

STOXX LIMITED

MARKET CONSULTATION ON TREATMENT OF RUSSIAN COMPONENTS UNDER SANCTION

6 AUGUST 2014

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1. BACKGROUND AND CURRENT RULES

1.1. BACKGROUND

In response to the recent events in the Ukraine, the European Union issued Council Decision No. 833/2014 on Jul. 31, 2014, which outlines the sectoral sanctions¹ which prohibit the direct or indirect purchase of sales of, the brokering or assistance in the issuance of, or any other dealing with bonds, equity, or similar financial instruments with a maturity exceeding 90 days issued after Aug. 1, 2014.

The United States has issued Executive Order 13662 and Directives 1 and 2, creating Sectoral Sanctions Identification List², which prohibit transacting in, providing financing for, or otherwise dealing in debt with a maturity of longer than 90 days or new equity.

STOXX Limited is monitoring both regulations and the market developments closely to ensure the tradability and conformity of its indices.

STOXX recognizes that such sanctions may affect clients' abilities to adequately track indices containing sanctioned securities. In order to ensure that the index rulebooks adequately reflect market realities in this scenario, STOXX seeks input from market participants on potential adjustments or changes to the below-listed indices and the respective index rulebooks regarding sanctioned stocks.

This market consultation covers indices provided by STOXX Ltd. and Deutsche Börse AG.

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

1.2. AFFECTED COMPONENTS AND INDICES

Stoxx has reviewed the sanctioned entities named under the US and EU regulations and has identified the following indices in the STOXX Ltd. and Deutsche Börse AG index families that contain sanctioned components. Please note, however, the list of affected indices may not include subsidiaries or other entities that would be impacted.

1.2.1. AFFECTED COMPONENTS

European Union Council Decision No. 833/2014:

ISIN CODE	NAME
RU0009029540	SBERBANK
RU0009029557	SBERBANK PREF.
US80585Y3080	SBERBANK GDR
RU000A0JP5V6	VTB BANK
US46630Q2021	VTB BANK GDR

¹ For further information about the sectoral sanctions, see <http://ep00.epimg.net/descargables/2014/07/31/1c77d70c9dbde7249fe99a592cd135e2.pdf>

² For further information about the sectoral sanctions, see <http://www.treasury.gov/ofac/downloads/ssi/ssi.pdf>

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United States Executive Order 13662 and Directives 1 and 2:

ISIN CODE	NAME
RU000A0DKVS5	NOVATEK
US6698881090	NOVATEK GDR
RU000A0J2Q06	ROSNEFT
US67812M2070	ROSNEFT GDR
RU0006571916	AKB BANK MOSKVY ORD SHS

1.2.2. AFFECTED INDICES

STOXX Indices	Deutsche Börse AG Indices
STOXX® All Europe 100	DAX ALL SHARE PR EUR
STOXX® All Europe 800	DAX ALL SHARE TR EUR
STOXX® All Europe 800 Banks	DAXGLBL RUSS.+ NET TR EUR
STOXX® All Europe 800 Oil & Gas	DAXGLOBAL BRIC KURSINDEX
STOXX® All Europe Total Market	DAXGLOBAL BRIC NET TR EUR
STOXX® BRIC 100	DAXGLOBAL BRIC TR
STOXX® BRIC 400	DAXGLOBAL RU+.PR EUR
STOXX® BRIC Total Market	DAXGLOBAL RU+.TR EUR
STOXX® Eastern Europe 300	DAXGLOBAL RUSSIA NR EUR
STOXX® Eastern Europe 300 Banks	DAXGLOBAL RUSSIA PR
STOXX® Eastern Europe 300 Oil & Gas	DAXGLOBAL RUSSIA TR
STOXX® Eastern Europe 50	DAXSEC. ALL BANKS PR
STOXX® Eastern Europe Mid 100	DAXSEC. ALL BANKS TR
STOXX® Eastern Europe Large 100	DAXSUB.ALL CRED.BK.PR
STOXX® Eastern Europe TMI	DAXSUB.ALL CRED.BK.TR
STOXX® Eastern Europe TMI Large	ENTRY ALL SHARE K-IN.
STOXX® Emerging Markets 1500	ENTRY ALL SHARE P-IN.
STOXX® Global 3000	ENTRY STANDARD KURSINDEX
STOXX® Global 3000 Banks	ENTRY STANDARD PERF.IND.
STOXX® Global 3000 Oil & Gas	
STOXX® Global Total Market	
STOXX® Optimised Russia	
STOXX® Optimised Russia DR	
STOXX® Russia Total Market	

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1.3. PROCESS AND TIME LINE

STOXX invites market participants to submit responses in writing via email to customersupport@stoxx.com or via online survey <https://www.surveymonkey.com/s/BKQ2TBV>. The consultation remains open for submissions until Aug. 15, 2014. Only responses with complete contact information will be considered.

STOXX intends to publish the results of the market consultation as well as an announcement about potential changes to the index methodology no later than Aug. 20, 2014. In addition to responses from clients, input from the STOXX Advisory Board and the working committee for equity indices of Deutsche Börse AG will be considered.

During the time of publication of this consultation document on Aug. 6, 2014 and the publication of the results, the interim treatment outlined in chapter 2 below will be applied.

2. INTERIM SOLUTION

2.1. UNCHANGED TREATMENTS

All indices containing affected securities will continue to be calculated and operated following the standard STOXX or Deutsche Börse AG index rulebooks, respectively. Due to the anticipated lack of tradability of affected stocks in case of new equity being issued, the exceptions described in chapter 2.2 below apply.

2.2. EXCEPTIONAL TREATMENTS

The exceptional treatment applies in case the sanctions as described above remain in place and an affected company issues new equity after Aug. 1, 2014 through a corporate action or some other means.

In case of such an issuance of new equity becomes known to STOXX the following exception to the STOXX and Deutsche Börse AG index rulebooks applies:

- » **The affected company will be removed from the respective index with two days' notice**, from the day STOXX becomes aware of such corporate action through a relevant official and public source.
- » The company may only be included in the index again if the sanctions are changed in such a way that the company no longer falls under such sanctions. Regular rules and timelines for inclusion of components apply according to the STOXX or Deutsche Börse AG index rulebooks as applicable.

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3. ALTERNATIVES

The following four scenarios are currently under consideration by STOXX and Deutsche Börse AG and the parties seek market feedback on these scenarios as well as on the detailed questions in chapter 4 below. We assume for all scenarios that in this context the same treatment should apply to depository receipts and to original shares independent of their listing place.

3.1. NO ADJUSTMENT

In this scenario regular STOXX and Deutsche Börse AG rulebooks continue to apply unchanged. Investors are required to make adjustments to their portfolio based on their domicile and respective applicable sanctions upon their own judgment and at the expense of a potential tracking error if certain components may not or not fully be invested in.

Upon requests from clients STOXX and Deutsche Börse AG may provide alternative versions of specific benchmarks excluding sanctioned stocks.

3.2. DELETION OF AFFECTED COMPONENTS

In this scenario STOXX and Deutsche Börse AG would exclude all components that are affected by the sanctions independent of the issuance of new equity. Such exclusion would take place with a notice of two trading days following the effective date of the rule or the respective sanction as applicable.

The company may only be included in the index again if the sanctions are changed in such a way that the company no longer falls under such sanctions. Regular rules and timelines for inclusion of components apply according to the respective index rulebook.

3.3. DELETION OF AFFECTED COMPONENTS IN CASE OF CAPITAL INCREASES

In this scenario all components that issue new equity after Aug. 1, 2014 through a corporate action or some other means will be excluded from the respective indices with two trading days' notice from the day STOXX becomes aware of such issuance through a relevant official and public source.

The company may only be included in the index again if the sanctions are changed in such a way that the company no longer falls under such sanctions. Regular rules and timelines for inclusion of components apply according to respective index rulebook.

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3.4. FREEZING OF WEIGHTS OF RESPECTIVE COMPONENTS

In this scenario the number of shares required to be held for all components that issue new equity after Aug. 1, 2014 through corporate actions or some other means will be kept constant throughout each index adjustment including adjustments for corporate actions as well as regular or extraordinary index reviews. Differences in price or market capitalization shall be adjusted via the index divisor (or for Deutsche Börse AG indices the chaining factor).

This freeze may only be suspended if the sanctions are changed in such a way that the company no longer falls under such sanctions. Regular rules and timelines for the updating of numbers of shares and (if applicable) free float apply according to the respective index rulebook.

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4. QUESTIONS TO MARKET PARTICIPANTS

- 4.1. WHICH SCENARIO OUTLINED ABOVE DO YOU CONSIDER MOST ADEQUATE?
- 4.2. WHICH ADDITIONAL SCENARIOS WOULD YOU SUGGEST, IF ANY?
- 4.3. SHOULD DEPOSITORY RECEIPTS BE TREATED DIFFERENTLY TO ORIGINAL SHARES IN YOUR VIEW?
- 4.4. DO YOU CURRENTLY SEE ANY REQUIREMENT TO REMOVE SANCTIONED COMPONENTS?
- 4.5. DO YOU SEE ANY REQUIREMENT TO REMOVE SANCTIONED COMPONENTS IN CASE THEY ISSUE NEW EQUITY?
- 4.6. IS FREEZING THE NUMBER OF SHARES SUFFICIENT TO ENABLE CONTINUED TRACKING OF THE INDEX?
- 4.7. GIVEN THE CURRENT DEVELOPMENT, ARE YOU IMPLEMENTING ANY LEGAL CONSTRAINTS OR RESTRICTIONS TO DEAL WITH THE SANCTIONS? IF SO, WHICH ARE THOSE? IF NOT, HOW DO YOU PLAN TO DEAL WITH THE SITUATION?
- 4.8. HOW WOULD YOU REACT IF THE SECURITIES OF A SANCTIONED COMPANY WERE SUSPENDED FROM TRADING ON ONE OR SEVERAL EXCHANGES?
- 4.9. HOW WOULD YOU REACT IF NEW EQUITY WAS ISSUED BY AN AFFECTED COMPONENT?
- 4.10. GIVEN YOUR ANSWER TO 4.9 ABOVE, HOW MAY THIS RESULT IN A CONFLICT WITH YOUR BENCHMARK / YOUR TRADING IF THE INDEX MIRRORS THE CORPORATE ACTION 1:1?
- 4.11. WHICH OTHER JURISDICTIONS (IN ADDITION TO THE UNITED STATES AND THE EU) AND ITS RESPECTIVE SANCTIONS SHOULD BE CONSIDERED FOR THIS EXCEPTIONAL TREATMENT?
- 4.12. WHICH CORPORATE ACTION TYPES WOULD YOU CONSIDER TO BE LEADING TO AN ISSUANCE OF NEW EQUITY AS DEFINED BY THE SANCTIONS?

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- 4.13. GIVEN THE LACK OF TRANSPARENCY OF OWNERSHIP STRUCTURE OF SINGLE SANCTIONED COMPANIES, IT IS OFTEN DIFFICULT TO IDENTIFY THE ENTITIES AND THE SECURITIES SUBJECT TO THE SANCTIONS PROHIBITION. IN SUCH A CASE, WOULD YOU PREFER A RATHER BROAD ADOPTION OF THE SANCTIONS? IF NOT, WHAT WOULD YOUR PREFERRED SOLUTION BE?