



CRSP[®] MARKET INDEXES
GOVERNANCE COMMITTEES
TERMS OF REFERENCE

CRSP[®] | **CENTER FOR RESEARCH
IN SECURITY PRICES**
An Affiliate of the University of Chicago

CRSP MARKET INDEXES GOVERNANCE COMMITTEES

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CRSP MARKET INDEXES GOVERNANCE COMMITTEES

INTRODUCTION

The following describes the governance hierarchy for the CRSP Market Indexes (CRSPMI) produced and maintained by the Center for Research in Security Prices (CRSP) LLC.

BOARD OF DIRECTORS

The primary governance body for CRSP is the five-person Board of Directors comprised of members from the University of Chicago and the Booth School of Business.

ADVISORY BOARD

The Advisory Board provides advice to the Board of Directors and CRSP's Chief Executive Officer on the strategic direction, management and operations of CRSP, including data products, data markets and pricing strategies.

The Advisory Board consists of members of the Booth School of Business faculty, nominated by the Booth Dean and approved by the Board of Directors. The Advisory Board meets with the Booth Dean, the Chief Executive Officer and such other officers of CRSP as the Board of Directors may designate, to provide its advice and guidance, and report any findings or recommendations to the Board of Directors.

The Advisory Board provides high-level technical advice specific to the CRSP Market Indexes on strategy, data, and index issues.

MARKET INDEX GOVERNANCE COMMITTEES

CRSP is committed to the oversight and transparency of its Market Index governance structure. In order to provide effective review of its processes and procedures CRSP has established four separate governance committees.

The **Index Management Committee ("IMC")** is composed of CRSP employees and is responsible for the governance and oversight function. The Index Management Committee reviews and approves material changes to the index methodology, as well as all stages of the index determination process to ensure that the integrity of all CRSP Market Indexes is maintained.

The **Index Eligibility Committee ("IEC")** is composed of CRSP employees and is responsible for reviewing securities whose eligibility is indeterminate after applying domicile rules at ranking or following the application of a corporate action.

The **Index Operating Committee ("IOC")** is composed of CRSP employees with extensive relevant operational experiences. This committee is responsible for ad hoc review of unusual corporate actions and immediate operational issues.

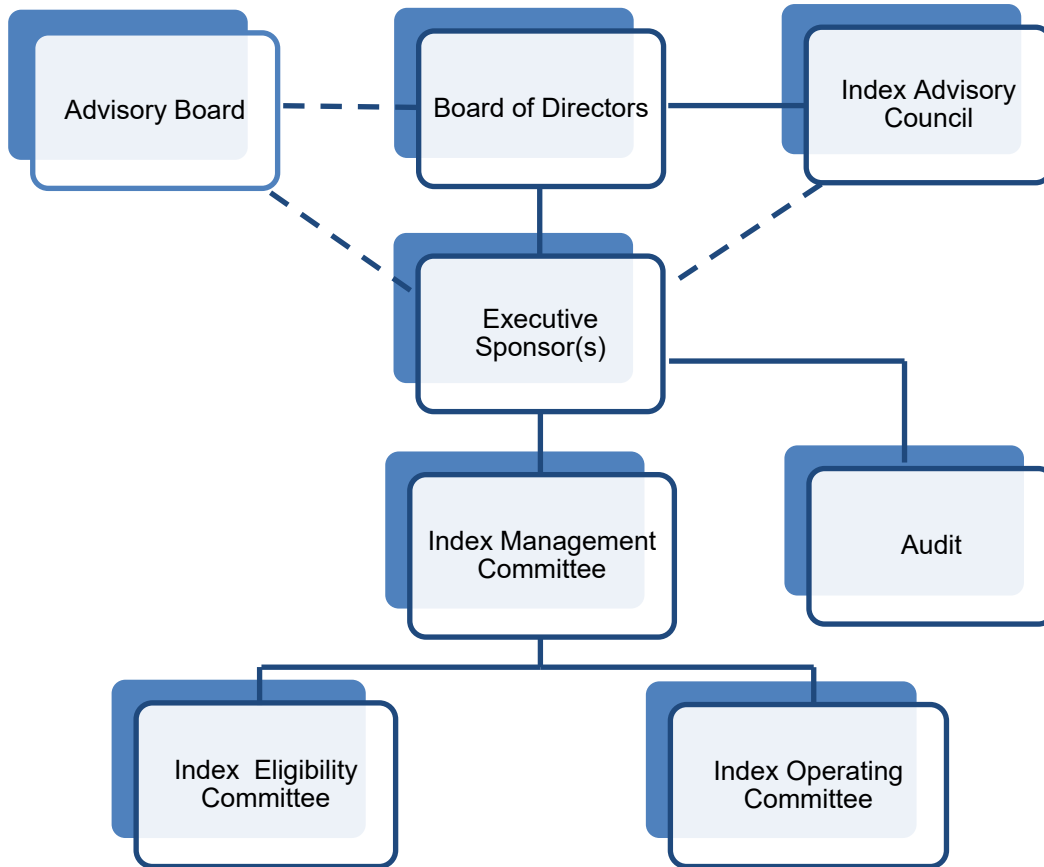
The **Index Advisory Council ("IAC")** is composed of CRSP's Chief Executive Officer, Booth School of Business faculty advisors and representatives from the financial services industry. The IAC may provide guidance with respect to the construction, methodology and maintenance of the CRSP Market Indexes. The IAC may be consulted for input and advice to ensure the relevance of the CRSP Market Indexes and to ensure that the indexes meet the needs of CRSP's clients.

The IAC will also assume governance oversight in the event of business interruptions and execution of disaster recovery plans, until critical business functions are restored.

The CRSP Sr. Manager, Licensing & Compliance will be of counsel to all committees.

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GOVERNANCE AND OVERSIGHT CONTROL FRAMEWORK



Please see the following sections for each committee's member composition. The Executive Sponsors are CRSP Chief Executive Officer and CRSP Chief Financial Officer.

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INDEX MANAGEMENT COMMITTEE

The Index Management Committee is responsible for the oversight of matters related to Index design, integrity of the Index determination and control framework, and other matters related to the IOSCO Principles for Financial Benchmarks.

Member Composition

- The Index Management Committee is made up of senior leaders and staff who are positioned to review and oversee all aspects of the design and determination process.
- The Index Management Committee is composed of the following CRSP personnel:
 - Chief Executive Officer
 - Managing Director, Software Engineering & Index Architecture
 - Managing Director, Business Advancement
 - Managing Director, Strategy & Analytics
 - Managing Director, Data Research & Operations
 - Director, Index Operations
 - Director, Admin & Index Systems
 - Senior Director, Communications
- Changes to the member composition of the Index Management Committee are approved by the Executive Sponsors and at least two other current members.

Responsibilities

- Oversee the Index design process in order to evaluate and address any potential risks to the integrity of the process, including the following:
 - Periodic review of the Index Methodology and material changes to the Index Methodology; and
 - Take appropriate measures to remain informed about issues and risks related to the Index and commission external reviews as appropriate.
- Oversee the Index determination and control framework process in order to evaluate and address any potential risks to the integrity of the process, including the following:
 - Oversee the management and operation of the Index;
 - Consider results of internal and external audits and the implementation of any remedial actions; and
 - Review situations when Expert Judgment is exercised, as elaborated in the CRSP Market Indexes Methodology Guide and defined in the IOSCO Principles for Financial Benchmarks.
- Review and approve Management Plans to eliminate, mitigate, or manage conflicts of interest.

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Meetings

- The Index Management Committee meets bi-annually and on an as-needed basis.
- Meetings should be scheduled approximately one week before the Index Advisory Council meetings.
- Unless approved in advance by CRSP Chief Executive Officer, meetings require the attendance of a quorum of committee members. Others may be asked to attend meetings, by Index Management Committee invitation only, if their input is needed.
- Meeting agendas should contain the date and time, expected attendees, and the topics to be discussed.
- Meeting minutes should contain the date and time, attendees, topics discussed and decisions made regarding the topic.
- Meeting agendas and minutes should be distributed to all Index Management Committee members.
- Meeting agenda and minutes will be retained for at least five years.

INDEX ELIGIBILITY COMMITTEE

The Index Eligibility Committee is responsible for reviewing securities whose eligibility is indeterminate after applying the domicile rules at ranking or following the application of a corporate action.

Member Composition

- The Index Eligibility Committee is composed of the following CRSP personnel:
 - Chief Executive Officer
 - Director, Index Analytics
 - Associate Director, Index Analytics
 - Director, Index Operations (alternate, as needed)
 - Managing Director, Business Advancement (alternate, as needed)
 - Managing Director, Strategy & Analytics (alternate, as needed)
- Changes in the member composition of the Index Eligibility Committee are approved by CRSP's Chief Executive Officer.

Responsibilities

- Apply the domicile eligibility criteria as detailed in the CRSP Market Indexes Methodology Guide.
- Provide advice to the Index Operating Committee on style assignments as needed for fast-track IPOs or post-event reevaluations.

Meetings

- The Index Eligibility Committee meets prior to each ranking and on an as-needed basis.
- Unless approved in advance by CRSP Chief Executive Officer, meetings require the attendance of a quorum of committee members.

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- The Index Eligibility Committee, after each meeting, documents which securities were reviewed, the eligibility decision, and the rationale for the decision.
- Documentation of Index Eligibility Committee's review will be retained for at least five years.

INDEX OPERATING COMMITTEE

The Index Operating Committee is responsible for the ad-hoc reviews of unusual corporate actions and immediate operational issues.

Member Composition

- The Index Operating Committee is composed of the following CRSP personnel:
 - Managing Director, Software Engineering & Index Architecture
 - Director, Index Operations
 - Managing Director, Data Research & Operations
- Alternate and substitute committee members include the following CRSP personnel:
 - Chief Executive Officer (alternate)
 - Index Operations, Assistant Director (substitute for Director, Index Operations)
 - Director, Software Engineering (substitute for Managing Director, Software Engineering & Index Architecture)
- Changes in members to the Index Operating Committee are approved by CRSP's Chief Executive Officer.

Responsibilities

- Ad-hoc review of immediate operational issues. These may include, but are not limited to, the following situations:
 - Unusual corporate actions that must be interpreted to best fit the methodology
 - Review of shares and float data cases that must be interpreted to best fit the methodology
 - Actions needed to override normal system procedures to achieve an expected result
 - Review of data and rule challenges resulting from index actions
 - Review and recommendations for possible file corrections or restated data
- Overall review and approval of the index ranking process
 - Review and resolution of issues appearing during the ranking preparation process, including review of additional data used for rankings and special cases that arise. Provide an approval of the initial pro forma indexes before they are published.
 - Review data and rule challenges during pro forma review, recommend any external communications, and make final decisions on actions to modify the pro forma indexes.

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- Approve the final pro forma indexes.

Meetings

- The Index Operating Committee meets on an as needed basis.
- Unless approved in advance by CRSP Chief Executive Officer, meetings require the attendance of a quorum of committee members. Others may be asked to attend meetings, if their input is needed.
- The Index Operating Committee, after each meeting, documents the decision on how to handle the operational issue, the rationale for the decision, and the course of action(s) to implement.
- Decision and rationale for the decision will be documented and retained for at least five years.

INDEX ADVISORY COUNCIL

The Index Advisory Council, chaired by CRSP's Chief Executive Officer, is responsible for overseeing and steering the construction, methodology and maintenance of CRSP Market Indexes.

Member Composition

- The Index Advisory Council is composed of the following personnel:
 - CRSP's Chief Executive Officer
 - The Index Advisory Council, chaired by CRSP's Chief Executive Officer, includes the two Booth School of Business faculty advisors
 - Two representatives from Vanguard, and representatives from other fund managers as may be determined and selected by the University in the future
- Others may be asked to attend meetings, by Index Advisory Council invitation only, if their input is needed

Responsibilities

- Provide guidance and advice with respect to the construction, methodology and maintenance of the Indexes.
- Identify issues, raise concerns, and offer suggestions for achieving the goals of the Indexes.
- Solicit and provide feedback to all involved parties on pertinent issues.
- Agree on rules regarding restatements of Indexes and other such policies.
- Engage in scheduled communications.
- Review and approve methodology changes prior to implementation.
- Approve each Index prior to publication.
- Provide governance oversight in the event of disruptions to critical business functions.

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Meetings

- The Index Advisory Council meets on an as-needed basis.
- Topics for discussion should be submitted by members of the Index Advisory Council no later than the close of three business days prior to the meeting.
- CRSP Sr. Manager, Licensing & Compliance will serve as secretary to the Index Advisory Council and will maintain a record of members' attendance and council votes and actions, in addition to preparing agendas, recording and distributing meeting minutes, and will following up with members, as necessary, on action items between meetings.
- Meeting agendas should contain the date and time, expected attendees, and the topics to be discussed.
- Meeting minutes should contain the date and time, attendees, topics discussed and decisions made regarding the topic.
- Meeting minutes should be distributed to all Index Advisory Council members and to the Index Management Committee.
- Meeting agenda and minutes will be retained for at least five years.

EXTERNAL AUDITS

A third-party audit firm will be consulted, as needed, to assess CRSP's governance, risk management, and management controls over operations.

Audit documents containing results and recommended remedial actions will be retained for at least five years.