

Zug, 17 July, 2020

Market Consultation on treatment of insolvencies in DAX Selection Indices

Dear Sir and Madam,

STOXX Limited, a leading provider of innovative, tradable and global index concepts, has decided to conduct a market consultation on the treatment of insolvent companies in DAX Selection Indices.

STOXX values your opinion on the timing of the announcement of the composition change, the timing of the implementation of a change, the price used to remove the insolvent company and as of when the new rule shall become effective.

The market consultation may or may not lead to changes in the treatment of insolvent companies.

PROCESS AND TIMELINE

STOXX invites all stakeholders and interested third parties to submit responses to consultation@stox.com. STOXX intends to publish the results of the market consultation, as well as an announcement about potential changes to the index methodology, before **August 13th, 2020**. The consultation is open to all market participants until **August 7th, 2020**.

Pursuant to Sec. 10.3 of the DAX Equity Index Guide, the standard consultation period is 1 month. However, STOXX decided (as provided for in accordance with the aforementioned provision) to shorten this period due to the nature and limited scope of the consultation.

STOXX will after the consultation make available the Stakeholders feedback received in the consultation and STOXX's summary response to those comments, except where confidentiality has been requested by the respective Stakeholders.

In case the consultation leads to an amendment of the insolvency rule, STOXX intends to make the change effective one week after the announcement.

MOTIVATION FOR THE MARKET CONSULTATION

For DAX Selection Indices STOXX differentiates two cases for the treatment of insolvent companies, for details please refer to Section 5.1.1 of the [Guide to the DAX Equity Indices](#). The application of current rules leads to immediate (with 2-trading-days-notice) removal of insolvent companies for which the insolvency proceedings are rejected for lack of assets, or which are currently in liquidation. In contrast, companies that have filed an application for the opening of insolvency proceedings are only removed from the selection indices in the course of the next quarterly review of the index composition. This current treatment differs from that applied to other leading blue-chip indices, such as the EUROSTOXX 50 and has aroused a discussion on whether the treatment is appropriate and up to market standards.

The proposed provision refers to the initiation of an insolvency proceeding as a formal statutory procedure and considers all relevant communications in this respect. Hence, STOXX shall act if an Insolvency Event (as defined below) occurred and was communicated to the market. As the Guide to the DAX Equity Indices allows also companies from outside of Germany to become a constituent of an equity index, the proposed provision is not restricted to the German Insolvency Code.

PROPOSED AMENDMENTS

STOXX therefore proposes the following rule change:

“Insolvency Proceeding” shall refer to any applicable insolvency, bankruptcy, dissolution, liquidation or winding up proceedings or similar proceedings in relation to the assets of such Constituent.

An **“Insolvency Event”** in relation to a company which is a constituent of an equity index (**“Constituent”**) shall be deemed to have occurred if STOXX has been informed by the Constituent, or a national competent authority, or a court in writing or through public announcement (other than by entry into a register) that (i) Insolvency Proceedings over the assets of the Constituent will be filed or have been filed for, or (ii) that Insolvency Proceedings have been opened in relation to the Constituent, or (iii) the Constituent seeks or becomes subject to the appointment of an administrator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets, or (iv) the Insolvency Proceedings are rejected due to a lack of assets, or (v) Constituent is in liquidation, be it as a result of Insolvency Proceedings or a shareholders’ decision or otherwise.

If an Insolvency Event occurred in relation to a Constituent, the securities of the Constituent shall be deleted from the index based on the traded stock price on its primary market, if available; if the last price is not available, the Constituent will be deleted at market close in local currency of 0.001.

The Constituent shall be extraordinarily replaced in the Selection Indices. Such replacement shall be announced at 22:00 CET on the day STOXX became aware of the Insolvency Event based on publicly available information. The change shall be implemented two (2) trading days after the calendar day of the announcement by STOXX and shall become effective the next trading day after implementation.

In case such security has already been announced as a new index constituent or replacement for a current index constituent, the announcement will be revoked, and a new constituent implemented with two (2) trading days’ notice. This may lead to an index with less constituents than required by the index methodology for a maximum of two (2) trading days.

The securities of a Constituent for which an Insolvency Event occurred are not eligible as an index constituent or replacement index constituent for any future selection, with immediate effect at the date of STOXX’ announcement.

The respective security will be kept on the monthly index ranking list without receiving a rank. It may receive a rank again once the proceedings in relation to the Insolvency Event have been concluded resulting in the continuance of the business operated by the issuer of the security, but not earlier than one (1) calendar year after exclusion became effective.

AFFECTED INDICES

All DAX Selection Indices that hold the affected security on the date STOXX becomes aware of the Insolvency Event.

QUESTIONS

- 1) Are you in favor of the proposed rule change?
 - a. Yes.
 - b. No. (Please state reasons for objection)

- 2) Do you agree that bank resolution (*Abwicklung*) and restructuring (*Sanierung*) proceedings (e.g. proceedings in accordance with the EU Bank Recovery and Resolution Directive) are not deemed to be Insolvency Events (as defined above)?
 - a. Yes.
 - b. No.

Please elaborate on the rationale of your opinion.