

OTC CLEARING HONG KONG LIMITED
USER COMMITTEE
TERMS OF REFERENCE AND MODUS OPERANDI

1. Purpose

- 1.1 The User Committee (the “**Committee**”) is a committee of the board of directors (the “**Board**”) of OTC Clearing Hong Kong Limited (the “**OTC Clear**”). It advises the Board on product and market development and strategic issues relating to OTC Clear.

2. Membership

- 2.1 Subject to casual vacancies from time to time, the Committee shall consist of the following members with alternates to be appointed by the Board:
- (a) up to four individuals nominated by the Majority Ordinary Shareholder of OTC Clear, Hong Kong Exchanges and Clearing Limited (“**HKEX**”), of whom at least one is an executive of OTC Clear or a group member of HKEX; and
 - (b) one individual nominated by each Eligible NVO Shareholder.
- 2.2 Persons to be nominated or appointed to the Committee should ideally have sufficient, recent and relevant knowledge of OTC derivatives products, regional or international OTC markets.
- 2.3 The chairman of the Committee shall be appointed by the Board and shall be an executive of OTC Clear or a group member of HKEX.
- 2.4 An alternate shall be entitled to act in place of the Committee member and exercise and discharge all the powers and duties of the Committee he serves should the Committee member be unable to be present at any meeting of the Committee. The alternate shall be an executive of the organization that the Committee member represents.

3. Term of office of Committee members

- 3.1 Committee members or their alternates will normally be appointed for a term of two years and are eligible for re-appointment.
- 3.2 The Board may fill any casual vacancies that may occur in the Committee by reason of resignation, retirement or otherwise.

4. Duties, powers and functions

- 4.1 The Committee will advise the Board on:
- (a) OTC Clear’s business development plan, operational policies and practices with respect to the provision of clearing services;
 - (b) trends in the international and regional markets regarding OTC derivatives

products and needs of Clearing Members, their clients and other market participants;

- (c) strategic issues relating to the OTC derivatives market and OTC Clear including market and product development initiatives and proposed approach on introducing new products; and
- (d) operational and policy issues relating to the clearing service including matters relating to trade capture, money settlement, collateral arrangement, account structure and post-trade processing.

5. Frequency and proceedings of meetings

- 5.1 The meetings and proceedings of the Committee shall be governed by OTC Clear's Articles of Association.
- 5.2 The Committee will meet at least twice in a calendar year. The chairman of the Committee may call meetings.
- 5.3 Meetings of the Committee will normally be held in person in Hong Kong and may be held by telephone or video conference or using other appropriate conference facilities.
- 5.4 Three members or any of their alternates, including the chairman, shall constitute a quorum.
- 5.5 The Committee shall meet for the dispatch of business, adjourn and otherwise regulate its meetings in accordance with any rules of procedures (including rules governing members' conflict of interest) which may be issued by the Board from time to time.

6. Reporting Procedures

- 6.1 The Committee will report to the Board at the next Board meeting following a Committee meeting.

7. Review

- 7.1 The Committee shall review the adequacy of these Terms of Reference at least annually to ensure that they remain relevant to the Committee's objectives, and make appropriate amendments, as and when required, for the Board's approval.

8. Definitions and interpretation

- 8.1 Unless otherwise stated, any capitalised terms used in these Terms of Reference shall have the meaning given to them in the Articles of Association of OTC Clear, as amended from time to time.
- 8.2 References to one gender shall include all genders.

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