



Terms of Reference

ICNL Risk Committee

Version 14.0

24 July 2023

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Terms of Reference ICNL Risk Committee

Document history

Version	Date	Resp	Description
1.0	September 2013	Set-up	Set-up Terms of Reference
2.0	January 2014	CCO	No changes; version number changed RC approval: 20140425
3.0	July 2014	CCO	Deleted former 2.11 - The ICNL Board may remove members of the Committee with or without cause.
4.0	July 2014	CCO	- Venue representation replaced by Client representation - Replaced External Members by representatives where necessary - Included principle of Nominated Representative RC approval: 20140929
5.0	20141023	CCO	Reasonable efforts replaced by best efforts
5.1	20150728	CCO	- Re-branded in ICE format - Implementation 1-tier Board structure MT approval: 20150811, RC approval: 20150924, Board approval: 20151130
6.0	20151103	CCO	Added the obligatory matter of CP's to be approved by the Risk Committee MT approval: 20151103
7.0	20160907	CCO	Giving the Risk Committee the authority to advise the Board on future changes in settlement arrangements of prospective/current CP's RC approval: 20160920 Board approval: 20160929
8.0	20171110	CCO	Annual review. Changes proposed: - Incorporated terms of the ICEU F&O Risk Committee - Changed Clearing Participant to Clearing Member - Deleted footnotes referring to EMIR articles - Reference to Regulations changed - Facilitate invitation of external experts - Add consultation of the risk committee on developments impacting the risk management of ICNL in emergency situations MT approval: 20171114, RC approval: 20180710, Board approval: 20180712
9.0	20190110	CCO	Annual review. No changes envisaged. MT approval: 20190115, RC approval: 20190116, Board approval: 20190131
10.0	20200928	CCO/RC	Annual review. Changes envisaged: - Grammar/spelling changes Changed minimum frequency from 2 to 4 - Inclusion Risk team as Invitees - Inclusion monitor activities ROD, IV and IA - Change set-up paragraphs 3.6 till 3.8 MT approval: 20200928, RC approval: 20201014, Board approval: 20201022
11.0	20210928	CCO	Annual review. No changes envisaged. MT approval: 20211012, RC approval: 20211110, Board approval: 20211125
12.0	20220412	CCO	Annual review. No changes envisaged. MT approval: 20220419, RC approval: 20220511, Board approval: 20220709
13.0	20220731	CCO	Regulation (EU) 2021/23 of the European Parliament and of the Council of 16 December 2020 on a framework for the recovery and resolution of central counterparties came into force as of 20220630. This Regulation triggered changes in ICNL Recovery Plan. Also, the Regulation determines that a CCP must ensure that all relevant stakeholders are involved in the drawing-up of the Recovery Plan through the Risk Committee. Changes made in this version ensures that the ToR of ICNL's Risk Committee facilitates this role. MT approval: 20220712, RC approval: 20220907, Board approval: 20220921

14.0	20230724	Senior Risk Analyst	Annual review. Some clarifications. No changes to required composition, governance, authority.
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Version control

Item	Description			
Document name	Terms of reference ICNL Risk Committee			
Document type	Terms of reference			
Document owner	Compliance/Company Secretary			
Version	14.0			
Approval body	MT	AC	RC	Board
Last approval date	20230803	N/a	20230824	20230907

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1 Mission

The Risk Committee (the Committee) of ICE Clear Netherlands (ICNL) advises the Board of ICNL pursuant to articles 28 and 37 (1) of *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 (EMIR)* and pursuant to the relevant articles of the *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 with regard to regulatory technical standards on requirements for central counterparties (EMIR RTS CCP)*.

Capitalized terms used below without definition shall have the meanings assigned to them in the ICNL Rulebook.

2 Composition

2.1 The Committee shall, subject to any co-option as referred to in paragraph 2.8 below, comprise:

- such number of independent members that is required from time to time, of which at least one is an independent member of the Board who will be the chairman/chairwoman of the Committee (the Committee Chairman/Chairwoman) nominated by the Board (each, an External Member). A Committee member is considered independent if he or she meets the criteria for independence as set out in any corporate governance standards applicable to ICNL from time to time or the criteria for independence which the Board otherwise determines to reflect best practice corporate governance;
- such number of representatives of Clearing Members that is required from time to time (each, a Clearing Member representative). A Clearing Member representative should work in a senior capacity and/or a senior risk management role for a Clearing Member of ICNL or a Group Company of the Clearing Member;
- and such number of representatives of clients of Clearing Members that is required from time to time (each, a Client representative). A Client representative should hold a senior risk management position at the client;

provided that: (1) at least 25% but not more than 50% of Committee members are External Members; (2) not more than 50% of Committee members are Clearing Member representatives; and (3) no Clearing Member or Client representatives are also employees of ICNL.

2.2 The following individuals may be invited to attend the meetings of the Committee from time to time in a non-voting capacity:

- the chairman/chairwoman of the Audit Committee of ICNL (if not already member of the Committee named in 2.1);
- ex officio the President of ICNL;
- ex officio the Chief Risk Officer of ICNL who is responsible for all technical issues and recommendations made to the Committee;
- members of the ICNL Risk department;
- senior representative of the venue cleared by ICNL;
- and such other individuals as considered appropriate by the Committee.

2.3 Members of the Committee are appointed by the Board in consultation with the Committee Chairman/Chairwoman.

2.4 Committee members that are not External Members act in their capacity as risk experts and do not represent their employer. They represent their respective stakeholders, i.e. the Clearing Members and the clients.

2.5 Only one representative from each Clearing Member or client (or, if any are part of a group (as defined in article 2(16) of EMIR), the group to which such Clearing Member or Client belongs), is permitted. Representatives will do their best to contribute both their own expertise and the expertise of the Clearing Member or client (or group, if appropriate) for which they work for all markets and products which the Clearing Member or client (or group, if appropriate) clears with ICNL.

2.6 Clearing Member and client participation in the Committee will be reviewed on an annual basis at a minimum. The metric for determining which Clearing Members and clients are invited to participate in the Committee will be based on factors including the asset classes cleared, volume cleared and the level of contribution to the Guaranty Fund, and strike a balance between general and direct Clearing Members, geographical distribution, large and small Clearing Members.

- 2.7 The Company Secretary or his or her appointed nominee shall be secretary of the Committee (the Committee Secretary).
- 2.8 The Committee Chairman/Chairwoman and the Committee Secretary will together seek to ensure that the Committee has a suitable range of expertise to consider and evaluate the risk matters placed before it, with particular reference to changes in the risks managed by ICNL.
- 2.9 The Committee may co-opt any person, either for consideration of an individual subject or for a longer period in a non-voting capacity.
- 2.10 The Committee may set up one or more advisory groups for the purpose of reporting back to it on specific issues. The Committee shall not delegate any of its powers or responsibilities set out herein to any such advisory group.
- 2.11 It is acknowledged that competent regulatory authorities shall have the right to request to attend Committee meetings in a non-voting capacity and be duly informed of the activities and decisions of the Committee.

3 Authority

General

- 3.1 The Committee has the right to advise the Board on any Obligatory Matters. The Committee will only address and advise the Board on any Consultation Matters upon prior request by a member of the Board. The advice given by the Committee shall be independent of any direct influence by the management of ICNL.
- 3.2 Obligatory Matters are the following risk-related matters beyond daily-operations if and to the extent they may have an impact on the risk management of ICNL:
 - significant changes of the risk model of ICNL;
 - changes to the default procedures;
 - changes to the categories of admissible Clearing Members and to the admission criteria for Clearing Members;
 - the clearing of new classes of instruments;
 - outsourcing of critical risk functions by ICNL; and
 - all other matters beyond daily operations which may have an impact on the risk management of ICNL including, but not limited to, material changes to relevant parts of the ICNL Rulebook and Rules of Procedure;
- 3.3 Obligatory Matters are also:
 - the framework to determine the minimum size of the Guaranty Fund and amount of other financial resources;
 - ensure that ICNL maintains and implements agreed procedures and controls designed to protect the integrity of the Guaranty Fund and to ensure that ICNL can successfully handle the insolvency of a Clearing Member;
 - the internal policy framework defining types of extreme but plausible market conditions ICNL could be exposed to;
 - the liquidity plan;
 - a policy for the use of derivative contracts as highly liquid financial instruments for the purpose of article. 47 (1) EMIR.
 - each application for a Clearing membership will be considered by the Risk Committee, which will have delegated authority from the Board to approve or reject such application with a right of appeal due to the applicant in the event of a rejection. The assessment by the Risk Committee will be based on objective criteria for membership as set forth in the Rulebook.
 - consider settlement arrangements for prospective and current Clearing Members that deviate from central bank money under EMIR; and
 - monitor follow-up and remediation of risk-related findings raised by the Model Risk Management, Risk Oversight and Internal Audit departments.

- 3.4 Consultation Matters in respect to which the Board will seek advice from the Committee are:
- review and material revisions and adjustments to the models, their methodologies and the liquidity risk management framework used to quantify, aggregate, and manage the risks of ICNL. For this purpose, the ICNL CRO will periodically report to the Committee the stress testing results of ICNL and accompanying analysis;
 - material revisions and adjustments to ICNL policies used to test its margins, Guaranty Fund and other financial resources methodologies and framework for calculating liquid financial resources;
 - the systems and valuation models used for validating ICNL models where pricing data is not readily available;
 - developments impacting the risk management of the ICNL in emergency situations.
 - review of ICNL's margin model. For this purpose, the ICNL CRO will periodically report to the Committee the back testing and the sensitivity testing results of ICNL and accompanying analysis; and
 - review of the reverse stress tests developed by ICNL. For this purpose, the ICNL CRO will periodically report to the Committee the reserve stress testing results of ICNL and accompanying analysis.
 - review of ICNL's Recovery Plan and determine that the Recovery Plan is non-discriminatory and balanced in terms of its impact and the incentives it creates and that the effects of the recovery measures on Clearing Members and their Clients and on the financial system more broadly are proportionate.
- 3.5 Consultation Matters in respect to which the Board may seek advice from the Committee are all other matters which, in the view of the Board, may have an impact on the risk management of ICNL and its Clearing Members. The ICNL CRO shall make best efforts to consult the Committee on matters impacting the risk management of ICNL in emergency situations.

4 Conduct of Meetings

- 4.1 Frequency: Meetings are held at least 4 times per year, or more frequently according to the business to be considered.
- 4.2 Invitation: Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, are 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 are sent to Committee members, and to other attendees, as appropriate, at least 72 hours before the start of each meeting.
- 4.3 Decision: Decisions are taken by consensus. If no consensus can be reached then the topic will be put to a vote. All voting members of the Committee have one vote. The decision will be taken by simple majority.
- 4.4 Quorum: The Committee will have a quorum if all Committee members have been invited and at least half of the members cast their vote. When deciding whether there is a quorum, one may not count any members of the Committee excluded from casting their vote.
- 4.5 Minutes: The Committee provides minutes of the meetings. Minutes of the meetings are distributed to the voting members of the Committee, individuals mentioned under 2.2 as well as to the ICNL Board.

5 Reporting

- 5.1 The Committee Chairman/Chairwoman reports to the Board on the discussions, decisions and recommendations of the Committee. The Board shall promptly inform the competent regulatory authorities of any decision in which the Board decides not to follow the advice of the Committee.

6 Confidentiality and conflict of interests

- 6.1. All matters considered by the Committee and any information disclosed to members of the Committee in connection with their position as a member of the Committee must remain confidential, save as required to be disclosed by law or regulation. Any other persons (with the sole exception of competent regulatory authorities) involved in the Committee's work shall either be bound by undertakings of professional secrecy or by ad hoc confidentiality agreements with the Committee.
- 6.2. The Chairman/Chairwoman of the Committee determines whether a member of the Committee has an actual or potential conflict of interest. Where the Chairman/Chairwoman determines that a member has an actual or potential conflict of interest on a particular matter, that member is not allowed to vote on that matter.