

# CRSP Index Governance Committees

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Terms of Reference



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## CRSP Index Governance Committees Terms of Reference

### Introduction

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

The **Index Oversight Committee** is composed of CRSP employees and is responsible for the governance and oversight function. The Index Oversight 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 Indexes is maintained.

The **Index Domicile Eligibility Committee** 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.

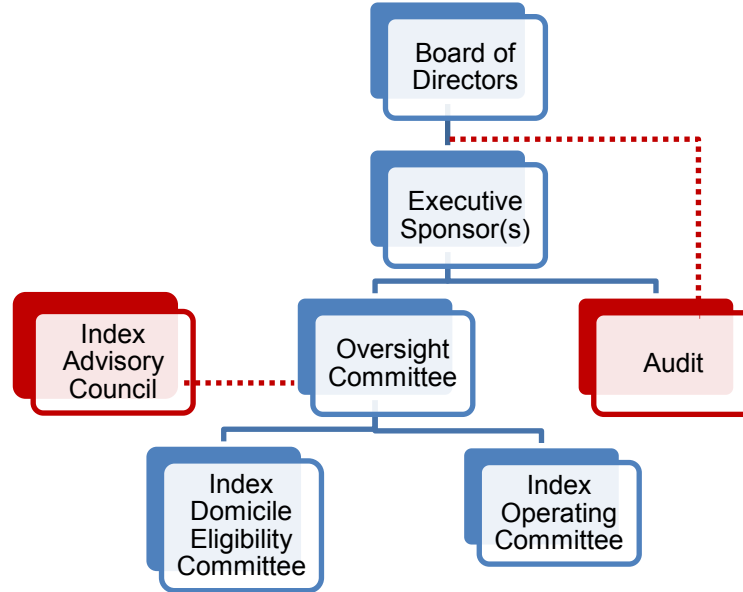
The **Index Operating Committee** is composed of CRSP employees with extensive relevant operational experiences. This committee is responsible for ad hoc review of unusual corporate actions and immediate operational issues.

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

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**Governance and Oversight Control Framework**



Executive Sponsor(s)	Index Oversight Committee	Index Domicile Eligibility Committee	Index Operating Committee	Index Advisory Council	Audit
CRSP Chief Operating Officer	CRSP Chief Operating Officer	CRSP Chief Operating Officer	CRSP Senior Director of Application Development	CRSP Chief Operating Officer	External audit firm
CRSP Senior Director of Finance & Administration	CRSP Senior Director of Application Development	CRSP Assistant Director of Index Analytics	CRSP Director of Index Operations	Booth School of Business faculty advisors	
	CRSP Senior Director of Client Services	CRSP Assistant Director of Index Analytics	CRSP Senior Director of Data Operations	Client representatives	
	CRSP Senior Director of Data Operations	CRSP Director of Index Operations (alternate/optional)	CRSP Chief Operating Officer (alternate)		
	CRSP Associate Director of Admin & Index Systems	CRSP Senior Director of Client Services (optional)	CRSP Assistant Directors of Index Analytics (as needed)		
	CRSP Director of Index Operations				
	CRSP Assistant Director of Index Analytics				
	CRSP Manager of Licensing & Compliance				

## CRSP Index Governance Committees Terms of Reference

### Index Oversight Committee

The Index Oversight 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 Oversight Committee is made up of senior leaders and staff who are positioned to review and challenge all aspects of the design and determination process.
- The Index Oversight Committee is composed of the following CRSP personnel:
  - Chief Operating Officer
  - Senior Director of Application Development
  - Senior Director of Client Services
  - Senior Director of Data Operations
  - Director of Index Operations
  - Associate Director of Admin & Index Systems
  - Assistant Director of Index Analytics
  - Manager of Licensing & Compliance
- Changes to the member composition of the Index Oversight 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 defined in the IOSCO Principals for Financial Benchmarks.
- Review and approve Management Plans to eliminate, mitigate, or manage conflicts of interest.

## CRSP Index Governance Committees Terms of Reference

### Meetings

- The Index Oversight 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 Operating Officer, meetings require the attendance of the following members:
  - Chief Operating Officer
  - Manager of Licensing & Compliance
  - Senior Director of Application Development
  - Associate Director of Admin & Index Systems
  - Director of Index Operations
  - Senior Director of Data Operations
  - Unless notified otherwise prior to the scheduled meeting, either the Senior Director of Client Services or the Assistant Director of Index Analytics need attend.
- 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 Oversight Committee members.
- Meeting agenda and minutes will be retained for at least five years.

## CRSP Index Governance Committees Terms of Reference

### Index Domicile Eligibility Committee

The Index Domicile 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 Domicile Eligibility Committee is composed of the following CRSP personnel:
  - Chief Operating Officer
  - Assistant Director of Index Analytics
  - Assistant Director of Index Analytics
  - Director of Index Operations
  - Senior Director of Client Services
- Changes in the member composition of the Index Domicile Eligibility Committee are approved by CRSP's Chief Operating Officer.

#### Responsibilities

- Apply the domicile eligibility criteria as detailed in the U.S. Equity Indexes Methodology Guide.

#### Meetings

- The Index Domicile Eligibility Committee meets prior to each ranking and on an as-needed basis.
- Unless approved in advance by CRSP Chief Operating Officer, meetings require the following attendees:
  - Chief Operating Officer (*attendance required*)
  - Assistant Director of Index Analytics (*attendance required*)
  - Assistant Director of Index Analytics (*attendance required*)
  - Director of Index Operations (*alternate / optional attendee*)
  - Senior Director of Client Services (*attendance optional*)
- The Index Domicile Eligibility Committee, after each meeting, documents which securities were reviewed, the eligibility decision, and the rationale for the decision.
- Documentation of Index Domicile Eligibility Committee's review will be retained for at least five years.

## CRSP Index Governance Committees Terms of Reference

### 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:
  - Senior Director of Application Development
  - Director of Index Operations
  - Senior Director of Data Operations
  - Assistant Director of Index Analytics (*two individuals with this title, only one individual needs to attend meetings upon request*)
- Alternate and substitute committee members include the following CRSP personnel:
  - Chief Operating Officer (alternate)
  - Assistant Directors of Index Operations (substitute for Director of Index Operations)
  - Director of Application Development (substitute for Senior Director of Application Development)
- Changes in members to the Index Operating Committee are approved by CRSP's Chief Operating Officer.

#### Responsibilities

- Ad-hoc review of unusual corporate actions and immediate operational issues.

#### Meetings

- The Index Operating Committee meets on an as needed basis.
  - Unless approved in advance by CRSP Chief Operating Officer, meetings require the attendance of two of the three following members:
    - Senior Director of Application Development
    - Director of Index Operations
    - Senior Director of Data Operations
- The Index Operating Committee, after each meeting, documents the decision on how to handle the operational issues due to the unusual corporate action, the rationale for the decision, and the course of action(s) that needs to be implemented.
- Decision and rationale for the decision will be documented and retained for at least five years.



## CRSP Index Governance Committees Terms of Reference

### Index Advisory Council

The Index Advisory Council was formed to oversee and steer the construction, methodology and maintenance of CRSP Indexes.

### Member Composition

- The Index Advisory Council, chaired by CRSP's Chief Operating Officer, includes CRSP employees as selected by CRSP's Chief Operating Officer depending on topics to be discussed, Booth School of Business faculty advisors, and representatives from the financial services industry, including Vanguard and other fund managers, if appropriate.
- Non-CRSP members of the Index Advisory Council are appointed by their respective institutions.

### 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.
- Commitment to the CRSP Indexes Mission Statement.

### Meetings

- The Index Advisory Council meets annually and 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 Manager of Licensing & Compliance will serve as secretary to the Index Advisory Council and will maintain a record of members' attendance, prepare agendas, take meeting notes, record and distribute meeting notes, and will follow 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 Oversight Committee.
- Meeting agenda and minutes will be retained for at least five years.

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**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.



**CRSP | Center for Research in Security Prices**

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## **CRSP Indexes Mission Statement**

CRSP seeks to provide academic, private, and government institutions with valuable products and services consistent with the research reputation of the University of Chicago Booth School of Business. CRSP products and services provide a strong foundation for economic forecasting, stock market research, and financial analysis.

Indexes play a significant role in capital markets as measures of asset class performance, as benchmarks for relative investment performance, as the basis for passive investment vehicles, and as the underpinning of derivative instruments. The importance of indexes has grown with the expanded use of index-based investment vehicles and complex derivatives such as exchange-traded funds (ETFs) and swaps.

CRSP seeks to enhance its existing products and services by developing U.S. equity indexes based on a methodology that blends sound theoretical concepts and conventional investment practices. CRSP U.S. equity indexes are constructed to be truly investable and provide both academics and investment practitioners with valuable tools for research and investment management.