

# ANNOUNCEMENT – TRADING HALTS, PENDING LISTINGS AND UNPLANNED MARKET CLOSURES BETWEEN SELECTION DAY AND REBALANCE DAY

10 July 2023

## OBJECTIVE

This document provides guidance on the enhancement to the Disruption Policy regarding the treatment of Trading Halts, Pending Listings and Unplanned Market Closures between and including Selection Day and Rebalance Day. The enhancement aims to increase the replicability of the indices administered by Solactive AG, by reflecting the general market dealing with such events as accurately as possible in the index calculation.

The following sections outline the changes to the Disruption Policy and compare the current treatment with the future treatment.

## CONTENT

Whilst selecting and rebalancing index components for Solactive AG administered indices, Solactive AG identifies which securities are affected by Trading Halts, Pending Listings and Unplanned Market Closures between and including Selection Day and Rebalance Day. Solactive AG then determines the appropriate treatment for the affected securities according to the relevant sections in the Disruption Policy. This treatment needs to reflect market and trading restrictions and accounts for the different scenarios of the aforementioned events. Hence, Solactive AG has decided to update the Disruption Policy to:

- (1) Streamline the treatment of the affected securities on Selection Day and on Rebalance Day;
- (2) Include a new section to specify the treatment between Selection Day and Rebalance Day;
- (3) Introduce the treatment for Pending Listings which are not covered under the current Disruption Policy; and
- (4) Provide further clarifications for a coherent interpretation of the Disruption Policy with respect to the updated treatment.

## CURRENT POLICY VS. FUTURE POLICY

Day/Period	Index Relationship	Events	Current Policy	Future Policy	Comment
Selection Day	Existing Index Component	Trading Halt or Unplanned Market Closure	<p><u>Section 4.3.1.1:</u></p> <p>If a security is suspended for less than 20 trading days, its position is fixed in the index. If the security trades again before rebalance, it will be rebalanced as determined in the selection process.</p> <p><u>Section 4.3.1.2:</u></p> <p>If suspended for more than 20 trading days, the affected security is removed at a price of zero or at last available price (if it trades again before rebalance).</p>	<p><u>Section 4.3.1.1:</u></p> <p>If a security is suspended for less than 60 trading days, it is eligible for the selection process.</p> <p><u>Section 4.3.1.2:</u></p> <p>If suspended for at least 60 trading days, the affected security is not eligible for the selection process.</p>	<p>This is a change. The future policy:</p> <p>(1) Provides clarity whether or not the affected security is eligible for the selection process on Selection Day;</p> <p>(2) Specifies the treatment strictly relevant to Selection Day, whereas the current policy implies potential treatment after Selection Day; and</p> <p>(3) Uses a threshold of 60 trading days to align with Solactive internal processes for monitoring suspended securities.</p>
		Pending Listing	<p>Pending listings are not covered in the current policy.</p>	<p><u>Section 4.3.1.3:</u></p> <p>If a security is pending listing, it is not eligible for the selection process.</p>	<p>This is a change. A new subsection is added in the future policy to cover securities that are pending listing in this case. A definition of pending listings is also provided in the future policy.</p>
	Potential Index Component	Trading Halt or Unplanned Market Closure	<p><u>Section 4.3.2:</u></p> <p>If a security is suspended, it is not eligible for the selection process and inclusion in the index.</p>	<p><u>Section 4.3.2.1:</u></p> <p>If a security is suspended for less than 10 trading days, it is eligible for the selection process.</p> <p><u>Section 4.3.2.2:</u></p>	<p>This is a change. The future policy allows for securities that are on short-term suspension (less than 10 trading days) to be eligible for the selection process.</p>

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				If suspended for at least 10 trading days, the affected security is not eligible for the selection process.	
		Pending Listing	Pending listings are not covered in the current policy.	<u>Section 4.3.2.3:</u> If a security is pending listing, it is not eligible for the selection process.	This is a change. A new subsection is added in the future policy to cover securities that are pending listing in this case. A definition of pending listings is also provided in the future policy.
Between Selection Day and Rebalance Day	Existing or Potential Index Component	Trading Halt, Pending Listing or Unplanned Market Closure	The current policy does not contain a dedicated section to specify treatment between Selection Day and Rebalance Day.	<u>Section 4.4:</u> If an affected security resumes or commences trading between Selection Day and Rebalance Day, it is rebalanced as determined in the selection process at its last closing price.  If a security becomes affected by these events after the Selection Day, it is monitored until the Rebalance Day when the treatment is determined as per the policy applicable to the Rebalance Day treatment.  If an affected security is subject to removal as a result of an ECA or a trading status review, it will be removed from the new index composition.	This is a change. A new section is added in the future policy to clarify treatment where: (1) an affected security trades again or starts trading after Selection Day; (2) a security becomes affected by these events after Selection Day; or (3) an affected security is removed as a result of an ECA or a trading status review.
Rebalance Day	Potential Index Component	Trading Halt or Pending Listing	<u>Section 4.4.1:</u> If a security is affected by these events, it is not added to the index upon rebalance.	<u>Section 4.5.1:</u> If a security is affected by these events, it is not added to the index upon rebalance.	No change.  Note that the treatment also applies to pending listings in the future policy. The section is also re-numbered.

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			(Note that pending listings are not covered in the current policy.)		
	Existing Index Component	Trading Halt or Pending Listing	<p><u>Section 4.4.2.1:</u> If a security is suspended for less than 20 trading days, its position is fixed in the index upon rebalance.</p> <p><u>Section 4.4.2.2:</u> If suspended for more than 20 trading days, the affected security is removed at a price of zero.</p> <p>(Note that pending listings are not covered in the current policy.)</p>	<p><u>Section 4.5.2:</u> If a security is affected by these events, its position is fixed in the index upon rebalance, disregarding the number of days the security has not been trading.</p> <p>If an affected security is subject to removal as a result of an ECA or a trading status review on the Rebalance Day, it will be removed from the new index composition on the Rebalance Day.</p>	This is a change. The future policy does not apply a trading day threshold for the Rebalance Day treatment. The affected security has its position fixed in the index upon rebalance and is then subject to ongoing review of trading status under section 4.1.2 & 4.1.3 of the Disruption Policy.
	Existing or Potential Index Component	Unplanned Market Closure	<p><u>Section 4.5:</u> If a security is affected by the event, the Rebalance Day is moved to a day when all relevant exchanges are open.</p>	<p><u>Section 4.6:</u> If a security is affected by the event, the Rebalance Day is moved to a day when all relevant exchanges are open.</p>	<p>No Change.</p> <p>Note that the section is re-numbered in the future policy.</p>
Rebalance Period (Multi-day rebalance)	Existing or Potential Index Component	Trading Halt, Pending Listing or Unplanned Market Closure	<p><u>Section 4.6:</u> Solactive decides on appropriate measures on a case-by-case basis.</p> <p>(Note that pending listings are not covered in the current policy.)</p>	<p><u>Section 4.7:</u> Solactive decides on appropriate measures on a case-by-case basis.</p>	<p>No Change.</p> <p>Note that the section is re-numbered in the future policy.</p>

## SCOPE AND TIMING

Solactive AG has decided to introduce the improvements to its treatment of Trading Halts, Pending Listings and Unplanned Market Closures between and including Selection Day and Rebalance Day with an effective date of July 10, 2023. From this day onwards, the described approach will be applied to all existing and future indices that are administered by Solactive AG.

In addition, the Disruption Policy available on <https://www.solactive.com/documents/disruption-policy/> will be updated with the new treatment on the effective date specified above.

For third-party indices, where Solactive AG is only the calculation agent, the index administrators are kindly asked to approach Solactive AG to discuss the application of the changes to their index / indices.

Solactive AG provides all relevant information about corporate events in its Daily Corporate Action Files (DCAF). These files will also be expanded to reflect index changes due to the treatment of Trading Halts and Pending Listings between Selection Day and Rebalance Day as outlined in this announcement. The DCAF Description File demonstrates the structure of the DCAF file after the implementation of the new treatments. For a summary of the updates to the DCAF file, please refer to "Summary of DCAF Fields Applicable to the Treatment of Trading Halts and Pending Listings for Index Rebalance" that is provided with the announcement. With the effective date as of July 10, 2023, Solactive AG will only distribute the new version of the DCAF file. The respective updates in the DCAF file only utilize columns that are already in use.

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