

## **Principles of Governance**

1. These “Principles of Governance” set forth the shared vision of The Warehouse Trust Company LLC’s Board of Directors and its management regarding the governance, management and oversight practices to be followed at The Warehouse Trust Company LLC (hereinafter “WTC”). These Principles are designed to enable WTC to operate its businesses and to meet its responsibilities in a manner consistent with effective corporate governance practices. References to “WTC” throughout these Principles should be understood to include both the Board of Directors and management, unless the context expressly indicates otherwise.
2. WTC has a broad range of constituencies including:
  - WTC’s shareholder,
  - its financial institutional and non-financial institutional users, and
  - the governmental and supervisory authorities responsible for the regulation of the markets served by WTC.

WTC’s responsibilities to those constituencies include:

- to provide a broad range of services supporting their activities at the reasonable cost,
  - to expand those services as needed and to meet constituents’ other evolving requirements promptly and efficiently,
  - to structure and operate WTC’s services in a manner that contributes to the successful management of WTC, and
  - to structure and operate WTC to mitigate and progressively reduce the risks of WTC’s constituents, as well as in the risks incurred by WTC itself, and to operate a lifecycle event processing system.
3. WTC recognizes its role in ensuring the continued stable operations of a life cycle event processing system and in the containment and resolution of potential risks within the system. In view of this role, WTC recognizes that its responsibilities for successful management, mitigation and progressive reduction in the risks of WTC’s constituents must be viewed as primary among its overall responsibilities.
  4. WTC’s management is responsible for articulating a strategy for the successful operation of WTC’s businesses, for managing, operating and developing WTC’s services and capabilities, for maintaining processes and reports that will provide transparency to the WTC Board and to WTC’s supervisors so that those groups may appropriately discharge their responsibilities.

5. WTC's Board of Directors is responsible for overseeing management's activities in managing, operating and developing WTC as a firm, for considering the appropriateness of management's handling of material matters regarding WTC's operations, growth, and new initiatives, and for evaluating management's performance in its responsibilities. The Board of Directors is responsible for evaluating, and approving management's proposals regarding corporate strategy, with due regard to Board members' fiduciary responsibilities to WTC .
6. WTC's services and businesses support the evolution of the financial markets and, in many cases, the expansion of particular markets and the mitigation or reduction of risks in those markets. For these reasons WTC's management should follow a structured process for the development of new businesses and services or the enhancement of existing businesses and services, in a manner that makes the progress of such initiatives transparent to WTC's Board (or an appropriate committee of the Board) and to its supervisors. This process should balance the need for detailed oversight of major initiatives with the need for "speed to market" on initiatives posing less consequential questions for the Board, supervisors and WTC's other constituencies.
7. WTC personnel assigned to risk management issues are to establish broad and comprehensive control over WTC's businesses, but should not represent the primary point of risk management. WTC product managers at all levels are expected to "own" the risks of their products, and are accountable for managing such risks in addition to their product development and operating responsibilities.
8. The composition of WTC's Board of Directors and its committees must provide for a mix of talents and perspectives. Board members must be sufficiently senior and experienced (or knowledgeable) in the financial markets to be able to address issues coming before the Board. In light of the oversight responsibilities identified above, Board committees, if any, should consist only of Board members.
9. WTC recognizes the importance of its relationships with governmental and supervisory authorities and commits to maintain on-going, productive and cooperative relationships with governmental authorities and supervisors with a material interest in the relevant OTC derivatives markets.
10. WTC will strive to provide transparency into its activities to governmental authorities and supervisors, and to contribute to a full and open discussion with governmental authorities and supervisors on issues relating to the role of WTC's services in the financial markets. WTC recognizes that this productive and cooperative relationship rests on a frank communication between WTC and governmental authorities and supervisors.
11. WTC's management strives to follow an "open door" policy throughout the organization, to promote free and open communications on all matters of concern to the organization. It is expressly understood that members of WTC's senior management group similarly have "open door" access to WTC's Board on matters

where they believe it is appropriate to convey a concern to the Board on WTC's operations or services, particularly with regard to risk matters associated with WTC's operations and services or systemic risks to the broader financial markets.

12. It is recognized that these Principles and the organizational infrastructure supporting the implementation of these Principles will develop over time as the financial markets evolve and the demands on WTC as an organization change in response. Accordingly, WTC commits to review and, where appropriate, to update these Principles periodically, not less frequently than every five years.