



CLEARING COMMITTEE CHARTER

February 2024

1. Introduction

This Charter sets out the responsibilities and framework for the operation of the Committee.

2. Objective

- 2.1 NZCDC, a wholly-owned subsidiary of the Company, operates the NZCDC settlement system (also called NZX Clearing), which comprises:
- (a) a central counterparty clearing house operated by New Zealand Clearing Limited; and
 - (b) a central securities depository operated by New Zealand Depository Limited.
- 2.2 NZCDC has contracted with the Company and NZ RegCo for the provision of services in respect of NZX Clearing.
- 2.3 The Committee assists the Board in ensuring that New Zealand Clearing Limited has adequate default capital to meet its obligations as the central counterparty clearing house for NZX Clearing.

3. Responsibilities

- 3.1 The Committee is responsible for:
- (a) monitoring New Zealand Clearing Limited's default capital and ensuring that it is adequate to meet New Zealand Clearing Limited's obligations as the central counterparty clearing house for NZX Clearing. As part of this, the Committee will monitor the following:
 - (i) default capital calculations (including the underlying parameters and assumptions);
 - (ii) liquidity requirements; and
 - (iii) any other factor that may impact the appropriate level of default capital, including the margin policy,and make recommendations to the Board if changes are required; and
 - (b) considering issues referred to it by NZX Clearing's General Manager, Market Operations.
- 3.2 The Committee will obtain advice from independent external advisers as to the adequacy and suitability of New Zealand Clearing Limited's of the capital stress testing model used to formulate the default capital requirements:
- (a) at least annually; and



- (b) prior to the Board approving any new approved products for the purpose of NZX Clearing's rules.
- 3.3 The Committee must ensure that any proposals to approve new approved products for the purpose of NZX Clearing's rules are referred to the Board.
- 3.4 The Financial Markets Conduct Act 2013 requires the Company to operate its markets in a fair, orderly and transparent manner. The Financial Market Infrastructures Act 2021 requires NZCDC to operate NZX Clearing in accordance with the regulatory requirements of that Act, including the Financial Market Infrastructures Standards. Those standards require NZCDC to have objectives that place a high priority on the safety and efficiency of the NZCDC settlement system, and that explicitly support financial stability and other relevant public interest considerations. The Committee must take these requirements into consideration when making decisions and advising the Board on matters which impact these parts of the Company's operations.

4. Membership

- 4.1 The Committee will:
 - (a) have a minimum of three members; and
 - (b) either have:
 - (i) a minimum of three directors of the Company as members; or
 - (ii) a minimum of two directors of the Company and one external independent person as members (provided that the external independent person must have skills and experience relevant to the operation of the Committee).
- 4.2 The Board will appoint and remove the members of the Committee and the Chairperson.

5. Meetings

- 5.1 Committee meetings will be conducted in accordance with the Company's Constitution and otherwise as determined by the Chairperson.
- 5.2 The Committee will meet at least three times a year. The Committee may meet at any other time at the request of a member or NZX Clearing's General Manager, Market Operations.
- 5.3 The Committee will establish an annual work programme to ensure that it reviews, assesses or reports on each of the areas for which it is responsible under this Charter.
- 5.4 The Committee may seek advice or assistance from independent external advisers (including independent risk advisers).
- 5.5 The Committee will have unrestricted access to management and the Company's external auditor as necessary.
- 5.6 Directors may attend meetings of the Committee. NZX Clearing's General Manager, Market Operations will attend meetings. Other members of management may only attend meetings at the invitation of the Committee. The Committee may meet without NZX Clearing's General Manager, Market Operations present.



- 5.7 The Chairperson may ask any person attending a meeting to leave.
- 5.8 The quorum for a meeting is two members.
- 5.9 Unless the requirement is waived, notice of meetings will be given to all members. Notice will usually be by way of secure electronic transmission to an email address provided by the member.
- 5.10 Members are expected to attend all meetings and may be required to give an explanation to the Chairperson if they miss a meeting. Meetings can take place by means of video conference or telephone conference, provided all members are connected and able to hear each other.
- 5.11 All decisions of the Committee will be by majority vote. In the event of a deadlock, the Chairperson does not have a casting vote.

6. Conflicts of interest

- 6.1 Members must disclose to the Committee any actual or potential conflict of interest.
- 6.2 A member must excuse themselves from all discussions or decisions, in respect of any matter in which they may have an actual conflict. The Chairperson will determine whether a member will receive supporting documentation in respect of any matter in which the member may have an actual conflict.

7. Secretarial

- 7.1 The Company Secretary (or their delegate) will act as the secretary to the Committee.
- 7.2 The Company Secretary will generally circulate the agenda and supporting documentation to members and NZX Clearing's General Manager, Market Operations at least five business days prior to each meeting.
- 7.3 The Company Secretary will take minutes at each meeting and circulate them to members and NZX Clearing's General Manager, Market Operations.

8. Authority

The Committee has authority to undertake any activity set out in this Charter or authorised by a separate resolution of the Board.

9. Reporting

- 9.1 The advice from independent external advisers as to the adequacy and suitability of New Zealand Clearing Limited's capital stress testing model default capital requirements will be provided to the Board, and will be made available to the Reserve Bank of New Zealand and Financial Markets Authority.
- 9.2 The minutes of meetings will be provided to the Board and will be made available to the Reserve Bank of New Zealand and Financial Markets Authority.
- 9.3 The Chairperson will report to the Board in respect of the Committee's findings.



10. Confidentiality

All discussions, papers and records of Committee meetings will remain confidential to the Company, unless there is specific direction from the Committee or Board, or disclosure is required by law.

11. Performance

11.1 The Committee will assess its performance against the responsibilities set out in this Charter at least annually.

11.2 The Board will review the Committee's performance at least annually.

12. Interpretation

In this Charter:

Board means the board of directors of the Company;

Chairperson means the chairperson of the Committee;

Committee means the Clearing Committee of the Company;

Company means NZX Limited;

NZ RegCo means NZX Regulation Limited, a wholly owned subsidiary of the Company;
and

NZCDC means New Zealand Clearing and Depository Corporation Limited.

Approver:	NZX Limited Board
Document owner:	Company Secretary
Review:	Every two years