

**CANADIAN DERIVATIVES CLEARING CORPORATION  
(THE “CORPORATION”)**

**BOARD CHARTER**

**(a) General**

The primary responsibility of the Board of Directors of the Corporation (the “Board”) is to provide governance and stewardship to the Corporation.

All terms used herein and not otherwise defined shall have the meaning given in the Autorité des marchés financiers’ Recognition Order recognizing each of the Corporation, TMX Group Limited, TMX Group Inc. and the Bourse de Montréal Inc. as a clearing house dated May 2, 2012, as amended from time to time.

The Board will appoint a competent executive management team to run the day-to-day operations of the Corporation and will oversee and supervise the management of the business of the Corporation by that team. The Board will oversee the Corporation’s systems of (i) corporate governance; and (ii) internal controls over financial reporting to ensure that the Corporation reports adequate and fair financial information to the sole shareholder and engages in ethical and legal corporate conduct.

The Board will carry out its mandate directly and through the following committees of the Board (and such other committees as it appoints from time to time): the Risk and Audit Committee and the Governance Committee. The Board will also establish a Risk Management Advisory Committee and one or more Market Participant Advisory Committees as advisory committees to the Board to provide advice and make non-binding recommendations to the Board in respect of issues which are relevant to the Corporation. The Board will also seek or obtain advice and non-binding recommendations from the Human Resources Committee established by the Corporation’s ultimate parent company, TMX Group Limited (“TMX Group Limited’s Human Resources Committee”).

**(b) Composition of the Board**

The composition of the Board will include the following characteristics:

- a. Members with an overall appropriate mix of skills (including financial literacy, derivatives clearing and risk management), experience and knowledge of the entity.
- b. Members able to devote sufficient time to their roles and ensure that their skills remain up-to-date.

**(c) Appointment and Supervision of Management**

The Board will:

- a. Appoint the President and other officers, provide them with advice and counsel and monitor the performance of the President against a set of mutually agreed corporate

objectives directed at maximizing shareholder value and consistent with the Corporation's public interest responsibility, and approve the President's compensation.

- b. Ensure that a process is in place to adequately provide for management succession.
- c. Establish boundaries between the Board and management responsibilities and establish limits of authority delegated to management.
- d. Satisfy itself, to the extent feasible, as to the integrity of the President and other senior officers and that the President and other senior officers create a culture of integrity throughout the Corporation.
- e. Review and consider for approval all material amendments or departures proposed by management from established strategy, capital and operating budgets or matters of policy.
- f. Annually provide feedback to the Chair of the Human Resources Committee of TMX Group and to the CEO of TMX Group on the President's performance.

#### **(d) Strategic Planning**

The Board will:

- a. Maintain a strategic planning process and review and approve annually a corporate strategic plan and related objectives which take into account, among other things, the opportunities and risks of the business on a long-term and short-term basis.
- b. Review material initiatives which are outside the corporate strategic plan and objectives such as mergers, acquisitions and divestitures.
- c. Monitor the Corporation's performance against both short-term and long-term strategic plans and annual performance objectives.

#### **(e) Risk Management**

- a. Confirm that a management system is in place to identify the principal risks to the Corporation and its business and that appropriate procedures are in place to monitor and mitigate those risks.
- b. Ensure maintenance of a risk-management framework including the Corporation's risk appetite policy, assigning responsibilities and accountability for risk decisions and addressing decision making in crises and emergencies. Review and approve material decisions that may have a significant impact on the risk profile of the Corporation.
- c. Confirm that processes are in place to comply with the Corporation's by-laws, Board Code of Conduct and Employee Code of Conduct ("Codes of Conduct"), all recognition orders, exemption orders, approvals, directives and other requirements issued or

imposed with respect of the Corporation by applicable regulatory authorities, and all other significant policies and procedures.

**(f) Financial Reporting and Management**

The Board will:

- a. Approve the Corporation's financial statements and review and oversee the Corporation's compliance with applicable audit, accounting and financial reporting requirements.
- b. Approve annual operating and capital budgets.
- c. Confirm the integrity of the Corporation's system of internal controls, which include internal control over financial reporting.
- d. Review operating and financial performance results relative to established strategy, budgets and objectives.
- e. Approve the Corporation's investment policy.

**(g) Fulfillment of Regulatory Obligations**

The Board will perform all functions required of it under the Recognition Order, the other recognition orders applicable to the Corporation, and the Corporation's rules.

**(h) Shareholder Communication**

The Board will, at least annually, report to the sole shareholder on the Corporation's activities.

**(i) Corporate Governance**

The Board will:

- a. Establish an appropriate system of corporate governance.
- b. Establish committees and approve their respective charters and the limits of authority delegated to each committee.
- c. Review and assess the adequacy of the charter of each committee of the Board on an annual basis.
- d. As required, request the TMX Group Limited's Governance and Regulatory Oversight Committee or the TMX Group Limited's Human Resources Committee to recommend to the Board for approval a candidate for appointment as President.
- e. Establish appropriate processes for the regular evaluation of the effectiveness of the Board, its chair, all the committees of the Board and their respective chairs, and all the members of the Board and its committees.

- f. Approve the nomination of directors.
- g. In consultation with the TMX Group Limited's Governance and Regulatory Oversight Committee, review the adequacy and form of directors' compensation to ensure it realistically reflects the responsibilities and risks involved in being a director.
- h. Ensure that each director attends a minimum of 75% of Board and committee meetings on which he or she sits, and review in advance all the applicable materials for such meetings.
- i. Establish appropriate processes to ensure that the independent members of the Board have the ability to meet to discuss the business and affairs of the Corporation without management or non-independent members of the Board being present.
- j. Establish clear and direct lines of responsibility and accountability, particularly between management and the board, and ensure sufficient independence for key functions such as risk management, internal control and audit.

**(j) Codes of Conduct**

The Board will:

- a. Adopt a Board Code of Conduct and monitor compliance with this code.
- b. Approve any waivers of the Board Code of Conduct.

**(k) The Chair of the Board**

The Chair of the Board is selected by the Board from the Directors elected by the sole shareholder. He/she provides leadership to the Board in matters relating to the effective execution of all Board responsibilities and works with the President to ensure that the organization fulfills its responsibilities to stakeholders including the sole shareholder, employees, clearing members, governments and the public. The Chair of the Board will be an independent director as defined within the Corporation's Recognition Orders. In the Chair's absence, or if the position is vacant, the Board may select another independent director as Chair.

The Chair of the Board will:

- a. Provide effective leadership of the Board and ensure that the Board meets regularly.
- b. Establish procedures to govern the Board's work including:
  - i. together with the corporate secretary, scheduling meetings of the Board and its committees;
  - ii. chairing all meetings of the Board;

- iii. encouraging full participation, stimulating debate, facilitating consensus and ensuring clarity regarding decision-making;
  - iv. developing the agenda for Board meetings with input from other Board members and management;
  - v. together with the corporate secretary, ensuring proper and timely information is delivered to the Board;
  - vi. ensuring that the Board has appropriate administrative support; and
  - vii. addressing complaints, questions and concerns regarding Board matters.
- c. Ensure the Board fully exercises its responsibilities and duties and complies with applicable governance and other policies.
  - d. Meet or communicate regularly with the President regarding corporate governance matters, corporate performance and feedback from Board members.
  - e. Act as a liaison between the Board and management.
  - f. Serve as advisor to the President and other officers.
  - g. Together with the Board's Governance Committee, establish appropriate committee structures, including the assignment of Board members and the appointment of committee chairs.
  - h. Ensure that adequate orientation and ongoing training programs are in place for Board members.
  - i. Together with the Board's Governance Committee, establish performance criteria for the Board and for individual Board members and Committees and co-ordinate the evaluation of performance and reporting against these criteria.
  - j. Work with the Board and consult with the TMX Group Limited's Governance and Regulatory Oversight Committee or the TMX Group Limited's Human Resources Committee to establish performance criteria for the President and to facilitate the evaluation of the President's performance.
  - k. In consultation with the TMX Group Limited's Human Resources Committee, establish and manage a succession program for the President's position.
  - l. Work with the President to represent the Corporation to external stakeholders including the sole shareholder, the investment community, governments and communities.
  - m. Request the TMX Group Limited's Human Resources Committee to periodically report to the Board on its activities to the extent that they are pertinent or of interest to the

Corporation, either in writing or through one of its members attending at a meeting of the Board, if he/she believes it is in the Corporation's interests to do so.

The Chair of the Board's performance will be measured against the following key metrics:

- a. The effectiveness with which the Board functions, including satisfaction of Board members regarding the functioning of the Board.
- n. The extent to which the Corporation carries out its responsibilities to the sole shareholder, employees, clearing members, governments, and the public.
- o. The quality of communications between the Board and management, including satisfaction of members of management and Board members regarding this communication.