

**NODAL CLEAR, LLC  
RISK MANAGEMENT COMMITTEE  
CHARTER**

**I. Purpose**

The Risk Management Committee (“**RMC**”) is a committee of the Board of Directors (“**Board**”) of Nodal Clear, LLC (“**Nodal Clear**”) established in accordance with the Commodity Exchange Act and the regulations promulgated thereunder (collectively referred to as “**the CEA**”). The RMC shall report to the Board and consist of at least 35% Public Directors (as such term is defined in the CEA). The RMC aids Nodal Clear in managing the risk associated with the operation of a derivatives clearing organization. The RMC will:

- (i) Advise the Board on significant changes to Nodal Clear’s risk model and default procedures;
- (ii) Recommend to the Board standards and requirements for initial and continuing clearing membership eligibility;
- (iii) Advise the Board regarding the eligibility of products for clearing;
- (iv) Review the performance of the Chief Risk Officer and make recommendations with respect to such performance to the Board;
- (v) Review the performance of the Chief Compliance Officer and make recommendations with respect to such performance to the Board; and
- (vi) Review the performance of the Board and individual directors on a regular basis.

**II. Responsibilities and Authority**

**Responsibilities**

The Risk Management Committee shall oversee the Nodal Clear risk program on behalf of the Board with the authority to (i) monitor the risk program of Nodal Clear for sufficiency, effectiveness, and independence and (ii) oversee all facets of the risk program, including:

- (a) Assessment and approval of applications of Nodal Clear clearing members (“**Clearing Members**”);
- (b) major risk management policy issues, financial safeguards, and financial surveillance and membership issues;
- (c) surveillance, audits, examinations, and other regulatory responsibilities with respect to Clearing Members (including compliance with, if applicable, financial integrity, financial reporting, recordkeeping, and other requirements); and the conduct of investigations;

- (d) reviewing the size and allocation of the risk and compliance budget and resources, and the number, hiring, termination, and compensation of risk and compliance personnel;
- (e) monitoring Nodal Clear risk management resources and endeavoring to ensure that risk control personnel operate with sufficient independence, authority, resources and access to the Board;
- (f) supervising the Chief Compliance Officer of Nodal Clear, who will report directly to the Risk Management Committee in addition to the Chief Executive Officer;
- (g) supervising the Chief Risk Officer of Nodal Clear, who will report directly to the Risk Management Committee in addition to the Chief Executive Officer;
- (h) authorizing its Chairman and the Chief Risk Officer to establish a Risk Advisory Committee to meet as needed and to be chaired by the Chief Risk Officer, which Committee will include Clearing Member representation in order to provide recommendations to the Clearing House and the Risk Management Committee upon request;
- (i) recommending changes that would ensure fair, vigorous, and effective regulation and risk management;
- (j) recommending changes that would support the broader financial system or other relevant public interest considerations;
- (k) reviewing all regulatory proposals prior to implementation and advising the Board as to whether and how such changes may impact regulation;
- (l) approving new products for clearing;
- (m) maintaining minutes and records of its meetings;
- (n) considering and responding to input from the Risk Management Advisory Committee (“**RMAC**”) and considering input from the Risk Working Group (“**RWG**”) received through the **RMAC** on all matters which the RMAC and RWG provide such input to the RMC; and
- (o) reviewing such other matters and perform such additional activities, within the scope of its responsibilities, as the Board deems necessary or appropriate.

The Risk Management Committee shall take such actions required by the Rules

or as otherwise delegated to it by the Board. The Risk Management Committee shall have the duties and powers as described and required under the CEA.

### **Authority**

The RMC shall have the authority, discretion, and necessary resources to:

- Conduct its own inquiries;
- Consult directly with Nodal Clear staff;
- Review all relevant documents;
- Interview employees, officers, and Clearing Members and their customers;
- Determine what matters (including, but not limited to margin model, default procedures, participation requirements, risk monitoring practices, and the clearing of new products) that could create material changes that affect the risk profile of the DCO, such that the RMAC ~~and RWG~~ must be consulted for input and RMC feedback response;
  - Consistent with CFTC regulations, what constitute “material changes” are the determination of the RMC, as advised by the DCO staff;
  - Regarding new products, the determination of whether a new product has such an affect should consider at least the following factors: different margining, liquidity, default management, pricing, or other risk characteristics from products already cleared;
- Otherwise exercise its independent analysis and judgment to fulfill its regulatory obligations; and
- Ask members of management or others to attend meetings and provide information.

The RMC may delegate its day-to-day authority over regulatory functions and personnel to Nodal Clear’s Chief Risk Officer or Chief Compliance Officer as appropriate. RMC may delegate to appropriate Nodal Clear staff the task of informing the RMAC and RWG for the RMAC’s and RWG’s input and feedback.

### **III. Membership Composition**

The RMC shall be composed of at least 35% Public Directors. The members of the RMC shall meet the fitness standards of Nodal Clear Rule 2.3.1 applicable to Board members, including the certification requirement that a member is not disqualified under Rule 2.3.1. The members of the RMC shall be appointed in accordance with the Limited Liability Company Agreement of Nodal Clear and the Board shall

designate the Chairman.

Each member of the RMC and its Chairman shall serve until his or her successor is appointed or until the earlier of his or her resignation or removal.

#### **IV. Meetings**

The RMC shall meet regularly each quarter and as often as it may deem necessary and appropriate in its judgment.

A majority of the RMC members shall constitute a quorum for the transaction of business. Each RMC member not subject to a recusal (for reasons including, but not limited to, an actual or potential conflict of interest) shall have one (1) vote in all matters requiring a vote by the RMC. The act of a majority of the RMC members not subject to a recusal at any duly constituted meeting, if a quorum is present, shall be the act of the RMC. In the case of any tie vote, the Chairman of the RMC shall have the deciding vote.

The RMC shall create and maintain the minutes of each RMC meeting, which shall be provided to the Board of Nodal Clear. The Secretary of Nodal Clear shall take the minutes of such meetings. The minutes shall note consideration of RMAC/RWG input regarding any matters referred to the RMAC/~~RWG~~ and RWG for consultation. The RMC may delegate to appropriate Nodal Clear staff (i.e., President, Chief Operating Officer, Chief Risk Officer, or Chief Compliance Officer) the authority to respond to the RMAC/~~RWG~~ with regard to the RMC's consideration of RMAC/~~RWG~~'s input.

#### **V. Reporting**

The RMC Chairman, or his or her designee, shall make regular reports of the RMC's activities to the Board.

#### **VI. Public Availability**

Nodal Clear shall make this Charter publicly available.