

STOXX LIMITED

# STOXX DECREMENT INDICES - QUALITY CHARTER

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# STOXX DECREMENT INDICES – QUALITY CHARTER

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## 1. INTRODUCTION

STOXX Ltd. calculates under its iSTOXX brand a number of indices that incorporate a synthetic performance deduction in the index methodology (“Decrement indices”). Such Decrement indices are based on an existing index and apply a constant or relative performance deduction to the underlying index on a daily basis.

Such Decrement indices are specifically designed to underlie structured products with additional features aiming to provide a benefit for the final client, for instance, but not exclusively, capital protection. The synthetic decrement is thus exclusively meant to be used by the product issuer in order to finance such features.

In order to ensure full transparency and adequate usage, STOXX has created this binding Quality Charter for all such Decrement indices, covering both the construction of the index and their usage in structured products<sup>1</sup>.

## 2. INDEX CONSTRUCTION PROVISIONS

### 2.1. INDEX NAMING CONVENTION

In order to ensure full transparency, all Decrement indices must contain the suffix “Decrement” and reference the amount of the decrement, e.g. iSTOXX [ABC] Decrement x% (constant performance deduction of x% p.a.) or iSTOXX [ABC] Decrement x (constant index points deduction of x points p.a.).

### 2.2. INDEX DESCRIPTIONS

The description of the index displayed publically in marketing materials, texts or websites must contain a clear reference to the decrement and the full amount of such decrement shall be stated clearly.

In the case of constant performance deduction, the text may read “The iSTOXX [ABC] Decrement x% index” replicates the performance of the [ABC] index assuming a constant x% performance deduction per annum. The performance deduction accrues constantly on a daily basis.

In the case of constant index points deduction, the text may read “The iSTOXX [ABC] Decrement x index” replicates the performance of the [ABC] index assuming a constant x index points deduction per annum. The index points deduction accrues constantly on a daily basis.

### 2.3. BASE INDEX RESTRICTIONS

Decrement Indices must not be created based on Price indices.

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<sup>1</sup> Indices launched prior to Oct. 1, 2015 may be exempt from the Quality Charter

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The constraints set forth in paragraph 2.4 only apply to Decrement indices based on underlying indices for which a gross or net dividend yield can be calculated as described in the STOXX Statistical Calculations Guide.

For all indices for which a net or gross dividend yield cannot be calculated, STOXX will take a final and not negotiable decision regarding the suitability of the proposed decrement on a case by case basis.

## 2.4. MAXIMUM DECREMENT THRESHOLD

The decrement amount must be such that the resulting equivalent average 10 year dividend yield does not exceed the following thresholds:

- Decrement Gross Return indices: 150% of the average 10 year gross dividend yield of the parent index
- Decrement Net Return indices: 200% of the average 10 year net dividend yield of the parent index.

The 10 annual dividend yields are calculated starting from the last full calendar month elapsed and as described in the STOXX Statistical Calculations Guide.

The above thresholds are to be intended as guidelines only and STOXX retains the right to review those thresholds in line with market conditions. STOXX will also retain the right to assess the suitability of any proposed decrement on a case-by-case basis.

## 3. PRODUCT ISSUANCE PROVISIONS

### 3.1. PRODUCT DESCRIPTIONS

The description of the index as referenced in product prospectuses, marketing materials, texts or websites must contain a clear reference to the decrement and the full amount of such decrement shall be stated clearly.

### 3.2. PRODUCT ISSUANCE

No structured products of a linear nature (i.e. that reflect the performance of the index 1-1 without additional structures such as capital guarantees or others) shall be issued based on a Decrement Index.

### 3.3. DISCLAIMERS

The following disclaimers are required to be placed in materials referring products based on a Decrement index:

The index is part of a family of indices specifically designed to serve as underlying for structured products with capital protection, growth or income products, but not recommended for use in linear products as the index may largely underperform its associated benchmark.

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STOXX and [Product Issuer] expressly declare that the valuation and calculation methodologies for [Decrement Index] require deductions from the index performance (the “Performance Deductions”) and therefore may not be reflecting the aggregate fair or full performance of the index.

STOXX and [Product Issuer] do not have any responsibility for, and do not purport, neither expressly nor by implication, that any Performance Deduction is adequate or sufficient for any particular purpose, such as serving as a sufficient basis for achieving capital protection in capital guaranteed products.

## 4. CONTACT

In case of any further questions or comments please contact our Customer Support at:

### **STOXX CUSTOMER SUPPORT**

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