

Type:	Policy
Reference number:	201407-13
Subject:	<b>Index Transition</b>
Scope:	STOXX, SIX, DBAG, Customized Indices
Approved by:	Executive Board
Approval date:	June 18, 2015
Responsible department:	Product Development
Relevant documents:	Terms of Reference - Index Management Committee Terms of Reference - Oversight Committee
Valid from:	July 1, 2015
Valid until:	Revocation
Version (Updated):	2.0 (May, 2015)

## 1 Background

This Policy is based on the IOSCO Principles for Financial Benchmarks FR07/13, in particular Principle 13 “Transition”.

## 2 Objective and Purpose

This Policy defines requirements with respect to the transition and cessation of an index. For index methodology changes please refer to Policy 201407-12 (Changes to Methodology).

## 3 Scope

This Policy applies to STOXX’s administration of its own indices (“STOXX Indices”<sup>1</sup>) as well as to STOXX’s processing of all indices administrated by Deutsche Boerse AG (“DBAG Indices”) or SIX AG (“SIX Indices”) and to STOXX’s processing of all customized indices administrated by a client of STOXX, DBAG or SIX (“Customized Indices”)<sup>2</sup>. DBAG Indices, SIX Indices and Customized Indices are referred to as “Third Party Administrated Indices”.

## 4 General Principles

### 4.1 Decommissioning an Index

Due to changing economic or regulatory realities, market demand or internal product offering strategies, STOXX must periodically evaluate the need for the following:

- Index transition: Launching of a new index that is supposed to replace an old index;
- Index cessation: Permanent discontinuation of the dissemination and publication of an index without offering a replacement. The guidelines for the cessation of an index are defined by the Index Management Committee (IMC) in accordance with the Terms of Reference.

<sup>1</sup> Includes “iSTOXX” branded indices.

<sup>2</sup> Generally, the client qualifies as administrator of a customized index if the client retains the right to approve changes of the index determination or dissemination process. In case that the administrator’s role is transferred to STOXX such customized index shall be treated as a STOXX index for the purpose of this policy.

- The detailed process of how an index is decommissioned and the corresponding internal controls are outlined in the process flowchart and controls matrix “index transition/cessation.”

In general, any STOXX department can identify the need and submit a proposal for the decommissioning of an index to Product Development. If Product Development agrees with the need for a cessation according to the above criteria, the IMC must be involved to formally request the cessation of an index.

Before decommissioning an index, STOXX must always determine whether there are any listed financial products issued on that index as the underlying.

STOXX will only terminate indices provided that:

- All existing (to STOXX knowledge) commercial customers have been consulted and usage rights have been terminated or transitioned accordingly.
- Consultations with stakeholders have not led to the decision to continue the index.

STOXX must give sufficient notice in order to ensure that all non-commercial stakeholders have sufficient time to adjust accordingly.

## **4.2 Escalation**

### **4.2.1 STOXX Indices**

For STOXX Indices, the IMC is responsible for formally proposing the cessation or transition of an index as well as the applicable procedure and for providing the Oversight Committee (OC) with the necessary documentation. The OC has the authority to approve the request of the IMC. The rationale for the cessation or transition of an index must be documented.

### **4.2.2 Third-Party-Administrated Indices**

For Third Party Administrated Indices, STOXX is required to obtain decisions from the competent body or function of SIX, DBAG or a client; in these cases in these cases the procedure detailed in the IMC and in the OC terms of reference will be followed.

## **4.3 Public Communication**

Product Development is responsible for informing subscribers or other stakeholders about a cessation or transition of an index at least 3 months in advance, where possible. Shorter notice can be given if previous client consultations occurred or clients are not impacted. A statement on the website (press release) and email to subscribers or other stakeholder must be issued giving detailed information about the nature and rationale of the cessation and transition as well as the date on which the index is decommissioned. The press release and email must also inform subscribers or other stakeholders that there will be no replacement of the index and whether STOXX suggests the use of alternative indices.

## **4.4 Recommendation for Alternative Indices**

When discontinuing an index without launching a new one, STOXX may consider whether to recommend using an alternative credible index to the stakeholders, but is not obligated to offer an alternative index. Product Development is responsible for evaluating and proposing such recommendations whereas it must consider such criteria as matching characteristics of the discontinued index, differentials between indices, the extent to which an alternative index meets the needs of stakeholders, whether the alternative index is investable, availability of transparent transaction data, impact on stakeholders and impact of existing legislation.

## 4.5 Control Framework

The detailed process of “Index Transition” is described in STOXX’s Controls Framework (“Index Transition/Cessation”).

## 5 Transition

### 5.1 Public Consultation

For the transition of an index or index family, a market consultation with the involved subscribers and other stakeholders, as well as the competent advisory board where appropriate, must be initiated by STOXX.

Product Development is responsible for publishing the consultation and collecting the feedback. The consultation itself, its scope and duration must be proposed by Product Development and approved by the OC or, in case of Third-Party-Administrated Indices, according to the procedure as laid out in **Annex 2** of the OC’s terms of reference.

A summary of the stakeholders’ comments and STOXX’s summary response to those comments must be made available upon request to all stakeholders after any given consultation period, except where the commenter has requested confidentiality.

### 5.2 Launch of a New Index

For the launch of a new index due to transition, the same principles apply as for the development of a new index (Policy 201407-06 “Index Design”).

## 6 Cessation

### 6.1 Index without Listed Financial Products

For the cessation of an index or index family for which, to the knowledge of STOXX, no listed financial products are issued in the market, no consultation is required.

Product Development is responsible for liaising with Public Relations to plan and coordinate the communication of the index decommissioning. An appropriate duration of the consultation phase must be ensured by Product Development and approved by the OC or, in case of Third Party Administrated Indices, the affected Third Party Administrator’s governance function.

In case a stakeholder contacts STOXX after the announcement of the decommissioning of an index that the index is still needed, Product Development and Sales will liaise with such stakeholder. Product Development will inform the competent governance function accordingly. That governance function will decide whether the decision for the decommissioning should be revised based on the new information.

### 6.2 Index with Listed Financial Products

For the cessation of an index or index family for which, to the knowledge of STOXX, listed financial products are issued in the market, a market consultation with the involved subscribers and other stakeholders, as well as the competent advisory board where appropriate, must be initiated by STOXX upon approval by the competent governance function, or, in case of Third Party Administrated Indices, according to the procedure as laid out in **Annex 2** of the OC’s terms of reference.

Product Development is responsible for publishing the consultation and collecting the feedback. An appropriate duration of the consultation phase must be ensured by Product Development and approved by the competent governance function.

A summary of the stakeholders’ comments and STOXX summary response to those comments must be made available upon request to all stakeholders after any given consultation period, except where the commenter has requested confidentiality.

## **7 Review Process**

This Policy will be reviewed in accordance with the Policy Management Policy and updated as necessary. The responsibility for the updates is assumed by the Head of Product Development.