partner



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# Executive Summary

This document updates and replaces the Delegated Authorities document agreed by the LCH Group Holding Board in November 2016.

This document brings together

- Board Reserved Matters;
- Executive Delegation; and
- Executive Committee Composition

# Schedule of Matters Reserved to the Board of LCH Group Holdings Limited (the Company or LCH Group)

## **Schedule of Matters Reserved to the Company's Board**

This schedule sets out matters which may only be decided by the Company's board of directors (the Board); all decision makers within the Company are expected to comply with the spirit as well as the letter of this schedule and their attention is drawn to paragraph 13 (Interpretation). This schedule remains subject to the provisions of the Company's articles of association (the Articles) and of the Relationship Agreement between the Company, London Stock Exchange Group plc (LSEG) and London Stock Exchange (C) Limited (the Relationship Agreement). This schedule does not:

- a. prevent the Board from delegating authority as it deems appropriate from time to time in accordance with the Articles and the Relationship Agreement; or
- b. prevent the Board from having full access to relevant information which is outside the scope of these reserved matters.

For the avoidance of doubt, where a matter is reserved to the Company's Board which relates to the Group (as defined below), this will not preclude the board of a CCP in the Group from taking a different decision in relation to that CCP where the same matter is reserved to that CCP.

## **1. BUSINESS MANAGEMENT AND STRATEGY**

The Board is responsible for the overall management of the Company and its subsidiary undertakings from time to time (the Group) and is responsible for strategic matters relating to the Group. The Board shall:

- (a) approve the Company's medium and long-term business strategy as set out in the Company's annual Medium Term Financial Plan (MTFP);
- (b) approve the Company's annual operating and capital expenditure budget as set out in the MTFP;
- (c) approve any material changes to the MTFP;
- (d) review the Group's performance in the light of the strategy, objectives, business plans and budgets stated in the MTFP and any subsequent revision and ensure that appropriate corrective action is taken;
- (e) approve the planned extension of the Group's activities through the launch of new products or the launch of existing products in new geographic areas;
- (f) recommend to shareholders the merger of the Company with a third party;
- (g) approve the disposal of all or any material part of the Group's business;
- (h) review material outsourcing arrangements (if any) of the Group; and
- (i) approve the decision to cease to operate all or any material part of the Group's business.

## **2. STRUCTURE AND CAPITAL**

The Board shall approve:

- (a) any changes relating to the Group's share or regulatory capital structure including any reduction of capital, issuance of shares or other securities and share buy backs;
- (b) major changes to the Group's corporate structure such as the creation of new holding or material subsidiary companies;
- (c) any changes to the Company's legal status; and
- (d) material changes to the Group's management and control structure.

## **3. CONTRACTS**

The Board shall approve:

- (a) any item of expenditure or the incurrence of any liability if such expenditure or liability is in excess of €10 million or results in the total limit on spending or costs set out in the annual budget exceeding the budgeted level by more than 10%;
- (b) 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 €10 million;
- (c) 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), the Preferred Securities (as defined in the Articles) and any intra-day or over-night settlement bank and concentration bank facilities;
  - ii. capital expenditure shall be material if it exceeds an aggregate amount of €3 million; and
  - iii. material IT investments. IT investments shall be material if they exceed an aggregate amount of €2 million.
- (d) all outsourcing contracts.

## **4. FINANCIAL REPORTING AND CONTROLS**

The Board shall approve:

- (a) the Company's annual report and accounts, including the corporate governance statement, audit process and findings;
- (b) the declaration and payment of any interim and final dividend; and
- (c) any significant changes in accounting policies or practices:

## **5. RISK**

The Board shall approve:

- (a) the Group's Risk Governance Framework;
- (b) the Company's business continuity policy and disaster recovery plan, which shall be subject to independent reviews which are reported to the Board; and
- (c) oversee the crisis management function of the Company.

## 6. BOARD MEMBERSHIP AND OTHER APPOINTMENTS

(a) The Board shall:

- (i). approve changes to the structure, size and composition of the Board upon recommendations from the Nomination Committee;
- (ii). ensure adequate succession planning for the Board and members of the Executive/Governance Committee;
- (iii). approve appointments to the Board (including the Chairman of the Board) and Board committees further to recommendations from the Nomination Committee;
- (iv). decide on the appointment, reappointment or removal of the external auditor to be put to shareholders for approval, following the recommendation of the Audit Committee;
- (v). in consultation with the Group General Counsel and Head of Compliance (or his or her designee) manage and authorise Director conflicts of interest in accordance with the Articles;
- (vi). be responsible for the oversight of the Group General Counsel and Head of Compliance, internal audit function and Group Chief Risk Officer (all of which report directly to the Board);
- (vii). approve the appointment or removal of the Company Secretary; and
- (viii). approve appointments to the boards of the Company's subsidiaries.

(b) 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 for (i) the accounting and financial information of the Company, (ii) ensuring the Company complies with law requirements relating to its own funds and (iii) ensuring the Company complies with law requirements relating to internal control within the Company. In particular but not limited to:

(i). **Accounting and financial information:**

- With respect to the ACPR, a Manager in Charge shall answer any request for information, circulate accurate information and submit annual accounts in consolidated form.
- With respect to statutory auditors, a manager in charge shall trigger the nomination of statutory auditors, ensure their convening to all general meetings and more generally cooperate with them in performing their duties.

\* This section required to be inserted in LCH Group Board "Terms of Reference" by the ACPR. Adopted by Board resolution on 12 July 2016.

- They shall make the annual accounts publicly available, including consolidated annual accounts.

**(ii). 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;
- provide feedback and suggestions to the Board as well as information to the Risk Committee in respect of new stress-testing model to be approved by the Board;
- provide feedback and suggestions to the Board as well as information to the Risk Committee in respect of the Company's Liquidity Policy, Risk Appetite Statement, Operational Risk Policy, Treasury Investment Policy and Interest Rate Risk Policy and any significant changes to those policies to be determined by the Board;
- more generally, ensure that risks posed to the Company by its clearing houses' clearing activities are duly addressed;

**(iii). 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 ).

## **7. REMUNERATION**

The Board shall:

- (a) on the basis of the recommendation of the Remuneration Committee, approve the remuneration policy for the Chairman of the Board, the Executive Directors of the Company, members of the Executive Committee and any other senior executives across the Group and, to the extent required under EMIR, arrange for approval by the boards of the respective CCPs of the Group;
- (b) determine the remuneration of the non-executive directors of the Company; and
- (c) determine any material change to the Company's pension arrangements.

## **8. DELEGATION OF AUTHORITY**

The Board shall approve the terms of reference of Board committees and any changes thereto.

## **9. INTERNAL CONTROLS**

The Board shall:

- (a) receive reports on and reviewing the effectiveness of the Group's risk and control processes to support the Group's strategy and objectives;
- (b) undertake an annual review of these internal control processes;
- (c) ensure that, amongst others, LCH SA applies the requirements set out in the arrêté du 3 Novembre 2014 dated 5 November 2014 relating to internal control, as amended; and
- (d) approve an appropriate statement for inclusion in the annual report.

## **10. OTHER CORPORATE GOVERNANCE MATTERS**

The Board shall:

- (a) undertake an annual review of its own performance and that of its committees;
- (b) review the Group's overall corporate governance arrangements from time to time; and
- (c) receive reports on the views of the Group's shareholder community.

## **11. COMMUNICATION**

The Board shall:

- (a) approve all resolutions and corresponding documentation to be put forward to shareholders at a general meeting; and
- (b) approve all shareholder circulars, prospectuses and listing particulars.

## **12. MISCELLANEOUS**

The Board shall:

- (a) approve the making by the Group of political donations in accordance with the Company's Code of Conduct;
- (b) approve the institution or settlement of litigation that is worth at least €2 million or is otherwise material to the Group's interests. For the avoidance of doubt, the CCPs of the Group shall ultimately determine whether to commence litigation proceedings against its clearing members; and
- (c) review and approve any changes to this schedule from time to time.

## **13. INTERPRETATION**

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

# Executive Delegation

## Terms of Reference for Executive Delegation

### 1. Delegation

1.1 The Board has resolved to delegate authority to the Chief Executive Officer of the Company (the Group CEO) on the terms set out in this document, with full power for the Group CEO to delegate such authority to such employees of the Group as the Group CEO may reasonably deem necessary or desirable (the Executive Delegation).

1.2 This Executive Delegation shall be read by reference to the Schedule of Matters Reserved to the Board (any such matter being a Board Reserved Matter) and shall always be subject to any matter that, pursuant to the Articles or the terms of the Relationship Agreement is subject to the consent of any shareholder or group of shareholders of the Company, or in relation to which any shareholder of the Company is able to require that a resolution be put to the Company's shareholders.

### 2. Implementation of Strategy

Except as specified elsewhere in this Executive Delegation, or where applicable law or regulation requires a matter to be decided by the Board, the Group CEO shall be responsible for the day-to-day management of the Company in accordance with the annual business plan and budget agreed by the Board. To the extent not set out in the annual business plan and budget, the Group CEO should determine the key objectives in delivering the Group's strategy and define plans and timescales for implementation of specific tasks and projects.

### 3. Control/Governance

The Group CEO is responsible for ensuring that proper financial and business control is exercised across the Group including those aspects of corporate governance delegated to him by the Board. In particular, the Group CEO should ensure that annual budgets are set for businesses and cost centres; that proper approval and authority levels are established throughout the Company and that business cases and plans are developed and approved for all major projects.

### 4. Management

The Group CEO shall be responsible for appointing his own management team, including without limitation the head of the Group's risk management function.

### 5. Reporting/Communication

The Group CEO will use reasonable efforts to inform himself and, in particular, shall instruct his management team to inform him, of any matter:

5.1 that is inconsistent with the Core Operating Principles of the Company; or

5.2 that, pursuant to the Company's articles of association or the terms of any relationship agreement between the Company and any of its shareholders, is subject to the consent of any shareholder or group of shareholders of the Company, or in relation to which any shareholder of the Company is able to require that a resolution be put to the Company's shareholders, and shall inform the Board of any such matter of which he is aware, so that the Board is able to ensure that appropriate action is taken, including without limitation the obtaining of any relevant consents.

# Senior Management

## **Introduction**

Senior management of the Company shall have at least the following responsibilities:

1. ensuring consistency of the Group's activities with the objectives and strategy of the Group as determined by the board;
2. designing and establishing compliance and internal control procedures that promote the Group's objectives;
3. subjecting the internal control procedures to regular review and testing;
4. ensuring that sufficient resources are devoted to risk management and compliance;
5. be actively involved in the risk control process; and
6. ensuring that risks posed to the Group by its clearing and activities linked to clearing are duly addressed.

# Group Chief Executive Officer

## 1. General authority

The Group CEO may exercise all the powers of the Board save those matters reserved for the Board.

The powers delegated to the Group CEO must be exercised to achieve the objectives, policies, plans and budgets adopted from time to time by the Board.

The proposed delegated authorities aim to reduce the volume of minor and routine business which needs to be considered and approved by the Board thereby optimising the amount of time the Board is able to focus on material matters.

The Group CEO has authority over all staff employed in the Group and shall be responsible for appointing the Company's management team, including the head of the group's risk management function.

The Group CEO has the authority to take all decisions and steps, to agree and execute all documents and to take such other actions, in each case on behalf of the Group, as may be necessary, expedient and proper in connection with any matter that is not a matter reserved for the Board.

The Group CEO has the authority to approve any item of expenditure or the incurrance of any liability (including expenditure or liability in excess of any specifically budgeted amount) by any company within the Group without further reference to the Board, if:

- such expenditure or liability does not exceed €10 million;
- such expenditure or liability does not result in the total limit on spending or costs set out in the annual business plan and budget exceeding the budgeted level by more than 10%;
- the relevant expenditure or liability is not a Board Reserved Matter; and
- provided that any expenditure or liability incurred in excess of any specifically budgeted amount would not be expected to be detrimental to the delivery of the then current annual budget or the annual business plan in subsequent years.

The Group CEO has authority to pursue exploratory discussions for transactions that may involve expenditure or the incurrance of any liability by any company within the Group that is in excess of the amount, or is not for a purpose that the Group CEO is authorised to approve pursuant to the above limits provided that no commitment in relation to such expenditure or liability is entered into without the approval of the Board and the Board is kept informed of the content of such discussions.

Matters over which a Group functional Head and a legal Entity functional Head come into conflict are to be escalated to the relevant Legal Entity CEO in the first instance and to the Group CEO if the Legal Entity CEO cannot resolve the conflict.

## **2. Sub-delegation of authority**

The Group CEO is authorised to delegate further a proportion of this authority (but not the whole) to members of the Executive Committee ('ExCo') , direct reports and to other colleagues within the group as considered consistent with the roles and responsibilities clearly attributed to those individuals.

## **3. Powers which may not be delegated**

In exercising powers, the Group CEO will have regard to the recommendations provided by the ExCo and to the maximum expenditure limits above.

Decision making responsibilities, with the exception of matters specifically reserved for the Board and authorisations of expenditure above the set thresholds may be delegated to ExCo members and to other colleagues within the Group, at the discretion of the Group CEO.

The Group CEO, however, will remain accountable to the Board for all decisions made within the scope of the delegated authority provided to the Group CEO by the Board.

The appointment of Senior Executives, who are direct reports to an ExCo member will be referred to the Group CEO for approval by the Sponsoring Executive, with the agreement of the Group Head of Human Resources.

## Role of the Group Chief Executive Officer

- 1 The Group CEO is responsible for managing the business of the Company/Group, in accordance with the MTFP approved by the Board, incurring capital and revenue expenditure as appropriate to meet the objectives set out in the MTFP or as separately approved by the Board. The Group CEO may make decisions in all matters affecting the operations, performance and strategy of the Group's businesses, with the exception of those matters reserved to the Board or specifically delegated by the Board to its Committees or the Boards of its subsidiaries.
- 2 The Group CEO accounts and reports to the Board and is responsible for:
  - a) the recommendation of objectives and strategy for the Group in the development of its business, having regard to the interests of the shareholders, customers and staff, and to the Group's public and social responsibilities at home and abroad;
  - b) the successful execution of strategy;
  - c) establishing, maintaining and implementing the risk management framework (embracing principles, policies, methodologies, systems, internal controls, processes, procedures and people) in line with the Board's approved appetite for risk (the extent and categories of risk which the Board regards as acceptable for the group to bear);
  - d) the continuing review of the organisational structure of the Group and recommendations for changes; and
  - e) the optimum use and adequacy of the Group's resources.
- 3 The duties which derive from these responsibilities include:
  - a) the development and review of business unit objectives to ensure that the agreed Group objectives are likely to be achieved;
  - b) the presentation of the Group's budgets to the Board and, following their adoption, the achievement of the budgets;
  - c) ensuring that the roles and responsibilities of senior management, including delegation of authorities, are formalised;
  - d) ensuring the preparation by business units of plans concerning the recruitment, training and career development of personnel;
  - e) ensuring that senior management posts are filled in accordance with the long-term needs, including succession planning, of the Group;
  - f) in conjunction with the Chairman, the development of the Group's public relations policy;
  - g) ensuring the active liaison and co-ordination between business units;
  - h) being available to the auditors and internal audit;
  - i) ensuring that proper financial and business control is exercised within the Group including relevant aspects of corporate governance; and
  - j) ensuring that the Group's policies and procedures are followed and conform to the highest standards.
- 4 The Group CEO will keep the Chairman of the Board informed of all important matters.

## Executive Committee

The Executive Committee (ExCo) is the highest functional management layer within the Group. ExCo members derive their authorities from the Group CEO.

The ExCo itself is an advisory forum providing advice and recommendations to the Group CEO, to enable the Group CEO to discharge responsibilities.

Similarly, the purpose of the ExCo is also to advise, support and assist the Chief Executive Officers of LCH Limited (Ltd) and LCH SA (SA) to discharge their responsibilities, as applicable.

In addition to the Group CEO (who acts as Chairman of the ExCo), the ExCo is made up of Legal Entity Heads, Group Functional Heads and Product Heads as follows:

- Chief Executive Officer, Ltd
- Chief Executive Officer, SA
- Group Chief Operating Officer
- Group Chief Risk Officer
- Group Chief Finance Officer
- General Counsel and Group Head of Compliance
- Chief Information Officer
- Group Head of Operations
- Group Head of Human Resources
- Global Head of Sales and Relationship Management
- Global Head of Rates
- Global Head of ForexClear
- Global Head of RepoClear, EquityClear & Collateral
- Global Head of CDSClear

The ExCo's composition will alter from time to time to reflect changes in the business components.

### Other Group Roles

- Group Head of Internal Audit

All ExCo members and Other Group Roles have a job description which sets out their respective roles and responsibilities.