Market Consultation - Extension:

Potential rule changes MDAX/SDAX/TecDAX

Deutsche Börse AG has decided to reopen and extend the market consultation on potential rule changes to MDAX/SDAX and TecDAX. Based upon the numerous responses received, the considered alternatives have hereby been extended. Changes to the content of the original market consultation are highlighted in blue.

1. Background

The current index selection rules are based upon a separation of stocks by (1) size/liquidity as well as by (2) industry. Regardless of their industry classification, the largest stocks are included in DAX. For non-DAX stocks, industry classification matters: Only companies classified as “classic” (i.e. “non-tech” industries) are eligible for inclusion into the MDAX or SDAX. Tech industries companies are eligible for TecDAX only.

2. Considered Changes

(1) Removal of the separation by industry in order to allow otherwise eligible stocks, irrespective of their sector allocation, to enter the MDAX or SDAX,

(2) Removal of the separation by size and liquidity in order to allow otherwise eligible stocks of technology companies, irrespective of size and liquidity, to enter the TecDAX.

(3) Adjustment in the number of components for the MDAX, SDAX and TecDAX. In this context, the following scenarios are considered:

MDAX/SDAX:
   a. Increase in the number of MDAX and SDAX components from currently 50 to 60,
   b. Increase in the number of MDAX components from currently 50 to 60, increase in the number of SDAX components from currently 50 to 70,
   c. Increase in the number of MDAX components from currently 50 to 70, increase in the number of SDAX components from currently 50 to 70,

TecDAX:
   a. Maintain the current number of TecDAX components (30),
   b. Increase in the number of TecDAX components from currently 30 to 40.

In order to mitigate potential uncertainty for investors with regard to potential changes in the risk and return characteristics of the affected indices, it is proposed that “shadow indices” simulating the behavior of the MDAX, SDAX and TecDAX under the new rules, would be calculated and disseminated for a period of at least 3 months over the course of which the methodology of the MDAX, SDAX and TecDAX will remain unchanged. At the point in time where the new rules will become effective, the calculation and dissemination of the “shadow indices” will be discontinued.

The transition from the current to the proposed methodology would follow a rules based process as outlined on page 12 of the presentation accessible under the link provided below.
Please find additional material providing detailed information on the proposed rule changes, the transition procedure and period as well as information on sensitivity analyses under the following link:


The market consultation may or may not lead to changes in the index methodology.

3. Process and Timeline of Market Consultation

Deutsche Börse invites market participants to submit responses to the below questions via email to: Index_Services@deutsche-boerse.com

The extended consultation remains open for submission until May 04, 2018.

Deutsche Börse intends to publish the results of the market consultation, as well as an announcement about potential changes to the index methodology, on or around May 18, 2018.

4. Questions to Market Participants

(1) Are market participants in favour of the proposed rule change which would allow eligible stocks, irrespective of their sector allocation, to enter the MDAX or SDAX. If not, why so?

(2) Are market participants in favour of the proposed rule change which would remove the separation by size and liquidity in order to allow eligible stocks of technology companies, irrespective of size and liquidity, to enter the TecDAX. If not, why so?

(3a) Should the number of components for the MDAX and SDAX be extended from currently 50 to 60?

(3b) Should the number of MDAX and SDAX components be extended from currently 50 to 60 (MDAX) and 70 (SDAX)?

(3c) Should the number of MDAX and SDAX components be extended from currently 50 to 70 (MDAX) and 70 (SDAX)?

(3d) Should the number of TecDAX components be extended from currently 30 to 40?

(4) Is the proposed transition process as outlined on page13 of the presentation available under the link provided above reasonable?

(5) Is the considered launch of “shadow indices”, simulating the behavior of the MDAX, SDAX and TecDAX under the new set of rules useful for market participants?

In case you have any additional comments or suggestions with regard to the considered changes, please provide your feedback by sending an email to the address above.