

Material proposed to be added to the charter as currently in effect is marked by double underlining and material proposed to be deleted is marked by strikethroughs.

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## THE OPTIONS CLEARING CORPORATION AUDIT COMMITTEE CHARTER

### I. Purpose

The Board of Directors (the “Board”) of The Options Clearing Corporation (“OCC”) has established an Audit Committee (the “Committee”) to assist the Board in overseeing OCC’s financial reporting process, OCC’s system of internal control, ~~and OCC’s auditing, accounting, and compliance processes.~~ The Committee’s role is that of oversight and its primary duties and responsibilities are to serve as an independent and objective party to oversee process, OCC’s process for monitoring compliance with applicable laws and regulation, and OCC’s compliance and legal risks. The purpose of the Committee is also to advise management regarding these aspects of OCC’s operation.

- ~~• OCC’s financial reporting process, including the integrity of its financial statements;~~
- ~~• OCC’s system of internal control;~~
- ~~• The audit efforts of OCC’s external auditors and the Internal Audit Department;~~
- ~~• OCC’s compliance environment and processes; and~~
- ~~• The facilitation of open communication among the external auditors, financial and senior management, the Internal Audit Department, the Compliance Department, and the Board.~~

In fulfilling ~~their~~its responsibilities, it is recognized that the members of the Committee are not full-time employees of OCC and are not, and do not represent themselves to be, accountants or auditors of OCC. It is not the duty or responsibility of the Committee or its members to conduct ~~field work~~ or other types of auditing, accounting, or compliance reviews or procedures. ~~Management of OCC is responsible for maintaining~~ appropriate accounting, compliance and financial reporting principles and policies ~~and~~ internal controls and procedures that comply with accounting standards and applicable laws. ~~The external auditors and the Internal Audit Department of OCC are responsible for planning and carrying out a proper audit.~~ shall prioritize the safety and efficiency of OCC, generally support the stability of the broader financial system and consider legitimate interests of Clearing Members, customers of Clearing Members and other relevant stakeholders taking into account prudent risk management standards (including systemic risk mitigation) and industry best practices.

## II. Membership and Organization

- A. **Composition.** The Committee shall be comprised of three or more directors as appointed ~~annually~~ each calendar year by the Board. The Board may remove or replace any member of the Committee at any time. All members of the Committee shall be independent from management as determined by the Board of Directors. Management Directors do not qualify as independent and may not serve on the Committee. All members of the Committee shall have a working familiarity with basic finance and accounting practices, ~~and at~~ At least one member of the Committee shall have accounting or related financial management expertise. The Chair shall be a Public Director. Unless a Chair is elected by the full Board, the members of the Committee shall designate a Chair by majority vote of the full Committee membership. In the absence of the Chair at any meeting of the Committee, those members of the Committee present shall designate a Committee member to serve as Acting Chair.<sup>1</sup>

In the event of a vacancy on the Committee, the Committee will continue to undertake its responsibilities, so long as the remaining Committee members are capable of satisfying the quorum requirement.

- B. **Meetings.** The Committee will meet at least four times a year. Other meetings may be called by the Chair as circumstances dictate. The Committee Chair or its designee, in consultation with management, as well as the Corporate Secretary, shall establish the agenda for Committee meetings. The members of the Committee may ask members of management or others to attend the meeting and provide pertinent information as is necessary. The Committee may call executive sessions from which members of management and invited guests may be excluded. Individual Committee members also may be excluded from executive sessions or portions thereof at which the discussion involves a matter as to which that member has an actual or potential conflict of interest. The Committee will meet in executive session at each regular Committee meeting and will determine who will participate in such session. The Committee Chair or Acting Chair, as applicable, will serve as chair for the executive session. Members of the Committee may participate in meetings by means of a conference telephone call or other means of communication that allows all participants in the meeting to hear each other. However, as provided in the Code of Conduct for OCC Directors, attendance by telephone is discouraged.

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<sup>1</sup> In the event OCC has a Non-Executive Chairman, such individual shall not be considered a Management Director.

The Committee will meet ~~regularly, but no less than~~ at least once ~~annually, each calendar year~~ with management, the Chief Audit Executive, the Chief Compliance Officer, the Chief Financial Officer, and the external auditors in separate executive sessions to discuss any matters that either side believes should be discussed privately. Between meetings of the Committee, the Chief Audit Executive ~~and~~ the Chief Compliance Officer and the Chief Financial Officer are authorized to communicate directly with the Chair with respect to any of the responsibilities of the Audit Committee.

- C. Quorum. A majority of the Committee members shall constitute a quorum for the transaction of business.
- D. Minutes and Reports. The Committee shall maintain minutes of all Committee meetings. The Chair or Acting Chair, as applicable, shall determine whether separate minutes of executive sessions are to be recorded as well as determine the level of detail to be included in such minutes, taking into consideration the sensitivity of the matters to be discussed and the possibility that candor might be limited if detailed minutes are recorded. It is expected that meeting minutes will reflect that an executive session was convened and broadly describe the topic(s) discussed. Minutes of Committee meetings shall be circulated to the Board.

The Committee shall make such reports to the Board as deemed necessary or advisable. The Committee Chair is responsible for ensuring that important issues discussed at the Committee meetings are reported timely to the full Board. ~~On an annual basis~~ Each calendar year, the Committee shall provide a report to the Board summarizing its activities during the previous year.

### III. Authority

- A. Scope. Subject to the direction of the Board, the Committee is authorized to act on behalf of the Board with respect to any matter necessary or appropriate to the accomplishment of the purpose and responsibilities set forth in this Charter. In discharging its role, the Committee may inquire into any matter it considers appropriate to carry out its purpose and responsibilities, with access to all books, records, facilities and personnel of OCC. The Committee shall confer with management and other employees of OCC to the extent it may deem necessary or appropriate to fulfill its duties. Where the Committee is authorized to approve reports or proposals provided to it by management, the Committee may or may not approve such matters in its business judgment. If the Committee does not approve such a report or proposal, it shall report to management that it

has not approved such matter and may provide direction as to revisions or alternative courses of action as appropriate. The Committee shall report to the Board in the event that it does not approve a report or proposal provided to it by management, including the reasons for non-approval.

The Committee shall have the authority to hire specialists or rely upon other outside advisors or specialists to assist it in carrying out its activities. The Committee also shall have the authority to approve the fees and retention terms applicable to such advisors and specialists. The Committee's annual report to the Board will reference any engagement of specialists or outside advisors, including any fees and expenses associated therewith.

Delegation. The Committee may form and delegate authority to subcommittees, and may delegate authority to one or more designated members of the Committee, including the approval of non-audit services performed by the external auditors as set forth below. The Committee may also delegate authority to one or more designated officers. The Committee may refer a risk under its oversight to another committee or the Board as advisable or appropriate. However, in all instances, the Committee retains the obligation to oversee such delegated or referred activity and to assure itself that delegation and reliance on the work of such delegates is reasonable.

#### IV. Functions and Responsibilities

~~The following shall be the common recurring activities of the Committee in carrying out its oversight function. These activities are set forth as a guide with the understanding that the Committee may modify this guidance as appropriate given the circumstances.~~

The Committee's role is that of oversight and its primary duties and responsibilities are to serve as an independent and objective party to oversee:

- OCC's financial reporting process, including the integrity of its financial statements;
- The impact of litigation and other legal matters that may have a material impact on the financial statements;
- OCC's system of internal control;
- The audit efforts of OCC's external auditors and the Internal Audit Department;
- OCC's compliance environment and processes; and

- The facilitation of open communication among the external auditors, the Corporate Finance Department, the Compliance Department, and the Board.

In fulfilling their responsibilities, it is recognized that the members of the Committee are not full-time employees of OCC and are not, and do not represent themselves to be, accountants or auditors of OCC. It is not the duty or responsibility of the Committee or its members to conduct fieldwork or other types of auditing, accounting, or compliance reviews or procedures. It is the responsibility of OCC management to develop, implement and maintain appropriate accounting, compliance and financial reporting principles and policies, internal controls and procedures that comply with accounting standards and applicable laws and regulation as well as to identify, manage, monitor and report on compliance and legal risks. The external auditors and the Internal Audit Department of OCC are responsible for planning and carrying out audit work, as appropriate.

The Committee shall have the following functions and responsibilities in discharging its oversight role:

- The Committee shall review, as appropriate, with management and the external auditor the audited and unaudited financial statements. The Committee is authorized to resolve any disagreements between management and the external auditor regarding financial reporting.

#### Financial Statements and Financial Reporting

- ~~Discuss with management and the external auditors (as appropriate) the audited and unaudited financial statements.~~
- ~~Upon management's recommendation,~~ The Committee is authorized to approve OCC's annual audited financial statements and issuance of the annual financial statements after reviewing such statements with management and the external ~~auditors~~ auditor prior to issuance and receiving management's recommendations with regard to such issuance.
- ~~Review~~ The Committee is authorized to review with management, the external ~~auditors~~ auditor and Internal Audit (as appropriate) significant financial reporting issues and judgments made in connection with the preparation of financial statements, critical accounting policies and estimates, any major issues regarding accounting principles and financial statement presentation and the effect of regulatory and accounting initiatives.
- The Committee is authorized to approve ~~Approve~~ material changes in accounting principles and practices.

- The Committee shall receive a report each quarter from the General Counsel on existing, pending or threatened litigation and discuss any legal matters that may have a material impact on OCC's financial statements. Each calendar year, the General Counsel shall report on OCC's use of external counsel services, including costs thereof.
- ~~Resolve any disagreements between management and the external auditors regarding financial reporting.~~
- ~~Review and discuss with the external auditors any audit problems or difficulties and management's response thereto.~~

#### External Auditors Independence, Performance and Services

- Have~~The Committee is authorized to ensure that there is~~ a clear understanding with management and the external ~~auditors~~auditor that the external ~~auditors~~auditor ~~are~~auditor is ultimately accountable to the Board and the Committee. The Committee is authorized to review and discuss with the external auditor any audit problems or difficulties and management's response thereto.
- ~~Monitor and evaluate the external auditors' and engagement partner's qualifications, performance and independence and based upon such evaluations recommend the appointment or dismissal of the external auditors, determine appropriate compensation for their services, and pre-approve all audit services provided, subject to annual approval by the Board.~~
- ~~Discuss with management the timing and process for implementing a rotation of the engagement partner of the external auditor and any other active audit engagement team partner and consider whether there should be a regular rotation of the audit firm itself.~~
- ~~Review~~The Committee is authorized to: pre-approve all audit and other services provided by the external auditor each calendar year; approve the fees related to such services, including any adjustments thereto; and review and approve the scope and approach of the ~~annual audit plan and the annual internal control attestation engagement with the external auditors.~~
- external auditor's annual service plan and any adjustments thereto. The Committee shall review ~~Review~~ reports of the external ~~auditors~~auditor issued in connection with ~~the~~its ~~annual audit and the annual internal control attestation engagement~~service plan, as well as any other special reports, and inquire of management regarding steps taken to deal with items raised.

- ~~• Discuss with the external auditors any significant issues that may be required in accordance with generally accepted auditing standards relating to the conduct of the financial statement audit.~~
- The Committee shall at least once every calendar year monitor and evaluate the external auditor's qualifications, performance and independence and, based upon such evaluations, recommend to the Board the appointment or dismissal of the external auditor.
- ~~Obtain~~ The Committee shall at least once in a calendar year obtain and review ~~annually~~ reports prepared by the external ~~auditors~~ auditor describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review or peer review, or by any inquiry or investigation conducted by governmental or professional authorities during the preceding five years with respect to independent audits carried out by the firm, and any steps taken to deal with any such issues; and all relationships between the external auditors and OCC that could be thought to bear on its independence, as well as its independence status within the meaning of the Securities Acts administered by the Securities and Exchange Commission. These reports ~~should~~ are to be used to evaluate the external auditor's qualifications, performance, and independence.
- The Committee is authorized to oversee the timing and process for implementing a rotation of the engagement partner of the external auditor as well as any other active audit engagement team partner and consider whether there should be a regular rotation of the audit firm itself.
- The Committee is authorized to discuss with the external auditor any significant issues that may be required in accordance with generally accepted auditing standards relating to the conduct of the financial statement audit.
- ~~• Pre-approve all services provided by the external auditors.~~
- ~~• Review fees paid to the external auditors.~~

#### Internal Audit

- ~~• Review and approve annually the Internal Audit Policy. Ensure there are no unjustified scope restrictions or limitations placed on the Internal Audit Department.~~
- ~~Approve~~ The Committee is authorized to approve management's recommendation to appoint or replace the Chief Audit Executive. The Chief Audit Executive shall report functionally to the Committee and administratively to the Executive Chairman and Chief Executive Officer.

- The Committee shall review at least once every twelve months the Internal Audit Policy. The Committee is authorized to approve the Internal Audit Policy and ensure there are no unjustified scope restrictions or limitations placed on the Internal Audit Department.
- ~~Review~~The Committee shall review the Internal Audit Department process for establishing the risk-based annual internal audit plan, is authorized to approve the annual internal audit plan and deviations to the plan, shall monitor progress against the annual internal audit plan, ~~and~~ through the receipt of reports on at least a quarterly basis, and is authorized to approve any Chief Audit Executive recommendations for removing or deferring any audits from a previously approved annual internal audit plan.
- ~~The Committee shall monitor~~ ~~Monitor~~ ongoing internal audit activities by reviewing reports and other communications prepared by the Internal Audit Department and inquire of management regarding steps taken to deal with items raised.
- ~~Oversee~~The Committee shall oversee the structure, independence and objectivity, staffing ~~and~~, resources and budget of the Internal Audit Department.
- ~~The Committee is authorized~~ ~~Have the ability~~ to delegate to the Chief Audit Executive the authority to approve, within the ~~external~~co-sourced audit hour limits of the approved annual internal audit plan, the following:
  - Hiring of the internal audit co-sourcing service providers whenever it is determined a specialist is needed to review particular areas of the OCC, to augment the resources available internally within OCC's Internal Audit Department or for any other practical purpose.
  - Reviewing the performance of the internal audit co-sourcing service providers and exercising final approval on the appointment, retention or discharge of ~~the audit firms~~such providers.
  - Approving the scope of services to be performed by the internal audit co-sourcing service provider.
- The Committee shall review the effectiveness of the internal audit function, including conformance with the Institute of Internal Auditor's Code of Ethics and the International Standards for Professional Practice of Internal Auditing.
- The Committee shall review at least once every twelve months the Reporting Concerns and Whistleblower Policy, the Code of Conduct and the Compliance Policy. The Committee is authorized to approve each of these policies. The Committee shall discuss with relevant parties, management staff or advisors any



material issues, including those relating to questionable accounting or auditing matters, reported under these policies.

### Compliance

- ~~● Review and approve annually the Code of Conduct and Compliance Policy.~~
- ~~Approve~~The Committee is authorized to approve management's recommendation to appoint or replace the Chief Compliance Officer. The Chief Compliance Officer shall report functionally to the Committee and administratively to the Executive Chairman and Chief Executive Officer.
- Each calendar year, the Committee shall receive a report from the Chief Compliance Officer concerning OCC's system to communicate and monitor compliance with and enforcement of its Code of Conduct and Reporting Concerns and Whistleblower Policy.
- ~~Review~~The Committee shall review the Compliance Department's process for establishing the risk-based annual Compliance Testing Plan, approve the annual Compliance Testing Plan, monitor progress against the annual Compliance Testing Plan, and approve any Chief Compliance Officer recommendations for removing or deferring any tests from a previously approved annual Compliance Testing Plan.
- ~~● Monitor~~ ongoing compliance monitoring activities by reviewing reports and other communications prepared by ~~the Compliance Department, including updates from~~ the Chief Compliance Officer, and inquire of management regarding steps taken to deal with items raised.
- ~~● Review~~ OCC's system to communicate and monitor compliance with and enforcement of its Code of Conduct.
- The Committee shall oversee the structure, staffing, resources and budget of the Compliance Department.
- ~~Review~~The Committee shall review periodic regulatory inspection reports, management's responses thereto, and the Compliance Department's tracking of remediation by ~~the~~ OCC of noted items.
- ~~● Review the investigation and enforcement outcomes of disciplinary actions taken by the OCC against clearing members through its established processes.~~
- ~~Review~~The Committee is authorized to review and evaluate any Annual Compliance Report certified by the Chief Compliance Officer as required by regulation.

Other

- ~~Regularly~~The Committee shall regularly review with management OCC's system of internal controls. ~~Review~~The Committee shall review any (i) significant deficiencies and material weaknesses in the design or operation of internal control, and (ii) any fraud, whether or not material, that involves management or other employees.
- In consultation with the Executive Chairman, and Chief Executive Officer, the Committee shall review the performance of the Internal Audit function and the Chief Audit Executive, and the Compliance function and the Chief Compliance Officer, and determine whether to accept or modify the ~~Executive Chairman's~~ recommendations of the Executive Chairman and Chief Executive Officer with respect to the performance assessment and annual compensation for each.
- ~~Approve~~The Committee is authorized to approve management's decision to hire employees or former employees of the external ~~auditors~~auditor who were engaged on OCC's account.
- ~~Have the ability~~The Committee is authorized to delegate authority to one of its members to approve non-audit services performed by the external auditors, with such decisions communicated regularly to the Committee.
- The Committee shall identify risk issues relating to the areas that the Committee oversees that should be escalated to the Board for its review and consideration.
- ~~Review and approve "whistleblower procedures" for the reporting by personnel of any concerns regarding unethical or illegal conduct; questionable accounting, internal controls, or auditing matters; or fraudulent, deliberate errors or misrepresentations in financial reporting. Discuss with any relevant parties, departments or advisors any material issues identified through these procedures.~~
- ~~Confirm~~Each calendar year, the Committee shall confirm ~~annually~~ to the Board that all responsibilities outlined in this Charter have been carried out.
- ~~Evaluate~~Each calendar year, the Committee shall ~~annually~~ ~~the Committee's~~ ~~and~~review its and its individual members' performance and provide results of such assessment to the Governance and Nominating Committee for review.
- The Committee shall perform such other responsibilities and functions as shall from time to time be assigned to it under the By-Laws and Rules, other policies or delegated to it by the Board.

- The Committee ~~shall also have the authority~~ is authorized to perform any other duties consistent with this Charter, as the Committee or Board deems necessary, or as the Board shall further delegate to the Committee.

#### V. Review Cycle

The Committee will review this Charter ~~annually~~ at least once every twelve months. The Committee shall submit this Charter to the Governance and Nominating Committee ~~and the~~ Board for ~~reapproval~~ approval, with such changes, if any, as the Committee deems advisable.