



**THE DEPOSITORY TRUST & CLEARING  
CORPORATION THE DEPOSITORY TRUST COMPANY  
NATIONAL SECURITIES CLEARING CORPORATION  
FIXED INCOME CLEARING CORPORATION**

**RISK COMMITTEE CHARTER**

**I. Purpose**

The ability to identify, manage, and mitigate risk is fundamental to the services that The Depository Trust & Clearing Corporation (“DTCC”) provides to its clients, as well as to the financial markets generally.<sup>1</sup> Oversight of these activities is a primary activity of the Boards of Directors of DTCC, DTC, NSCC, and FICC (collectively, all such Boards of Directors, the “Board”).

The Board has established a Risk Committee of the Board (the “Committee”) to assist the Board in fulfilling its responsibilities for oversight of risk management activities at DTCC and at the SIFMUs (collectively, the “Company”) focusing on the following critical aspects: (1) oversight of risk management systems and processes designed to identify and manage credit, market, liquidity, and operational risks to DTCC and its subsidiaries, including the SIFMUs; and (2) due to the Company’s unique capabilities and position, oversight of the Company’s efforts to mitigate certain “systemic risks” that may undermine the stable operation of the financial system. To provide additional, dedicated focus and align oversight of specialized risk categories with the domain expertise of other committees that have been established, or may be established from time to time, by the Board (each an “Other Board Committee”, and collectively, “Other Board Committees”), certain risks will be overseen by Other Board Committees. While these risks will not be directly overseen by the Committee, the Committee will, nonetheless, coordinate risk oversight with these Other Board Committees, as appropriate, to achieve comprehensive and holistic oversight of the Company’s risk-related matters.

The Board retains the authority to review matters brought to the Committee and to request immediate escalation to the Board should the Board deem appropriate.

As further described in Section III(B) (Authority/Delegation) and Section IV (Responsibilities), in order for the Committee to take timely and appropriate action, the Committee has delegated to DTCC’s Management Risk Committee (“MRC”)

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<sup>1</sup> DTCC provides such services to its clients primarily through its subsidiaries The Depository Trust Company (“DTC”), National Securities Clearing Corporation (“NSCC”), and Fixed Income Clearing Corporation (“FICC”) (collectively, DTC, NSCC, and FICC, the “SIFMUs”), as well as through its other subsidiaries.

primary responsibility for monitoring and oversight of the Company’s management of day-to-day credit, liquidity, market, operational, and systemic risks. The MRC’s role is one of delegated management oversight on behalf of the Committee. The Committee retains the authority to review matters brought to the MRC and to request immediate escalation to the Committee should the Committee deem appropriate.

This Charter sets forth the governance arrangements that have been established for the Committee, which have been designed to prioritize the SIFMUs’ safety and efficiency in support of the public interest and the prompt and accurate clearance and settlement of securities transactions, as well as the objectives of SIFMU members and participants, as required under the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

## **II. Administrative Structure**

### **A. Composition/Vacancies**

The Committee shall be composed of not less than four members, including the Chair of the Committee, who are serving Directors of the Board. The Non-Executive Chairman of the Board shall serve as an *ex officio* member of the Committee. Committee members shall be selected by the Board and shall serve at the pleasure of the Board. At least one member of the Committee shall qualify as independent from the SIFMU participant members.

In the event of a vacancy on the Committee, the Committee will continue to undertake its responsibilities, so long as the remaining Committee members can satisfy the quorum requirement.

### **B. Committee Chair**

The Chair of the Committee shall be a Member of the Board who is not employed by DTCC (a “non-management” director). The Chair shall be selected by the Board and shall serve at the pleasure of the Board. In the absence of the Chair at any meeting of the Committee, the Non-Executive Chairman shall serve as Chair of such meeting. In the absence of the Non-Executive Chairman at any meeting of the Committee at which the Chair is absent, those members of the Committee present shall designate a Committee member to serve as the Acting Chair.

### **C. Meetings**

The Committee shall meet not less than five times a year and may meet more frequently as the Committee deems appropriate. Meetings of the Committee shall be called by the Chair or the Chair’s designee. Meetings of the Committee shall generally be open to all Board members. The Chair or the Chair’s designee shall, in consultation with management, as appropriate, prepare an agenda in advance of each meeting. The Committee also retains the authority to call an “executive session” from which Committee members who are employees of DTCC (and/or any guests of the Committee in attendance) may be excluded. The Non-Executive Chairman shall be permitted to attend and participate in executive sessions called by the Committee

#### D. Quorum and Voting; Action by Written Consent

A majority of the incumbent Committee members shall constitute a quorum for the transaction of business. The presence of the Non-Executive Chairman shall not be counted towards quorum for the transaction of business at a meeting of the Committee where a quorum of voting Committee members is present but may be counted towards quorum for the transaction of business at a meeting of the Committee at which a quorum of voting Committee members is not present. The Non-Executive Chairman shall not be a voting member of the Committee except as provided in Section III(C) (Authority/Authority of the Chair to Act in an Emergency) below; provided, however, that (i) in the event of a tie vote or deadlock among the voting members of the Committee, the Non-Executive Chairman shall have the casting vote which shall determine the outcome of such tie vote or deadlock, and (ii) the Non-Executive Chairman may vote at a meeting of the Committee at which he is counted towards quorum for the transaction of business.

Any action permitted or required to be taken by the Committee may be taken by written consent, to the extent permitted under the respective bylaws of DTCC and/or any applicable SIFMU(s) and applicable law.

#### E. Minutes and Reports

The Committee shall maintain minutes of all Committee meetings and shall report to the Board regularly on its activities.

#### F. Staff Liaison

The Group Chief Risk Officer shall have a direct reporting line to the Chair of the Committee and is responsible for assisting the Committee as needed in the performance of its duties.

The Committee may also require the attendance at any Committee meeting of any additional officers or employees of DTCC as it deems appropriate.

### **III. Authority**

#### A. Scope

Subject to the direction of the Board, the Committee is authorized to act on behalf of the Board with respect to any matter necessary or appropriate to the accomplishment of the purpose and responsibilities set forth in this Charter. In discharging its role, the Committee may inquire into any matter it considers appropriate to carry out its purpose and responsibilities, with access to all books, records, facilities, and personnel of DTCC and its wholly owned subsidiaries, including the SIFMUs. The Committee also has the authority to retain advisors, consultants, and/or counsel to assist it in carrying out its activities. DTCC, DTC, NSCC, and/or FICC, as the case may be, shall provide adequate resources to support the Committee's activities.

#### B. Delegation

The Committee may delegate a subset of its responsibilities to one or more subcommittees composed of members of the Committee, or to members of DTCC management. However, in all instances, the Committee retains the obligation to

oversee such delegated activity and to assure itself that delegation and reliance on the work of such delegates is reasonable.

To take timely and appropriate action, the Committee has delegated to the MRC primary responsibility for oversight and monitoring of the Company's management of day-to-day market, liquidity, credit, operational, and systemic risks, including with regard to NSCC's and FICC's margin systems and stress-testing frameworks. The MRC shall manage such risks in accordance with DTCC's Corporate Risk Framework Policy and the Risk Tolerance Statements attached thereto, as approved by the Committee from time to time and then in effect.

C. Authority of the Chair to Act in an Emergency<sup>2</sup>

In an emergency situation, the Chair of the Committee shall make a reasonable effort to convene a meeting of the Committee. If a quorum cannot be obtained, the majority vote of those Committee members present at the meeting will be sufficient for the Committee to take action. If no Committee members are able to attend the emergency meeting, the Chair of the Committee, or the Non-Executive Chairman if the Chair of the Committee is unavailable, may act on behalf of the Committee when immediate action is required. In such instances, the Chair or Non-Executive Chairman, as the case may be, shall report to the Committee as soon as possible on any actions taken at the meeting, or by the Chair or Non-Executive Chairman, as the case may be, for its ratification.

D. Advisory Resources

The Committee may obtain such advice as it requires from time to time to execute on its responsibilities, whether through the appointment of one or more Advisory Councils to provide expert input, the engagement of consultants or other advisory resources, or through any other appropriate action.

**IV. Responsibilities**

The Committee's role is one of oversight. The Company's management is responsible for identifying, monitoring and mitigating risk, and implementing and maintaining systems to assist it in these tasks. The following responsibilities are set forth to guide the Committee in fulfilling its purpose. The Committee may undertake other and different activities as appropriate for that purpose.

The Committee shall:

A. Policy, Procedure, Risk Tolerance Statements, and other Annual Approvals

1. Approve (a) the DTCC Corporate Risk Framework Policy and (b) the Clearing Agency Risk Management Framework, annually.
2. Approve the Risk Tolerance Statements annually.
3. Approve each newly created Risk Tolerance Statement prior to its implementation by management.

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<sup>2</sup> Should the emergency situation concern a participant represented by a member of the Committee, such Committee member shall recuse himself/herself from attending the meeting.

4. Annually approve each clearing agency framework filed with and approved by the SEC, each other policy, and each procedure presented to the Committee by the Group Chief Risk Office regarding the comprehensive management of credit, liquidity, operational, and other risks that arise in or are borne by any of the SIFMUs, in compliance with 17Ad-22(e)(3)(i).<sup>3</sup>
5. Approve the Global Business Continuity Program, annually.
6. Annually approve all information security plans, policies and programs not otherwise included as part of subsection 4 above, including the Information Security Program.
7. Annually approve each clearing agency framework filed with and approved by the SEC, each other policy, and each procedure presented to the Committee by the General Counsel's Office regarding the comprehensive management legal and other risks that arise in or are borne by any of the SIFMUs, in compliance with 17Ad-22(e)(3)(i).
8. Recommend to the Board for approval each of the Clearing Agency Investment Policy<sup>4</sup> and the DTCC Investment Policy at least annually.
9. Recommend to the Board for approval, management's proposed sizing for the annual renewal of the NSCC/DTC Syndicated Revolving Credit Facility.
10. Review with senior management DTCC's insurance coverage at least annually.

**B. SIFMU Rules and Participation Matters**

1. Subject to the exception provisions in this subsection 1, approve as warranted:
  - (i) applicants for participation or membership in any SIFMU, and the continuance of potentially problematic participants or members; and
  - (ii) the waiver of any Rule, Procedure, or requirement applicable to participants or members, when such is deemed necessary or appropriate for the protection of the applicable SIFMU and its participants or members, in each case, as presented by management; *provided however*, that the Committee may delegate to management any portion of its authority stated in this subsection 1 above based on provisions of the Counterparty Credit Risk Management Procedures, as approved by the Committee from time to time and then in effect; *provided further however*, that the Committee shall retain the authority to approve:
    - Applicants with proposed SIFMU Rule waivers;
    - Applicants for Sponsoring Membership

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<sup>3</sup> This subsection includes, but is not limited to, approval of DTCC's (i) Market Risk Management, (ii) Stress Testing, (iii) Model Risk Management, (iv) Quantitative Risk Management, (v) Third Party Risk, (vi) Securities Valuation, (vii) Business Continuity, and (viii) Information Security, policies and procedures, as such policies and procedures fall within the comprehensive management of credit, liquidity, and operational risk under the CCAS.

<sup>4</sup> Annual approval by the Committee of the Clearing Agency Investment Policy supports compliance with the SEC's Standards for Covered Clearing Agencies Rule 17Ad-22(e)(3)(i).

- Any other application the MRC escalates to the Committee for review and approval
  - The termination or restriction of services of any SIFMU participant or member
2. Approve, as warranted, any proposed changes to standards for eligibility at any SIFMU, as presented by management.
  3. Approve, as warranted, proposed regulatory filings to be made pursuant to either: (i) Section 19(b) of the Exchange Act, as a proposed rule change, or (ii) Section 806(e) of the Dodd-Frank Act, as an advance notice, in each case, that require Board action with respect to all SIFMU membership and participation and all SIFMU credit, market, liquidity, and operational risk management related issues; *provided, however*, that the authority to approve such proposed regulatory filings may be delegated to:
    - the General Counsel or Deputy General Counsels of DTCC, with respect to regulatory filings which may be submitted for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Exchange Act, including fee filings where the aggregate annual fees generated are anticipated to be \$1,000,000 or less at the time of the filing, as well as rule filings that constitute clarifications, corrections or minor changes in SIFMU Rules but that will not be submitted for immediate effectiveness (“Delegated Rule Filings”)
    - the Committee Chair provided that the Chair promptly reports such approval to the Committee.

C. General Management Oversight and Periodic Approvals

1. Through regular discussion with and reports from management, oversee the Company’s safety and soundness by monitoring management’s identification, management, and mitigation of systemic, credit, market, liquidity, and operational risks, including business continuity risk, information technology risk, cybersecurity and information protection risk, processing & operations risk, and the resiliency thereof.
2. Review with management on a regular basis management’s view of appropriate risk tolerances including the types and degrees of risk that are necessary and appropriate for the Company to take, assessing whether management’s view is appropriate.
3. Through regular discussion with management, assess market structure changes and trends, and their impacts on DTCC and/or the SIFMUs, and assess any related public policy and risk considerations.
4. Approve, as appropriate, management’s recommendation to invoke CCLF.
5. Review the results of any audits (internal and external), regulatory examinations and supervisory examination reports as to significant risk items or any other matter relating to the areas that the Committee oversees, as well as management’s responses pertaining to matters that are subject to the

oversight of the Committee.

6. On a periodic basis, review the status of the model risk management program, including metrics and issues pertaining to model inventory, model validation, on-going model performance monitoring, and other model-related matters. Approve, as appropriate, model risk related recommendations of management.
7. Identify risk issues that should be escalated to the Board for final action.
8. Review, approve, and reassess periodically reporting metrics reflecting the Company's risks for which the Committee has oversight, as shall be reported by management periodically, and present such reporting metrics to the Board for review; review the annual report on DTCC's security program.
9. Provide oversight, and guidance when appropriate, and keep the Board informed of evaluation of the likely impact on systemic stability (i) from the Company's efforts to improve the efficiency and effectiveness of the processes and systems supporting its ordinary course risk management, and other activities and, where appropriate, the development of strategies to mitigate these effect and (ii) in response to extraordinary market events, or potential industry crises, major incidents, or disruption events.
10. Review management's assessment of the impact on systemic stability resulting from the implementation of proposed new products, services, or business initiatives.

D. Oversight of the Group Chief Risk Office and Committee Governance Matters

1. Review and approve the annual budget for the Group Chief Risk Office and recommend such budget to the Board for approval.
2. Monitor performance of the Group Chief Risk Office.
3. Review and approve the compensation recommendation for the Group Chief Risk Officer.
4. Coordinate risk oversight activities with Other Board Committees, including an annual review of the Company's various risk categories to confirm that they are appropriately aligned across the committees of the Board.
5. Review annually the Committee's responsibilities as set forth in this Charter and recommend any changes to the Board.
6. Undertake an annual self-assessment of the Committee's performance and provide results of such assessment to the Board for review.