



frontclear

A financial markets development company

Frontclear Compliance Charter 2016

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1. Introduction and governance

Integrity is the cornerstone of the compliance function as it is linked to the reputation of Frontclear Management B.V. as Fund Manager for the three Frontier Clearing Funds and as Manager of Frontier Clearing Corporation B.V. In this Compliance Charter the combination of all entities above is referred to as Frontclear.

The three Frontier Clearing Funds are structured as closed-end funds for joint account. As the Funds are offered to professional investors only, with no redemption rights in the first 5 years and the Assets under Management (AuM) do not exceed the amount of EUR 500M, the Fund Manager and the Funds are registered by the AFM under the “light regime” according to article 3 AIFMD. FCM has opted to voluntarily comply with the Dutch FSA (Financial Supervision Act) and underlying Decrees where possible. The rules as stipulated in the Dutch Wwft (Act on Anti-Money Laundering and Anti-Terrorist Financing Act) are applicable to all financial institutions in the Netherlands, Frontclear included.

This Compliance Charter applies to all parties involved in the operations (outsourced activities) of Frontclear (hereinafter the Involved Parties). All matters described herein attach to any Frontclear-related activity that is performed by any employee of Involved Parties.

Within the activities related to Frontclear, the definition of the compliance function is as follows:

The compliance function within Frontclear is (i) the oversight of those core processes and related policies and procedures that seek to ensure that the Frontclear entities are in conformity with applicable laws and regulations in letter and spirit, and (ii) adheres with the industry’s best practices regarding the preservation of institutional integrity, thereby maintaining the reputation of Frontclear.

Frontclear and the Involved Parties are jointly responsible for, and are each expected to be fully committed to, the preservation of the integrity and reputation of the Frontclear. Compliance is based on the strong commitment to guard and promote stability, transparency and trustworthiness of the activities performed in relation to Frontclear.

This compliance charter describes the role and responsibilities of the compliance function within Frontclear, its organizational position and its authority. Changes to this Compliance Charter will be drafted jointly by the Fund Manager and the External Compliance Officer and require the approval of the Supervisory Board of the Fund Manager.

2. Scope of compliance

The scope of compliance includes all activities performed by Frontclear and the Involved Parties as far as these activities relate directly to Frontclear. The entities where the compliance rules apply to the entirety of their activity are:

- Frontclear Management B.V. (hereinafter FCM)
- Frontier Clearing Corporation B.V. (hereinafter FCC)
- The Frontclear Clearing Funds (3 FGR's named Frontier Clearing Fund Subordinated, Frontier Clearing Fund Junior and Frontier Clearing Fund Senior (hereafter the FCF or the Funds)).

Frontclear's governance and policy decision-making predominantly is the remit of the Supervisory Board of the FCC (SB). The role of the Fund Manager is to effectively implement the policy and operational decisions of the SB. The SB may appoint a Compliance Committee in the future to conduct oversight of all compliance related matters.

The management board of the Fund Manager is ultimately responsible for all compliance policies and actions within Frontclear. The External Compliance Officer provides, among other functions, a second line of defense and an independent whistle-blowing channel.

All Involved Parties operate on the basis of a services agreement that, inter alia, requires compliance with this Compliance Charter. This means that the applicable compliance rules of Frontclear must be complied with by all Involved Parties. To confirm their compliance with the service agreements entered into with the Fund Manager and the provisions of the Operational Guidelines, these companies will annually provide the Fund Manager with a statement of compliance.

If any of the Involved Parties has its own compliance rules (e.g. pertaining to a license for financial institutions), and these rules are at least materially equal to the compliance rules of Frontclear as determined jointly by the management board of the Fund Manager and the External Compliance Officer, the rules and procedures of the Involved Party will prevail as guidelines for the individuals performing tasks and services for Frontclear. The individual primarily responsible for compliance will in such case be the compliance officer of the Involved Party. The External Compliance Officer (of Frontclear) may from time to time contact such compliance officer to coordinate efforts.

In case an Involved Party does not have its own explicit compliance rules or such rules are not at least materially equal to the compliance rules of Frontclear as determined jointly by the management board of the Fund Manager and the External Compliance Officer, all individual employees of that third party performing activities directly for Frontclear will be required to personally sign statements of knowledge of, and adherence to, the Frontclear compliance rules (to be provided to the External Compliance Officer). In this case, the individuals will use the External Compliance Officer as their primary counterpart in compliance-related processes as defined herein and in the Operational Guidelines of Frontclear (OG).

Services/advice provided to Frontclear by parties that are not related to Frontclear's primary activities (i.e. to guarantee counterparty credit risk) are not considered as primary outsourced activities. This means that the compliance monitoring does not include the activities performed by such partners.

The scope of compliance does not include global regulations and policies covering accounting standards (which are covered by the Fund Manager).

3. Guiding Principles

Frontclear has the following guiding compliance principles:

- Compliance is the individual responsibility of each staff member of the Fund Manager and Involved Parties in the performance of any activity related to Frontclear. The management board of the Fund Manager has a particular function as role model for all staff.
- The management board of the Fund Manager is responsible for proper execution of compliance activities.
- No employee of the Fund Manager or Involved Party will be disciplined for reporting a suspected violation in good faith.
- The compliance approach is risk-based, except where a rules-based approach is required by local regulations (as far as these rules are applicable).
- The External Compliance Officer on request has full access to all Frontclear's related business, employee and client information wherever such information is kept.

Compliance includes, besides complying with the applicable law and regulations, the establishment and maintenance of a set of corporate governance codes for Frontclear, approved by the SB, including:

- a Charter for the SB and each of its committees, describing its mandate and responsibilities;
- a Code of Conduct for all employees of the Fund Manager and Involved Parties, including privacy laws, personal integrity and regulations re. relational gifts;
- an institutional whistle blowing procedure;
- screening procedures for new employees, especially in integrity-sensitive positions;
- institutional management of incidents and complaints.

Compliance also includes the establishment and maintenance of:

- Rules regarding counterparty integrity: external corporate governance, “know your client” principle (“KYC”) through Customer Due Diligence (“CDD”);
- Anti Money Laundering guidelines (“AML”);
- Timely submission of any regulatory reports;
- Identification and reporting of unusual transactions;
- Rules regarding integrity in relation to market behaviour.

4. The compliance function

The management board of the Fund Manager from time to time appoints a Director responsible for compliance within Frontclear (the Responsible Director). The Chief Risk and Finance Officer has been designated as the Responsible Director. The Responsible Director has a direct reporting line to (Chairman of) the SB on compliance matters. The Responsible Director is responsible that all compliance controls, as described herein and in the Operational Guidelines, are appropriately designed and effectively implemented and maintained.

Frontclear also maintains an independent External Compliance Officer who acts as a second-line of defense on compliance matters, among other activities like advising on compliance matters. He functionally reports to the management board but has a separate and direct reporting to the Chairman of the SB.

Any compliance issue related to Frontclear that is identified by any employee of the Fund Manager or an Involved Party should preferentially be addressed with the employee's line manager. Failing a resolution at this level, the employee will preferentially address the issue with the Responsible Director.

In case any of a compliance issue related to the preferential chain of reporting described above, the employee may directly address the External Compliance Officer (or ask his advice on the matter). As described herein, the ultimate escalation is to the (Chairman of) the SB.

The compliance function, whether performed by the Responsible Director, the External Compliance Officer and the Chairman of the SB (unless conflicted), has free access to all information and personnel within the Frontclear and has the right to conduct investigations of possible breaches of the compliance policy and to appoint outside experts to perform this task if appropriate.

4.1. Responsibilities of the Director responsible for compliance

The function and tasks of the Responsible Director are the following:

- Identify all laws and regulations relevant to the Frontclear business and ensure that Frontclear's control framework effectively ensure compliance therewith (including the topics mentioned in section 3 above). Review the control framework on an annual basis against amendments to the legal and regulatory environment and follow up on identified deficiencies.
- Design and evaluate policies and procedures to minimize reputational risks.

- Ensure effective implementation by all Involved Parties of the compliance-related controls as described herein or in the Operational Guidelines, and address any identified deficiencies (if need be through escalation to the SB) within appropriate delays.
- Maintain relationships with the management of Involved Parties, advise management on the compliance risk associated with certain business activities and how to mitigate those risks.
- Be the principal interface with the regulators on compliance issues (e.g. reporting to the Dutch Central Bank).
- Report to the External Compliance Officer any incidents, complaints, conflicts of interest or any other issues related to integrity or compliance.
- Report to the Compliance Committee any compliance matter at hand.

4.2. Responsibilities of the External Compliance Officer

- Assist the management board of the Fund Manager as requested, in particular regarding Frontclear's home country laws and regulations and in maintaining broad awareness of the compliance function within Frontclear, including running training sessions for new employees.
- Be the first external escalation point for compliance incidents and whistle-blowing matters, including NAV incidents, complaints, and conflicts of interests.
- Perform a second line of defense role in compliance processes as described herein and in the policies and operating procedures. Among other tasks, this includes:
 - to evaluate proposed changes to the policies and operating procedures for compliance related matters;
 - to evaluate new product approvals for compliance related matters;
 - to evaluate proposed changes to the KYC/AML checklists;
 - to evaluate the completeness and effectiveness of the operational control framework in so far as compliance matters are concerned;
 - to review the website and any advertisements for compliance issues;
 - on a yearly basis, to request confirmation from the Involved Parties and Shareholders of the Fund Manager on the status of certain compliance matters as agreed, and to report to the Chairman of the SB in relation to the reported status of any compliance incident that has occurred or is being investigated.

4.3. Legal protection of the External Compliance Officer

The Fund Manager and Involved Parties endorse the view that the External Compliance Officer should not be suspended, dismissed, terminated, libeled or otherwise harmed as a result of the execution in good faith of his compliance duties under the applicable external and/or internal laws, regulations or standards. The SB ensures that such protection is extended to the External Compliance Officer even in cases involving the senior management or owners of Frontclear, or members of the SB itself.

4.4. Compliance Committee (CC)

The Compliance Committee (CC) is a sub-committee of the SB. Members mandatorily include the Chairman of the SB, the External Compliance Officer as well as at least one other member of the SB.

In case no Compliance Committee is appointed by the SB, the SB will act as the Compliance Committee and compliance related items are included as separate agenda point in the SB meetings. In such case, the External Compliance Officer has a standing invitation to attend this part of the SB meeting.

The responsibilities of the CC are defined in the relevant charter, but will always include:

- discussing the External Compliance Officer's yearly report and deciding on any matter raised therein;
- ratifying the decision on any incident reported;
- discussing and deciding on regulatory matters.

4.5. Preservation of secrecy regarding private and confidential information

All persons performing the compliance function as described herein must ensure that information, which is distributed or made available to him or her, does not (due to negligence or actions) fall into the hands of those for whom this information is not intended (whether within or outside Frontclear). At the same time, those persons should be in a position that, at their sole discretion, they may decide whether they should preserve the secrecy regarding private and confidential information they may encounter during the performance of their tasks.

5. Monitoring and testing

5.1. Compliance risk management

Compliance risks are assessed at least annually, in the last quarter of each year. The line managers responsible for Frontclear activities in each of the Involved Parties are responsible to assess the risks within their own company and for the processes they are responsible for.

The Responsible Director is responsible for the development and maintenance of a standard compliance risk control framework and facilitates the risk assessments when necessary in cooperation with the External Compliance Officer.

On an annual basis, immediately following the conclusion of the compliance risk assessment, the Responsible Director formulates a draft Compliance Program and a compliance expenses budget, based on his analysis of the compliance risks faced by Frontclear and drafted in consultation with the External Compliance Officer, approved by the management board of Frontclear and the SB.

5.2. Compliance Audit

As part of the annual Operational Audit of Frontclear, the compliance function is assessed against the requirements of the latest laws, regulations and standards (if applicable). Furthermore, part of the assessment is to see if the compliance function activities are effective.

Finally, inter alia on the basis of the compliance operational audit, the Responsible Director performs a performance review of the External Compliance Officer in the provision of his services to Frontclear and the Involved Parties, that is ratified by the SB.

6. Training

Sessions on compliance topics must form an integral part of the training program for both new and existing employees of Frontclear and Involved Parties to the extent not already undergone in previous (recent) employment or as part of the own training program.

Senior management of Frontclear is required to visibly commit to (new) training and information sessions. The accent of training activities must be focused on ensuring compliancy with applicable laws and regulations, ethical aspects of conducting business and the values inherent in financial markets and (securities) exchanges in particular. All new employees must be instructed on the role of the compliance function as well as their personal responsibility for acting in compliance with relevant laws, regulations and standards.

The planning of training activities by the External Compliance Officer is part of the annual Compliance Program.

7. Reporting

The Responsible Director will report any compliance matter to the Compliance Committee (or full SB as applicable) during its periodic meetings, or if he deems any matter to require immediate attention, on an ad-hoc basis by e-mail.

The External Compliance Officer will report the outcome of the yearly monitoring activities to the Compliance Committee (or full SB as applicable) meeting immediately following the end of each calendar year (allowing for a reasonable delay to draft the report).

Besides the yearly review, ad hoc activities may be required from the Responsible Director and External Compliance Officer in line with their responsibilities as outlined in section 4 above. Depending on their priority and impact, the Responsible Director and External Compliance Officer will report these ad hoc activities promptly to the management board of Frontclear and/or the Compliance Committee of Frontclear.

7.1. The Compliance Cycle

The compliance cycle is divided into three separate and yet interconnected cycles:

- Annually in the last quarter of each calendar year:
 - The conclusion of an annual compliance audit performed as part of the operational audit;
 - A review of the Compliance Program for the next year;
 - The inclusion of the compliance expenses budget, to apply for the following calendar year, included in the overall expenses budget;
 - The annual performance review of the External Compliance Officer by the Compliance Committee (to occur in the first quarter of the following year);
- Yearly in the first month of every calendar year, a review by the External Compliance Officer of the activities performed in the previous year.
- Ad-hoc, any compliance matter requiring attention, such as:
 - Counterparty reviews;
 - Changes in regulation;
 - Introduction of new services/ products;
 - New employees.

- Incidents, complaints, conflicts of interest, integrity issues, or whistleblower actions.

7.2. Planning

The Responsible Director composes an annual Compliance Program for all activities that will be deployed in the next calendar year.

Important aspects of the annual Compliance Program are:

- Set up, implementation and maintenance of Frontclear's compliance organization and compliance structure (including a general operational review with the Involved Parties and a review of the Operating Guidelines);
- Coordination of the implementation of new or revised 'in scope' laws, regulations and standards and measures resulting from them;
- Training activities;
- Planned activities to assess the risks of non-compliance with laws, regulations and standards;
- Planning of compliance reporting dates;
- Compliance budget for the coming calendar year.

A budget is made for the costs that result from the planned activities.

8. Whistle blowing procedure

8.1. Preliminary provisions

In accordance with the provisions of the Dutch Corporate Governance Code, Frontclear will ensure that its employees, employees of the Involved Parties and any other stakeholder have the possibility to report a suspicion of irregularity of a general, operational or financial nature within Frontclear and the Involved Parties without any danger to their legal position.

This scheme has been jointly prepared by Frontclear and the Involved Parties and has been approved by the SB.

This scheme may be supplemented and amended by unanimous resolution of Frontclear and the Involved Parties, after approval by the SB. Any amendment will be dated as at the date of approval by the SB thereof and mentioned in this paragraph.

8.2. Object

The object of this scheme is:

- to give employees of Frontclear and the Involved Parties or any other stakeholder guidance on how to report suspicions of irregularity within Frontclear, without consequences for their positions;
- to enable the Fund Manager to be informed of irregularities within Frontclear at an early stage;
- to deal appropriately with suspicions of irregularity within Frontclear.

8.3. Irregularities

8.3.1. Suspicion of irregularity

A suspicion of irregularity within Frontclear (“suspicion of irregularity”) is defined as a suspicion based on reasonable grounds of an irregularity of a general, legal, operational and/or financial nature, including a (threatened) criminal offence, a (threatened) misapplication of laws and rules, a (threatened) deliberate provision of incorrect information or a (threatened) deliberate withholding, destruction or manipulation information, all within Frontclear.

8.3.2. Report a suspicion of irregularity

Except in a situation as specified in paragraph 8.3.3, an employee encountering a suspicion of irregularity shall report such suspicion (hereafter, a “report”) internally to his/her superior. In case this does not result in a satisfactory resolution or action, the employee may contact the Responsible Director (evandijk@fronclear.com or +31-(0)6 1093 7096) or the independent External Compliance Officer (frontclear@complianceadvies.nl or +31-(0)6 5061 8662).

If for any reasons the employee cannot or does not wish to report the matter to the Responsible Director responsible for compliance or the External Compliance Officer, he/she has the possibility to report the suspicion of irregularity to:

- The Chairman of the SB;
- Another member of the SB;
- Any member of the management board Frontclear

The employee can also contact the External Compliance Officer in his capacity of confidential advisor. The confidential advisor can advise the employee about the (possible) report of the suspicion of irregularity and can take the place of a mediator. If the External Compliance Officer has acted in the capacity of confidential advisor the employee may require him to be excused from handling the resolution of the case.

The Responsible Director for compliance will always notify the External Compliance Officer immediately upon becoming aware or being made aware of a suspicion of an irregularity (unless the External Compliance Officer is involved as principal or as confidential advisor, in which case he/she will notify the Chairman of the SB).

The person handling the report will retain written record of all relevant actions and documents pertaining to the report, with supporting reasons to maintain an audit trail of the report. The employee in question and the recipients will sign this report for agreement. The employee receives a copy of the report.

Given the protection afforded to whistle-blowers by this policy, a suspicion of irregularity that is reported anonymously will not be considered unless the submission includes irrevocable proof of the report irregularity. This assessment will be performed by the External Compliance Officer in consultation with the Chairman of the SB.

8.3.3. Report to the chairman or other member of the SB

The employee reports the suspicion of irregularity directly to the Chairman of the SB if:

- the suspicion of irregularity relates to a senior manager of Frontclear or a member of the SB (other than the Chairman);

- No decision has been reached on the report within the required period as referred to herein, or it is apparent that a decision is unlikely to be reached in time;
- if there has been a previous internal report of essentially the same suspicion of irregularity reported by another employee which has not removed the suspicion of irregularity.

The employee should report the suspicion of irregularity directly to another member of the SB if the suspicion of irregularity relates to the Chairman of the SB.

Unless the suspicion of irregularity relates to a member of the SB, the Chairman of the SB shall ensure that the SB is informed without delay of the suspicion of irregularity and of the date on which the report was received.

8.3.4. Investigation

On receipt of the employee's original report as referred to herein, an independent investigation should be initiated into the suspicion of irregularity by or on behalf of the addressed person or persons without delay.

The investigation will be executed on an individual basis, carefully, confidentially, thoroughly, independently, with the required drive and with the proper technical and investigative experience. The person handling the report will immediately notify the External Compliance Officer of the report and the fact that an investigation is in process. In consultation with the External Compliance Officer an independent specialist may be engaged at Frontclear expense if necessary for the investigation. The management board of the Fund Manager may, if it is in the interest of Frontclear, suspend the employee during the time of the investigation. Where the case involves the employee of an Involved Party, the management board of the Fund Manager has the right to request the company to remove the employee from all Frontclear related work. The Involved Party shall immediately comply.

Within a period of eight weeks after the date of the original report, the employee will be informed in writing, by or on behalf of the addressees of the report, of the decision on the substance of the reported suspicion of irregularity, the action subsequently taken on the report and the point of view of Frontclear. A copy of this document will be provided to the External Compliance Officer. It is understood that confirmation of the alleged irregularity shall be ground for immediate dismissal and may lead to criminal proceedings.

If a final decision cannot be given within eight weeks, the employee will be informed accordingly by or on behalf of the addressees of the report, including a reason for the delay, and an indication will be given of the period within which the employee can expect to receive a decision.

8.3.5. Records

The External Compliance Officer will keep records of all reports within the scope of this whistle blower procedure and the results of each investigation, on a location exclusively accessible to the External Compliance Officer and the Chairman of the SB.

The External Compliance Officer will mention the existence of any report under investigation, if needed or requested by the employee initiating the report with full or partial limitation on disclosure of particulars, in his quarterly compliance report, the status thereof and the priority assigned to the report.

8.3.6. Confidentiality

The employee reporting a suspicion of irregularity and the person or persons receiving that report shall treat the report strictly confidentially. The independent investigation into the suspicion of irregularity will be carried out without the identity of the reporting employee becoming known.

The employee's name shall not be disclosed when providing information, or the information will otherwise be provided in such a way that the employee's anonymity is guaranteed to the maximum extent possible.

Neither the employee nor the person or persons receiving the report, or other persons involved in the report, shall provide any information to other parties within or outside Frontclear (except as described in these rules) without the permission of the addressees of the original report. The provision in the previous sentence does not apply in the case of a criminal offence that must be reported to the relevant authorities. In that case, a report may be made by the External Compliance Officer to the relevant authorities.

The relevant employee may ask any person who enjoys his/her trust for advice in confidence regarding a suspicion of irregularity. The employee must require that person to observe secrecy regarding the suspicion of irregularity.

8.3.7. Protection

Employees who have reported a suspicion of irregularity under the provisions of this scheme will not suffer any detriment to their position in any way whatever as a result of making the report.

However, if a report of a suspicion or irregularity is made which the reporting employee knows or ought to know to be false, this may have consequences for the relevant employee's position and the employee may be held liable for any loss resulting from the false report. It shall also constitute grounds for immediate dismissal.

8.4. Final provision

This scheme and a contact list of all individuals performing compliance functions as described herein will be placed on the website of Frontclear.

9. Consequences of non-compliance

Any employee of Frontclear or the Involved Parties that does not comply with the Frontclear compliance policy must realise that he/she jeopardizes the reputation of Frontclear and will be held accountable.

The line manager supervising any non-complying employee is responsible to implement appropriate disciplinary actions including dismissal. Additionally, staff may face severe legal consequences including fines, criminal prosecution and even possible imprisonment.

If staff deliberately avoid or ignore information that could have led to the discovery of unlawful activity, so-called 'willful blindness', Frontclear will strive to enforce the severest penalties.

The management board Frontclear must be aware of the responsible corporate officer doctrine. This means that the manager who lets things go and accepts a material chance that laws are not complied with by the Frontclear or its employees, may be held criminally responsible in many jurisdictions. The Involved Parties may also hold them accountable.