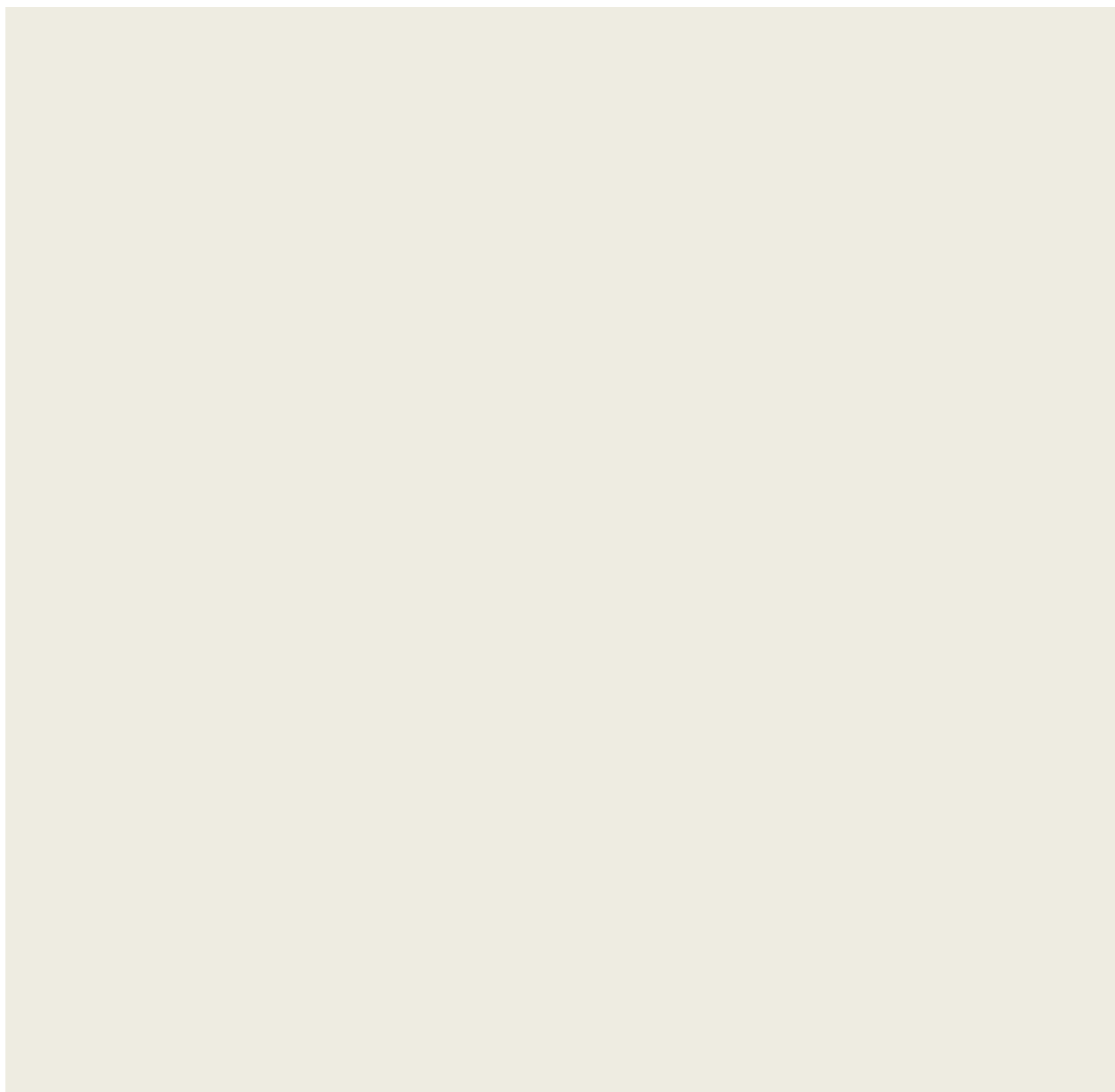


LCH Limited

Board Reserved Matters, Executive Delegation &
Management Team Composition

9 September 2020

LCH The Markets'
Partner



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Executive Summary

This document supersedes the Delegated Authorities document adopted by the Board of LCH Limited (the “Company” or “Ltd”) in March 2020.

This document brings together

- Board Reserved Matters;
- Executive Delegation; and
- Senior management and Management Committee Composition.

Schedule of Matters Reserved for the Board of LCH Limited (the Company or Ltd)

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 12 ("**Interpretation**"). This schedule remains subject to the provisions of the Company's articles of association (the "**Articles**") and does not prevent the Board from:

- (i) delegating authority as it deems appropriate from time to time in accordance with the Articles; or
- (ii) having full access to relevant information which is outside the scope of these reserved matters.

1. BUSINESS MANAGEMENT AND STRATEGY

The Board is responsible for the overall management of the Company and the establishment of clear objectives and strategies for the Company.

The Board shall:

1.1 approve the Company's medium and long term business strategy and objectives as set out in the Company's annual budget;

1.2 approve the Company's annual operating and capital expenditure budget, subject to the consent of London Stock Exchange Group plc ("**LSEG**");

1.3 approve any material changes to the Company's budget (including any third party debt financing), subject to the consent of LSEG;

1.4 review the Company's performance in the 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;

1.5 approve any planned extension of the Company's activities through the launch of new products or through the launch of existing products in new geographical areas where new or novel risk is being introduced;

1.6 oversee the outsourcing arrangements (if any) of the Company;

1.7 approve the opening of a new branch or representative office of the Company, whether conducting clearing activities through such branch or office or otherwise; and

1.8 in consultation with the board of LCH Group Holdings Limited, approve/or recommend to shareholders (to the extent required by law):

1.8.1 any merger of the Company with a third party or the disposal of all or any material part of the Company's business;

1.8.2 any type of joint venture arrangement between the Company and any third party;

1.8.3 any acquisition of a business with a valuation representing 5 per cent. or more of the Company's net revenue stated in the last audited accounts published by the Company;

1.8.4 any decision to cease to operate all or any material part of the Company's business; and

1.8.5 the planned extension of the Company's activities through the launch of new products or the launch of existing products in new geographic areas.

2. STRUCTURE AND CAPITAL

Subject to the Company's articles of association, law and regulation, the Board shall approve:

2.1 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;

2.2 any major changes to the Company's corporate structure such as the creation of new holding or subsidiary companies;

2.3 any changes to the Company's legal status; and

2.4 any changes to the Company's management and control structure.

3. CONTRACTS

Subject to any LSEG consent right or the obligation to consult with the board of LCH Group Holdings Limited pursuant to paragraph 1 above, the Board shall approve:

3.1 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%;

3.2 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;

3.3 material borrowings and material capital expenditure. For the purposes of this paragraph:

3.3.1 **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

3.3.2 capital expenditure shall be **material** if it exceeds an aggregate amount of €3 million;

3.4 material IT investments proposed to be made by the Company. IT investments shall be **material** if they exceed an aggregate amount of €3 million, subject to the consent of LSEG; and

3.5 all outsourcing contracts.

4. FINANCIAL REPORTING AND CONTROLS

The Board shall:

4.1 approve the Company's annual report and accounts;

4.2 approve any significant changes in accounting policies or practices; and

4.3 recommend or approve dividends in accordance with the Company's articles of association, taking into account the following factors:

4.3.1 applicable regulatory and regulatory capital requirements, including reasonable capital "buffers";

4.3.2 restrictions in any finance documents;

4.3.3 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;

4.3.4 any requirement to fund employee pensions commitments and whether any dividend(s) would constitute a type A event for the purposes of the guidance issued by the UK Pensions Regulatory from time to time, and if so, appropriate mitigation; and

4.3.5 applicable laws.

4.4 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)):

4.4.1 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

4.4.2 the audited accounts for each financial year and monthly management reports.

5. RISK

5.1 The Board has overall responsibility for the establishment and oversight of the risk management of the Company and shall define, determine and document an appropriate level of risk tolerance and risk bearing capacity for the Company.

5.2 Subject to paragraph 5.3, the Board shall approve:

5.1.1 any change to the criteria for admission to clearing membership following recommendation from the Risk Committee;

5.1.2 risk controls designed or adapted for the clearing of any new markets and products following recommendation from the Risk Committee in accordance with its terms of reference;

5.1.3 any change in the size of the Default Fund following recommendation from the Risk Committee;

5.1.4 any change to the Company's Default Fund Rules following recommendation from the Risk Committee;

5.1.5 adoption of the LCH Group Risk Governance Framework;

5.1.6 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;

5.1.7 the Company's business continuity policy and disaster recovery plan, which shall be subject to independent reviews which are reported to the Board; and

5.1.8 oversee the crisis management function of the Company,

5.3 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 in this paragraph 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.

6. BOARD MEMBERSHIP AND OTHER APPOINTMENTS

The Board shall:

6.1 subject to the consent of LSEG, approve changes to the structure, size and composition of the Board upon recommendations from the Nomination Committee;

6.2 ensure adequate succession planning for the Board;

6.3 approve appointments to the Board further to recommendations from the Nomination Committee;

6.4 approve the appointment of the Chief Executive Officer of the Company;

6.5 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;

6.6 be responsible for the oversight of the Company's Chief Compliance Officer, internal audit function and Chief Risk Officer (all of which make reports directly to the Board);

6.7 in consultation with the Company's Chief Compliance Officer (or his or her designee) manage and authorise Director conflicts of interest in accordance with the Articles;

6.8 approve the appointment or removal of the Company Secretary; and

6.9 effectively monitor senior management of the Company.

7. REMUNERATION

The Board shall:

7.1 establish appropriate remuneration policies, with the assistance of the Remuneration Committee, having regard to the LCH Group and LSEG Group policies;

7.2 on the basis of the recommendation of the Remuneration Committee, by the Company's regulators, approve the remuneration policy for the Chairman of the Board, the Executive Directors of the Company, the Company's Chief Compliance Officer and any other senior executive personnel of the Company as decided by the Board;

7.3 determine the remuneration of the independent non-executive directors of the Company;

7.4 in consultation with the board of LCH Group Holdings Limited, determine any material changes 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, subject to the consent of LSEG in respect of its rights under: (i) the terms of reference of the Nomination Committee and (ii) the rights of LSEG under the terms of reference of the Remuneration Committee, the Audit Committee and the Risk Committee.

9. INTERNAL CONTROLS

The Board shall:

- 9.1 oversee the compliance function and internal control function of the Company;
- 9.2 receive reports on and review the effectiveness of the Company's risk and control processes to support the Company's strategy and objectives;
- 9.3 undertake an annual review of these processes; and
- 9.4 approve an appropriate statement for inclusion in the annual report.

10. CORPORATE GOVERNANCE AND COMPLIANCE

The Board shall:

- 10.1 undertake an annual review of its own performance and that of its committees;
- 10.2 oversee compliance with applicable legal, regulatory and contractual requirements from time to time; and
- 10.3 take into account whether the Company has the necessary level of independence to meet its regulatory obligations (including having an appropriate conflicts policy in place).

11. RELATED PARTY TRANSACTIONS

Any contracts and agreements (including commercial and trading arrangements in the ordinary course of business) between the Company and LSEG or any of LSEG's subsidiaries (other than members of the LCH 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).

12. MISCELLANEOUS

The Board shall:

- 12.1 approve the making by the Company of political donations in accordance with the LCH Group Code of Conduct;
- 12.2 approve the prosecution, defence or settlement of litigation worth at least €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 €2,000,000 will be subject to LSEG consent); and
- 12.3 review and approve any changes to this schedule from time to time, provided that any changes to LSEG's rights or any changes which would otherwise have a detrimental effect on LSEG's rights pursuant to this schedule will be subject to the consent of LSEG.

13. GROUP COMPLIANCE

13.1. 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:

13.1.1 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

13.1.2 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 its group (or who held such voting rights in the past 12 months) and (ii) any director of LSEG or any member of its 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.

14. 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, in their role as an Independent Director, shall then decide whether the matter referred to them is reserved for the Board and their decision shall be final.

Terms of Reference for Executive Delegation

1. Delegation

- 1.1 The Board resolved to delegate authority to the Chief Executive Officer of the Company (the CEO) on the terms set out in this document, with full power for the CEO to delegate such authority to such employees of the Company as the 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 Company's Board (any such matter being a Board Reserved Matter) and shall always be subject to any matter that, pursuant to the Company's articles of association or law or regulation, is subject to the consent of any shareholder or group of shareholders of the Company or of LCH Group.

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 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, always ensuring that sufficient resources are devoted to risk management. To the extent not set out in the annual business plan and budget, the CEO should determine, in consultation with the LCH Group Chief Executive Officer and other stakeholders within LCH, the key objectives in delivering the Company's strategy (consistent to that determined by the Board) and define plans and timescales for implementation of specific tasks and projects.

3. Control/Governance

The CEO is responsible for ensuring that proper financial and business control processes are implemented and exercised within the Company (consistent to those agreed with the Board) including those aspects of corporate governance delegated to them by the Board. In particular the 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

- 4.1 The CEO shall be responsible for appointing, in consultation with the LCH Group Chief Executive Officer, a management team reporting to the CEO, including without limitation the head of the Company's risk management function.
- 4.2 The CEO shall ensure that day-to-day risks posed to the Company by its clearing business are duly addressed, including operational risks.

5. Group engagement

The CEO will draw upon the input and expertise from the wider LCH Group (and in particular the LCH Group Chief Executive Officer) in making recommendations to the Ltd Board on matters such as strategy and the future product portfolio, but at all times retains the authority to veto recommendations which might put the Ltd business at unacceptable risk or not in compliance with applicable law and regulation.

6. Reporting/Communication

The CEO will use reasonable efforts to stay informed and, in particular, shall instruct the Ltd management team to inform the CEO, of any matter that, pursuant to the Company's articles of association or law or regulation, is subject to the consent of any shareholder or group of shareholders of the Company or of LCH Group, and shall inform the Board of any such matter of which that person 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

The Company's senior management shall have at least the following responsibilities, in each case having regard to the safety and efficiency of the Company and the stability of the broader financial system and public interest considerations of stakeholders such as clearing members and their customers:

1. ensuring consistency of the Company's activities with the objectives and strategy of the Company as determined by the Board;
2. designing and establishing compliance and internal control procedures that promote the Company'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 Company by its clearing and activities linked to clearing are duly addressed.

Role of the Chief Executive Officer

- 1 The CEO is responsible for managing the business of the Company, 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 CEO may make decisions in all matters affecting the operations, performance and strategy of the Company'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, if any.
- 2 The CEO accounts and reports to the Board and is responsible for:
 - a) the recommendation of objectives and strategy for the Company in the development of its business, having regard to the interests of the shareholder, customers and staff, and to the Company'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 Company to bear);
 - d) the continuing review of the organisational structure of the Company and recommendations for changes; and
 - e) the optimum use and adequacy of the Company'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 Company objectives are likely to be achieved;
 - b) the presentation of the Company'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 Company;
 - f) in conjunction with the Chairman, the development of the Company'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 Company including relevant aspects of corporate governance; and
 - j) ensuring that the Company's policies and procedures are followed and conform to the highest standards.
- 4 The CEO will keep the Chairman of the Board informed on all important matters.

Chief Executive Officer's Delegated Authority

Role

The CEO is responsible for managing Ltd's business. In accordance with the LCH Limited Executive Delegation ('Ltd Delegation'), the CEO may make decisions in all matters affecting the operations, performance and strategy of Ltd's business, with the exception of those matters reserved specifically for the Board.

General Authority

The CEO has general authority over all Ltd staff and to:

- exercise all the powers of the Ltd Board, save those matters reserved to the Ltd Board; and
- exercise power to achieve the objectives, policies, plans and budgets adopted from time to time by the Ltd and LCH Group Boards.

The CEO is authorised to approve any item of expenditure or the incurrence of any liability (including expenditure or liability in excess of any specifically budgeted amount) by the Company 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% ; and
- the relevant expenditure or liability is not a Board Reserved Matter,

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 CEO is authorised to pursue exploratory discussions for transactions that may involve expenditure or the incurrence of any liability by the Company that is in excess of the amount, or is not for a purpose that the CEO is authorised to approve, 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.

In addition, the CEO is the initial escalation point in the event of a conflict between a LCH Group Functional Head and the Limited Functional Head.

Sub-delegation of authority

Transactions in excess of the maximum expenditure limits must be referred to the Ltd Board and, if required, to the LCH Group Board. The CEO is authorised to delegate further a proportion of this authority (but not the whole) to other colleagues within the Ltd business as considered consistent with the roles and responsibilities clearly attributed to those individuals.

The CEO will draw upon the input and expertise from the wider Group (and in particular the LCH Group Chief Executive Officer) in making recommendations to the Ltd Board on matters such as strategy and the future product portfolio, but at all times retains the authority to veto recommendations which might put the Ltd business at unacceptable risk.

The CEO must not delegate calling a member into default, save that such authority is hereby delegated to the Chief Risk Officer of Ltd to act in an emergency in the event that the CEO is unavailable.

LCH Limited Management Team

The LCH Limited Management Team (the “Management Team”) is the highest functional management layer within the Company. Members of the Management Team derive their authorities from the CEO.

The Management Team is responsible for determining LCH Limited strategy, setting common objectives and priorities and leading its commercial agenda within LSEG Post Trade.

The composition of the Management Team is set out below:

1. CEO
2. Global Head of Rates, Securities and Collateral
3. Head of SwapClear and Listed Rates
4. Global Head of ForexClear
5. Global Head of Sales and Relationship Management, LCH Group
6. Chief Risk Officer
7. Chief Compliance Officer
8. Chief Finance Officer
9. Chief of Staff, LCH Limited
10. Chief Technology Officer
11. Head of Legal
12. Head of HR, LCH Ltd
13. Head of Americas and Post Trade COO
14. Head of Asia Pacific

Members of the Management Team each have a job description that sets out their respective roles and responsibilities.