

Attach as **Exhibit Q**, documents that demonstrate compliance with the composition of governing boards requirements set forth in § 39.26, including but not limited to documentation describing the composition of Applicant's Board of Directors, including the number or percentage of public directors and market participants.

EXHIBIT R — LEGAL RISK CONSIDERATIONS

• Attach as **Exhibit R**, documents that demonstrate compliance with the legal risk considerations requirements set forth in § 39.27 of the Commission's regulations, including but not limited to

a. A discussion of how Applicant operates pursuant to a well-founded, transparent, and enforceable legal framework that addresses each aspect of the activities of Applicant. The framework must provide for Applicant to act as a counterparty, including, as applicable:

- (1) Novation;
- (2) Netting arrangements;
- (3) Applicant's interest in collateral (including margin);
- (4) The steps that Applicant can take to address a default of a clearing member, including but not limited to, the unimpeded ability to liquidate collateral and close out or transfer positions in a timely manner;
- (5) Finality of settlement and funds transfers that are irrevocable and unconditional when effected (when Applicant's accounts are debited and credited); and
- (6) Other significant aspects of Applicant's operations, risk management procedures, and related requirements.

b. If Applicant provides, or will provide, clearing services outside the United States, Applicant must (i) provide a memorandum from local counsel analyzing insolvency issues in the foreign jurisdiction where Applicant is based and (ii) describe or otherwise document:

- (1) How Applicant has identified and addressed any conflict of law issues;
- (2) Which jurisdiction's law is intended to apply to each aspect of Applicant's operations;
- (3) The enforceability of Applicant's choice of law in relevant jurisdictions; and
- (4) That its rules, procedures, and products are enforceable in all relevant jurisdictions.