

# JSE CLEAR RISK ADVISORY COMMITTEE

Terms of Reference

January 2019

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## **1. NATURE OF THE JSE CLEAR RISK ADVISORY COMMITTEE**

- 1.1 The JSE Clear Risk Advisory Committee is an independent advisory committee established by JSE Clear Management to advise the JSE on matters relating to the management of risk for JSE Clear.
- 1.2 The Committee also serves to provide feedback to the JSE Clear management team for input into decisions made at the JSE Clear Risk Committee and JSE Clear Board.
- 1.3 The Advisory Committee serves as a communication mechanism via which clients of the CCP are able to receive notification of proposed changes to risk management practices within the CCP and Derivatives Market as a whole.
- 1.4 Serving as a JSE Clear Risk Advisory Committee member is a non-remunerated position.

## **2. COMPOSITION OF THE JSE CLEAR RISK ADVISORY COMMITTEE**

- 2.1 The Chairperson of the JSE Clear Risk Advisory Committee shall be a member of the JSE Clear Board.
- 2.2 The JSE Clear Risk Advisory Committee shall consist of JSE Management involved in the risk of the CCP and representatives from all Clearing Member firms, specifically involved in Derivatives clearing risk.
- 2.3 Clearing Member representatives are appointed by their respective firms in consultation with the Chairperson of the JSE Clear Risk Advisory Committee.
- 2.4 There is no limit to the number of individuals that may serve as members of the JSE Clear Risk Advisory Committee.
- 2.5 JSE Clear Risk Advisory Committee members must have the following competencies –
  - 2.5.1 Relevant knowledge and experience in the management of clearing and settlement risk in the derivatives securities markets.
  - 2.5.2 Relevant experience in the South African capital markets
  - 2.5.3 Financial or business knowledge of a financial services firm
  - 2.5.4 Strong understanding of the principles of Risk Management, including:
    - 2.5.4.1 Good understanding of the technical aspects of Risk Management
    - 2.5.4.2 Broad application of these principles in the local environment
    - 2.5.4.3 Knowledge of financial market instruments
    - 2.5.4.4 Good understanding of the adoption of risk principles in other markets
- 2.6 Membership of the JSE Clear Risk Advisory Committee will be reviewed annually by the Chairperson, in consultation with Clearing Members and, where appropriate, the composition may be revised.

2.7 Subject to the other terms and conditions of this mandate, the Chairperson may appoint any person as a member of the JSE Clear Risk Advisory Committee, either to fill a casual vacancy, or as an additional committee member.

### **3. MANDATE OF THE JSE CLEAR RISK ADVISORY COMMITTEE**

3.1 The JSE Clear Risk Advisory Committee's mandate is to consider all proposed changes to Derivatives clearing risk and to advise JSE Clear management as to the viability of these proposals.

3.2 The Risk Advisory Committee should consider and advise JSE Clear Management on -

3.2.1 proposed changes on risk matters pertaining to Clearing Members and their clients

3.2.2 proposed amendments to the Derivatives Clearing rules and directives impacting the market

3.3 The JSE Clear Risk Advisory Committee will make recommendations on the basis of reasonable consensus. Where reasonable consensus on any issue considered by the Committee cannot be reached, the conflicting views on the issue in question, shall be referred to the JSE Clear Management and/or the JSE Clear Risk Committee for determination.

3.4 The Chairperson must ensure that the JSE Clear Risk Advisory Committee is acting within its mandate at all times. If any matter outside the Committee's mandate comes before it, the Chairperson must refer the matter to the appropriate forum.

### **4. MEETINGS OF THE JSE CLEAR RISK ADVISORY COMMITTEE**

4.1 The JSE Clear Risk Advisory Committee shall meet as and when necessary, and at least once a quarter in each calendar year.

4.2 A quorum at meetings of the JSE Clear Risk Advisory Committee shall be one-third of the Committee members, with at least 3 Clearing Members and the JSE represented.

4.3 The JSE Clear Risk Advisory Committee may conduct its meetings as it thinks fit.

4.4 Persons serving on the JSE Clear Risk Advisory Committee should ensure that they are in a position to meet the required time commitments.

4.5 An agenda with preparation material (if needed) will be sent out in advance to the JSE Clear Risk Advisory Committee members and shall state the time, place and the nature of the business to be transacted at the meeting.

4.6 Should the Chairperson be unable to attend a meeting then the Chairman will nominate an alternate to stand in their place.

## **5. DISQUALIFICATION OF JSE CLEAR RISK ADVISORY COMMITTEE MEMBERS**

5.1 A JSE Clear Risk Advisory Committee member shall cease to hold office as such if he or she –

- 5.1.1 gives notice to the Chairperson of his or her resignation as a JSE Clear Advisory Committee member with effect from the date specified in such notice; notice of resignation must be tendered three months prior to the next scheduled Advisory Committee meeting.
- 5.1.2 absents himself or herself from meetings for three consecutive meetings without the leave of the Chairperson;
- 5.1.3 is, in the opinion of the Chairperson, no longer sufficiently involved in the financial services industry such that he or she still has relevant knowledge and experience in the securities markets.

## **6. CONFIDENTIAL INFORMATION**

- 6.1 Each JSE Clear Risk Advisory Committee member shall hold in confidence all confidential information made available.
- 6.2 All confidential information made available to the JSE Clear Risk Advisory Committee can only be made public through written consent from the Chairman of the Committee.