

Market Consultation:

Potential rule changes MDAX/SDAX/TecDAX

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) Increasing the number of components for the MDAX and SDAX from currently 50 to 60 in order to account for the extension of the underlying universe,
- (3) 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.

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 13 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:

https://www.dax-indices.com/document/Resources/Market_Consultation/supporting_material.pdf

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 consultation remains open for submission until Mar. 30, 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 Apr. 20, 2018.

4. Questions to Market Participants

- 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?
- 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?
- Should the number of components for the MDAX and SDAX be extended from currently 50 to 60?
- Is the proposed transition process as outlined on page 13 of the presentation available under the link provided above reasonable?
- 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.