

**THE OPTIONS CLEARING CORPORATION
BOARD OF DIRECTORS
CHARTER**

I. INTRODUCTION

Oversight of the management of the business and affairs of The Options Clearing Corporation (“OCC” or the “Corporation”) is vested in its Board of Directors (the “Board”) except as may otherwise be provided in OCC’s Certificate of Incorporation or its by-laws and rules.¹ The Board discharges its responsibilities in a manner consistent with legal and regulatory requirements applicable to OCC and the expectations of OCC’s stakeholders (i.e., stockholders, clearing members, cleared markets, market participants, and regulatory authorities). In doing so, the Board exercises its authority to promote the safe, sound and efficient operation of OCC and the development of safe, sound and prudent principles for risk assessment, monitoring and management in light of OCC’s role as a systemically important financial market utility.

Capitalized terms used in this Charter shall have the meanings set forth in OCC’s by-laws and rules unless otherwise indicated.

II. MEMBERSHIP AND ORGANIZATION

- A. Size and Composition. As provided for in the by-laws, the Board presently is comprised of two (2) Management Directors one of whom is the Executive Chairman of the Board and the other of whom is the President; five (5) Exchange Directors representing each of OCC’s Equity Exchanges (i.e., stockholders); nine (9) Member Directors representing OCC clearing members; and three (3) Public Directors. Board size may be increased or decreased as specified in the by-laws.¹
- B. Qualification Standards. As provided for in the by-laws, the Board has adopted certain criteria to be used by designated persons in considering nominees for service as a Director (i.e., a member of OCC’s Board). The Fitness Standards for Directors, Clearing

¹ For example, Article III, Section 8 of OCC’s by-laws states that the Board shall not take action in respect of matters as to which the Corporation has agreed to limit its authority under the provisions of its agreements with its Equity Exchanges. Such provisions include the requirement that amendment of certain by-law provisions requires the unanimous consent of OCC’s stockholders.

Members and Others (“Fitness Standards”), as adopted and amended by the Board, set forth such criteria and is attached hereto. Such Fitness Standards are periodically reviewed by the Board. In addition, the by-laws set forth other considerations to be taken into account in the nomination of Member Directors for purposes of achieving balanced representation on the Board among Member Directors. Those considerations include the various business activities of clearing members and their geographical distribution.ⁱⁱ

- C. Election of Directors, Resignation and Disqualification. Election of the categories of Directors shall occur as provided in the by-laws. Resignations and disqualifications from the Board as well as the filling of any vacancy shall be addressed as provided in the by-laws.ⁱⁱⁱ
- D. Tenure, Term and Age Limitations. The tenure of service of each category of Director is specified in OCC’s by-laws. The Management Directors and the Exchange Directors are elected at each annual stockholder meeting. There are no term limitations with respect to such categories of Directors. Each class of Member Director and Public Director is elected to a term of three years subject to the term limitations set forth in the by-laws. No age limitations are imposed with respect to any category of Director.^{iv}
- E. Vice Chairmen of the Board. If elected by the Board and serving, the Management Vice Chairman of the Board shall have the responsibilities and duties set forth in the by-laws in the event of the absence or disability of the Executive Chairman. The Member Vice Chairman, who is elected by the Board from the Member Directors, shall have the responsibilities and duties set forth in the by-laws, including those in the event of the absence or disability of the Executive Chairman and the Management Vice Chairman, if elected and serving.^v
- F. Meetings. Generally, the Board regularly meets a minimum of five times per year. Directors are expected to attend all meetings of the Board, review all materials in advance and be prepared to participate fully in the meeting. Special meetings may be called as provided for in the by-laws. Briefing materials are generally distributed in advance of each Board meeting.^{vi}

The Executive Chairman of the Board, in consultation with the President as well as the Secretary, shall establish the agenda for each Board meeting. A Director may request that an item be included on any meeting agenda. The Executive Chairman may ask

members of management or others to attend the meeting and provide pertinent information as is necessary. The Board may call executive sessions from which guests of the Board may be excluded. Directors 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.

- G. Quorum. Except as may otherwise be provided in the by-laws, a majority of the Directors then in office, but not less than six (6) Directors, shall constitute a quorum of the Board for the conduct of business.^{vii}
- H. Minutes. The Secretary or such other person appointed by the Board will prepare the minutes of each meeting of the Board, which shall be furnished to the Directors for review.^{viii}

III. AUTHORITY

- A. Scope. Except as otherwise provided in the Certificate of Incorporation and the by-laws, the Board oversees the management of the business and affairs of OCC. As required by the by-laws, the Board annually elects certain corporate officers including the Executive Chairman of the Board and the President (who are also the Management Directors), the Secretary, and the Treasurer. Each of these officers has the authorities, responsibilities and duties set forth in the by-laws and rules and such other duties as may be delegated to them in accordance with the by-laws.^{ix}

In discharging its oversight role, the Board may inquire into any matter it considers appropriate to carry out its duties and responsibilities. The Board shall confer with management and other employees of the Corporation to the extent it may deem necessary or appropriate to fulfill its duties.

The Board shall have the authority to hire specialists or rely upon other outside advisors or specialists to assist it in carrying out its activities. The Board also shall have the authority to approve the fees and retention terms applicable to such advisors and specialists.

- B. Board Committees and Delegation. The Board shall establish any standing and other committees that it deems necessary or appropriate to discharge its responsibilities. The Board presently has established three standing committees: the Audit Committee, the Risk Committee and the Performance Committee.^x

For each standing Committee the Board shall establish a written charter which shall set forth the responsibilities of that Committee, as well as Committee structure and operations, and any required reporting to the full Board. The Chairs of such Committees shall be determined in accordance with the terms of the applicable Committee Charter and, if applicable, the by-laws. Subject to and as provided in the by-laws, the Board shall approve and annually review Committee assignments. Directors are expected to attend all meetings of Committees to which they are appointed, review all materials in advance and be prepared to participate fully in the Committee's meetings.

The Board may form such other committees, including subcommittees, as it from time to time deems appropriate, and may delegate authority to one or more designated members of such committees.

- C. Review of Charter. This Charter shall be periodically reviewed by the Board of Directors.

IV. FUNCTIONS AND RESPONSIBILITIES

The Board performs an oversight role to ensure that OCC is managed and operated in a manner consistent with the discharge of OCC's regulatory responsibilities in connection with its provision of clearance and settlement services as an industry utility. The Board is responsible for acting as a steward of OCC to make certain OCC has the critical capabilities necessary to achieve its objectives and obligations in a safe, sound, efficient and prudential manner.

Either directly or indirectly through delegating certain responsibilities to its Committees, the Board has the following functions to discharge its management oversight responsibilities:

- To oversee governance processes in a manner consistent with this Charter, including reviewing Committee charters and reports of Committee activities, effecting Committee appointments, and periodically evaluating the Fitness Standards;
- To approve and oversee OCC's business strategies, including expansions of clearing and settlement services to new business lines;
- To monitor OCC's performance in delivering clearance and settlement services;

- To oversee OCC's processes and framework for assessing, managing and monitoring strategic, financial and operational risk;
- To oversee OCC's financial reporting, auditing, accounting and compliance processes;
- To foster OCC's processes designed to ensure compliance with applicable laws and regulations and to conduct business in a legal and ethical manner;
- To oversee OCC's system of internal controls;
- To oversee major capital expenditures and to approve the annual budget and corporate plan;
- To assure management succession; and
- To oversee the development and design of employee compensation, incentive and benefit programs and to regularly evaluate senior management performance and approve the compensation of the Executive Chairman and President.

In addition, the Board shall perform such functions and responsibilities as set forth in OCC's by-laws and rules, including, but not limited to:

- Determining disqualifications from Board service and making appointments to fill vacancies among the Management Directors, Member Directors and Public Directors as specified in the by-laws^{xi};
- Electing designated corporate officers^{xii};
- ~~Approving applications for clearing membership and initial contributions to the clearing fund of newly admitted clearing members, subject to the by-laws and rules^{xiii};~~
- Approving OCC's fee structure consistent with the by-law requirements as well as rebates, discounts and refunds of clearing fees^{xiv} ^{xiii};
- Approving additions to, amendments of, and deletions from OCC's by-laws and rules subject to the provisions of the by-laws^{xv} ^{xiv};
- Conducting convened hearings in connection with a denial of membership or a suspension determination^{xvi} ^{xv};
- Suspending a clearing member^{xvii} ^{xvi}; and

- Performing such other functions reserved to the Board under the by-laws and rules.

V. DUTIES AND RESPONSIBILITIES OF DIRECTORS

Each Director is required to act in good faith in the best interests of OCC and with due regard to the fiduciary responsibilities owed to OCC as a business and systemically important financial market utility. In addition, each Director is required to comply with the provisions of the Code of Conduct for OCC Directors, including, without limitation, the provisions relating to conflicts of interest and confidentiality.

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- ⁱ Article III, Section 1.
- ⁱⁱ Article III, Sections 2, 5, 6, 6A and 7.
- ⁱⁱⁱ Article III, Sections 5, 6, 6A, 7, 10, 11 and 12.
- ^{iv} Article III, Sections 2, 6, 6A and 7; Article IV, Section 1.
- ^v Article IV, Sections 1 and 7.
- ^{vi} Article III, Section 14.
- ^{vii} Article III, Section 13.
- ^{viii} Article IV, Section 10.
- ^{ix} Article III, Section 8; Article IV Sections 1, 2 and 5.
- ^x Article III, Section 9.
- ^{xi} See end note iii.
- ^{xii} See end note ix.
- ~~^{xiii} Article V, Section 2; Article VIII, Section 2.~~
- ~~^{xiv}^{xiii} Article III, Section 8; Article IX, Section 9.~~
- ~~^{xv}^{xiv} Article XI, Sections 1 and 2.~~
- ~~^{xvi}^{xv} Article V, Section 2; Rule 1110.~~
- ~~^{xvii}^{xvi} Article III, Section 8; Rule 1102.~~

