

Zug, November 22<sup>nd</sup>, 2023

## Results of Market Consultation on raising the DAX capping limit from 10% to 15% and the introduction of additional DAX capping functionalities

Dear Sir and Madam,

STOXX Ltd. announces the results of the market consultation on raising the DAX capping limit from 10% to 15% and the introduction of additional DAX capping functionalities.

### Results

#### Responses Overview

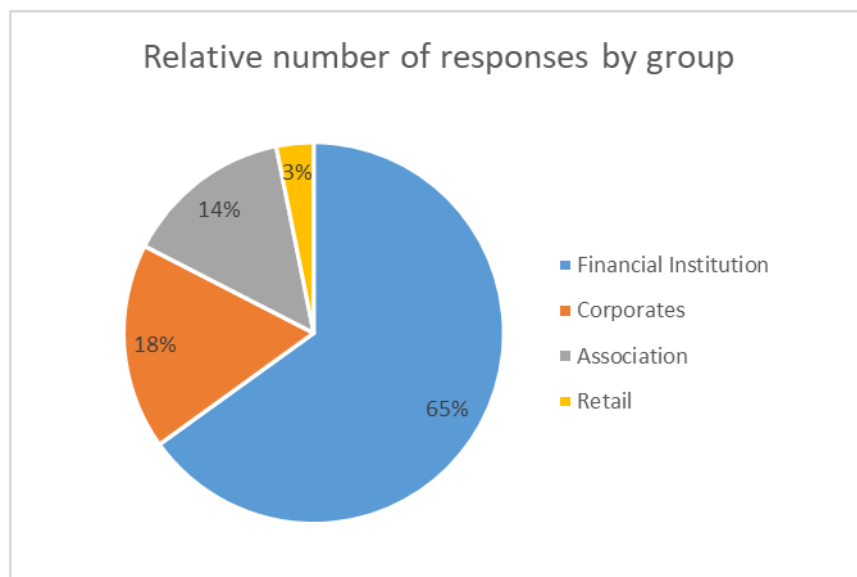
During the course of the consultation, 63 stakeholders have provided a response. Most responses were received from institutional investors. For the evaluation, STOXX has classified responses in three categories:

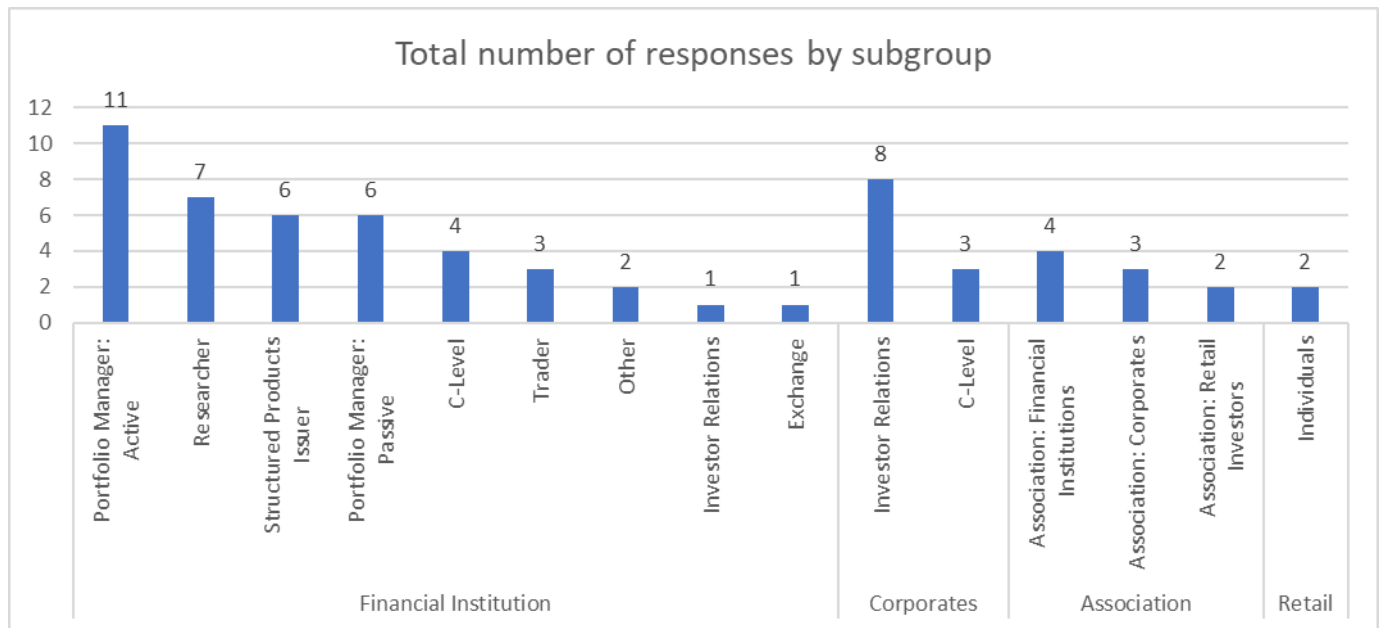
Financial Institution (41): Responses attributable to a financial institution; the subgroup portfolio manager is separated into active and passive managers.

Corporates (11): Responses that represent the opinion of listed companies from the non-financial sector.

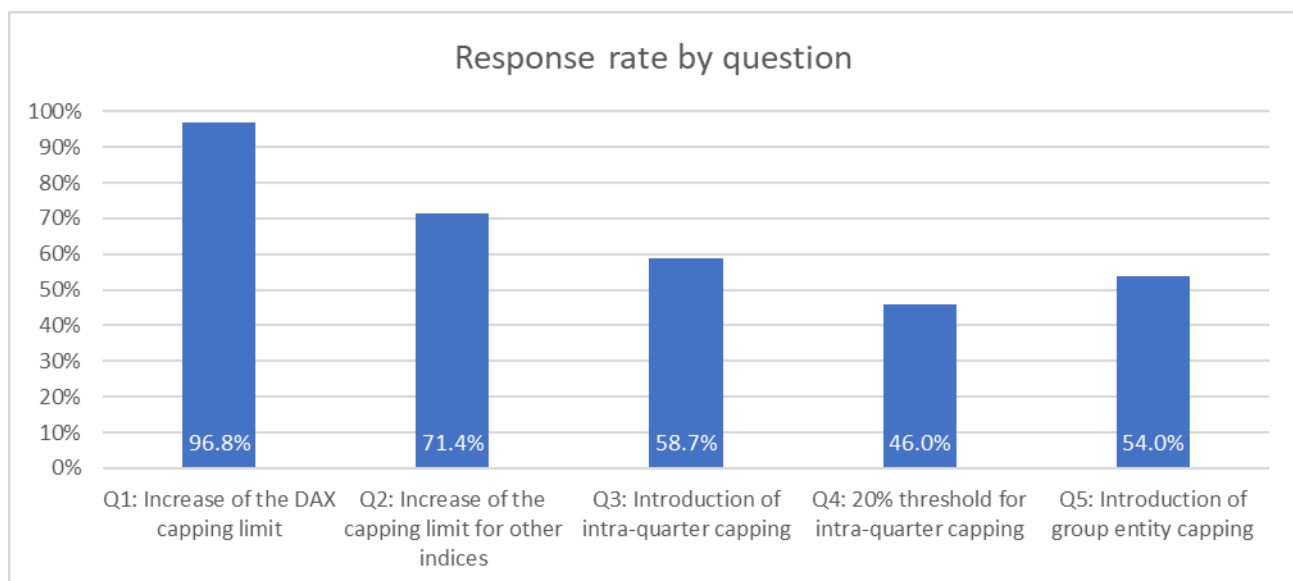
Retail (2): Responses by individuals made on their own behalf regardless of corporate affiliation.

Association (9): Responses from associations that represent the interests of financial institutions, corporates or retail investors.





Almost all of the 63 respondents provided their feedback on question 1 regarding the increase of the DAX capping limit, while feedback for the increase of the capping limit for other indices (question 2) has been received from 71% of the respondents. Around half of the respondents provided an answer to the questions related to the introduction of intra-quarter and group entity capping (questions 3-5).



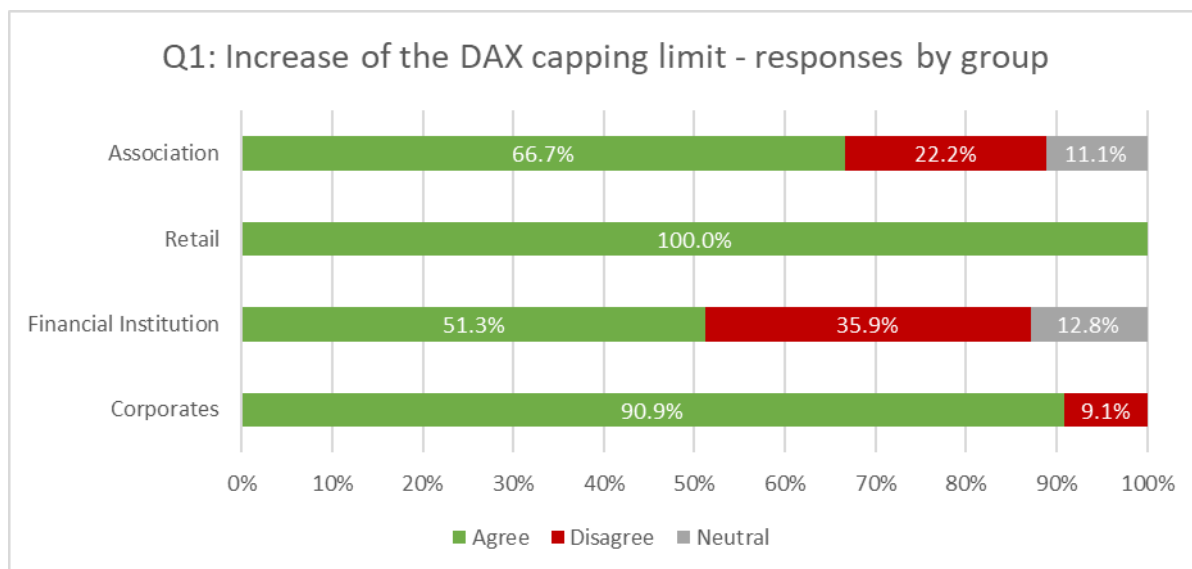
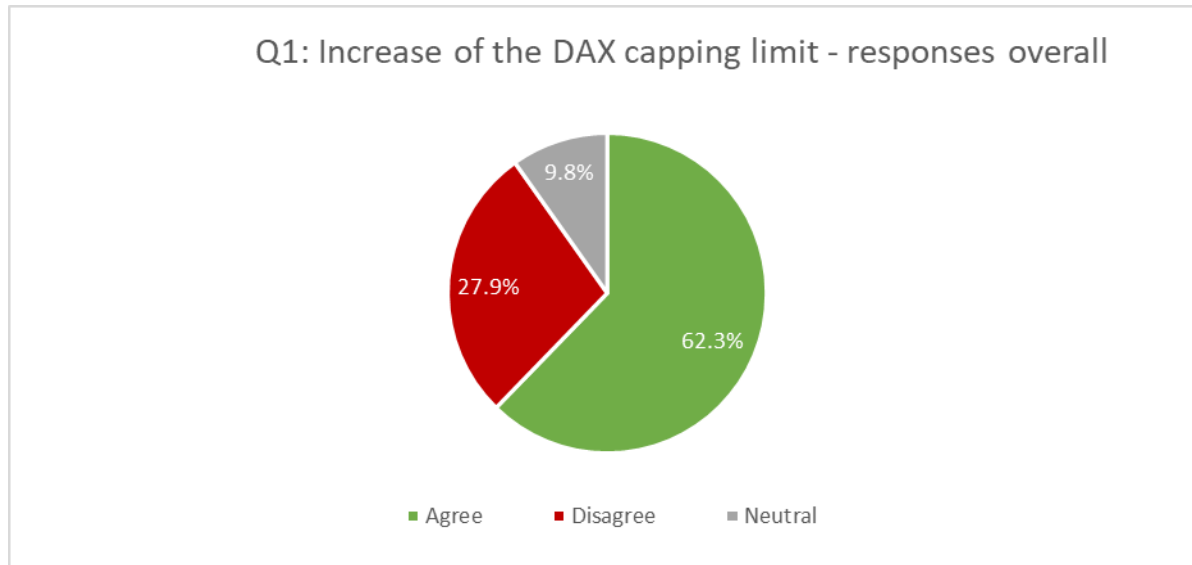
## Evaluation

In the consultation, STOXX invited stakeholders to provide their views on an increase of the capping limit for DAX and other indices of the DAX index family from 10% to 15%, the introduction of an intra quarter capping functionality as well as the introduction of group entity capping.

All figures given in this document are unweighted, i.e., each response counts equally in the evaluation. Where feasible, a detailed evaluation of the responses by respondent group is provided.

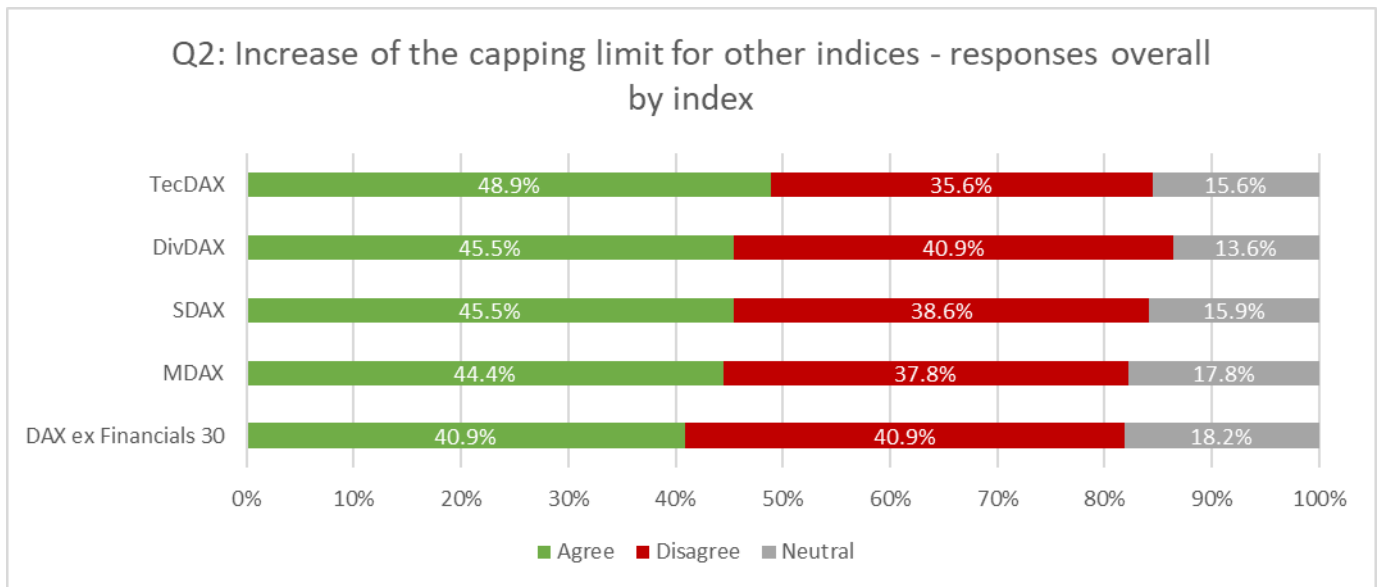
### Question 1: Increase of the DAX capping limit

With 62.3%, a majority of respondents agreed with the proposed increase of the capping limit for DAX. Respondents in favor generally agreed that the increase of the capping limit enhances the representativeness of DAX with regards to the German stock market and the attractiveness of Frankfurt as a listing venue. Respondents not in favor (27.9%) mostly argued that a capping limit of 15% is not in line with UCITS regulation with regards to actively managed funds and raised concerns about lower diversification and thus higher concentration risks within the index portfolio.



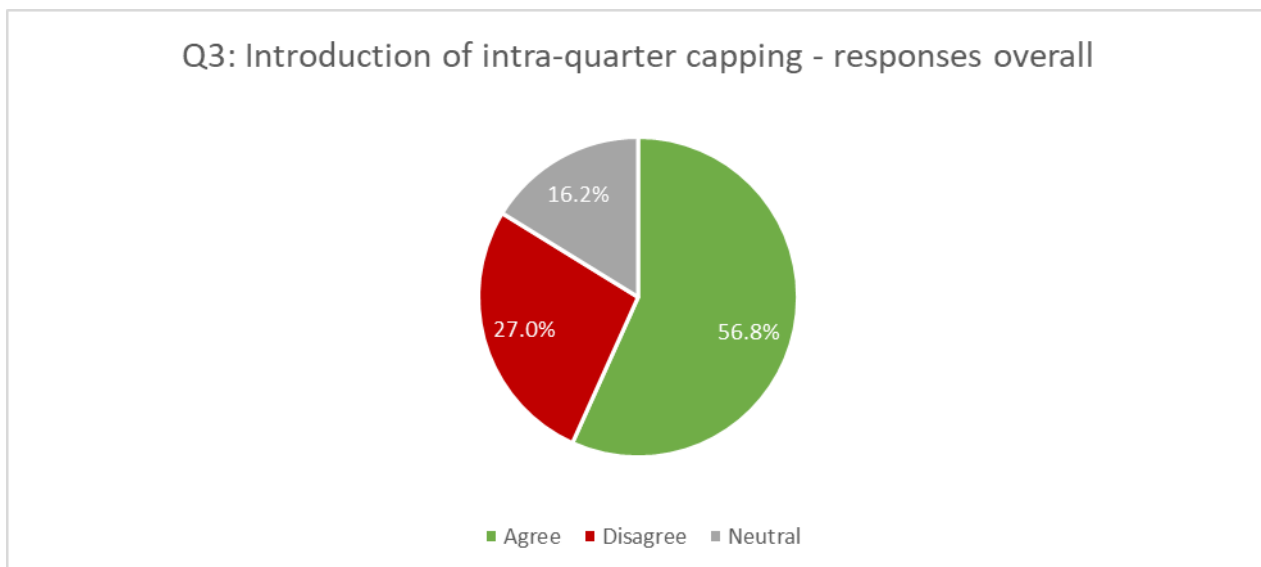
## Question 2: Increase of the capping limit for other indices

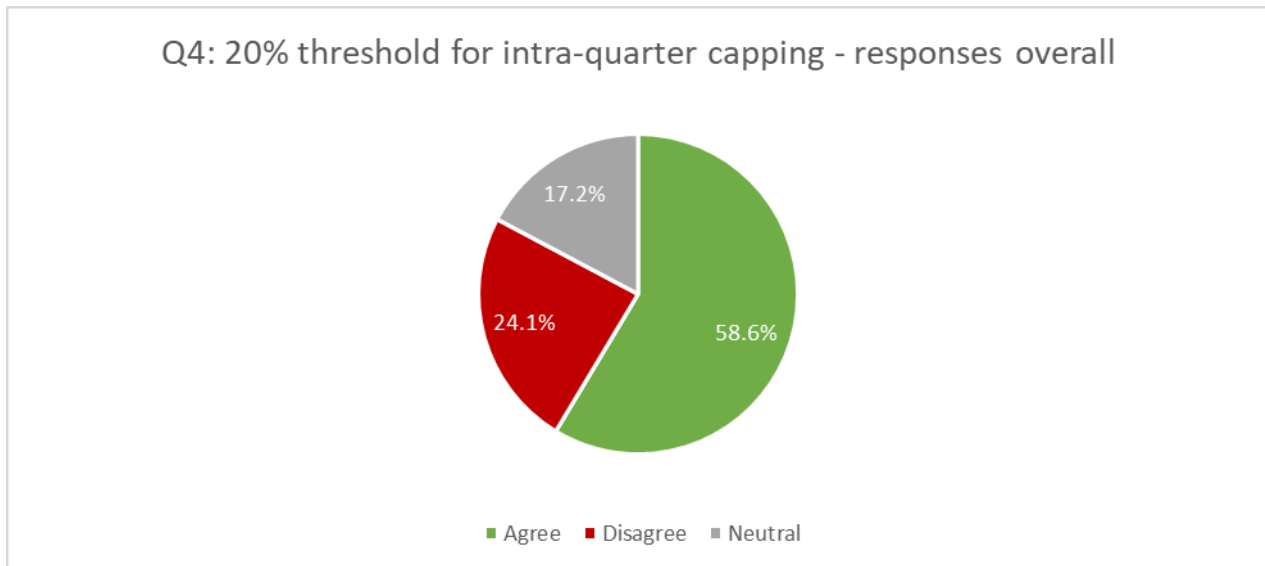
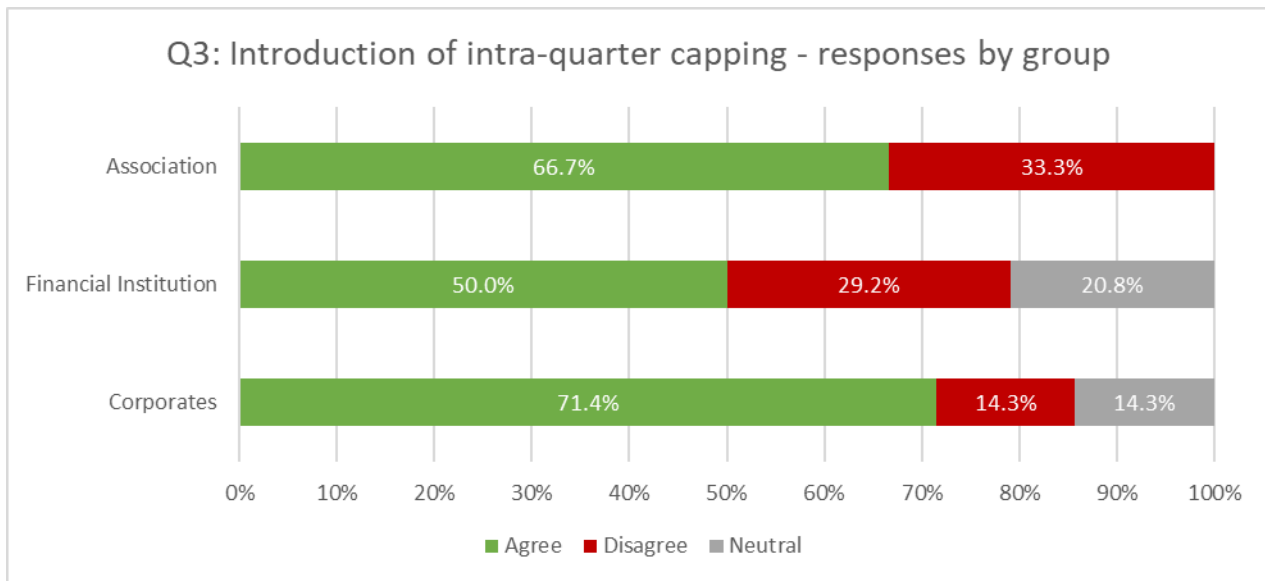
With regards to other indices within the DAX index family, between 40.9% (DAX ex Financials 30) and 48.9% (TecDAX) of the respondents were in favor of increasing the capping limit. In the view of respondents in favor, in addition to the benefits brought up for DAX, increasing the capping limit for other indices of the DAX index family will ensure that the index rules remain aligned. Respondents against the increase mostly argued that an increased capping limit for MDAX and SDAX is not relevant, as well-performing companies tend to be promoted into the next-higher index instead of accumulating enough index weight to become capped. Additionally, the same arguments as brought up for DAX apply.



### Questions 3 & 4: Introduction of intra-quarter capping & threshold for intra-quarter capping

56.8% of respondents were in favor of introducing an intra-quarter capping functionality (question 3), mostly arguing that the introduction will prevent companies to dominate the index in case of extraordinary events, thus reducing concentration risks intra-quarter. Respondents that were against the introduction of intra-quarter capping (27.0%) do not see notable benefits of this functionality and raised concerns that it would increase operational efforts and penalize well-performing companies. With regards to the proposed 20% threshold for intra-quarter capping, 58.6% of respondents agreed that the threshold is aligned with UCITS regulations and ensures that concentration risk is kept moderate, while providing a sufficient volatility buffer.

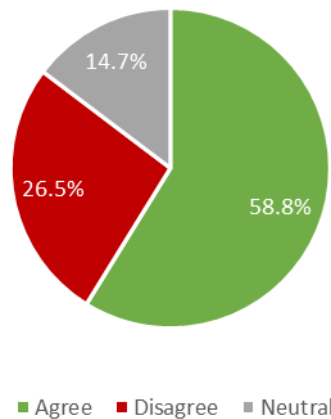




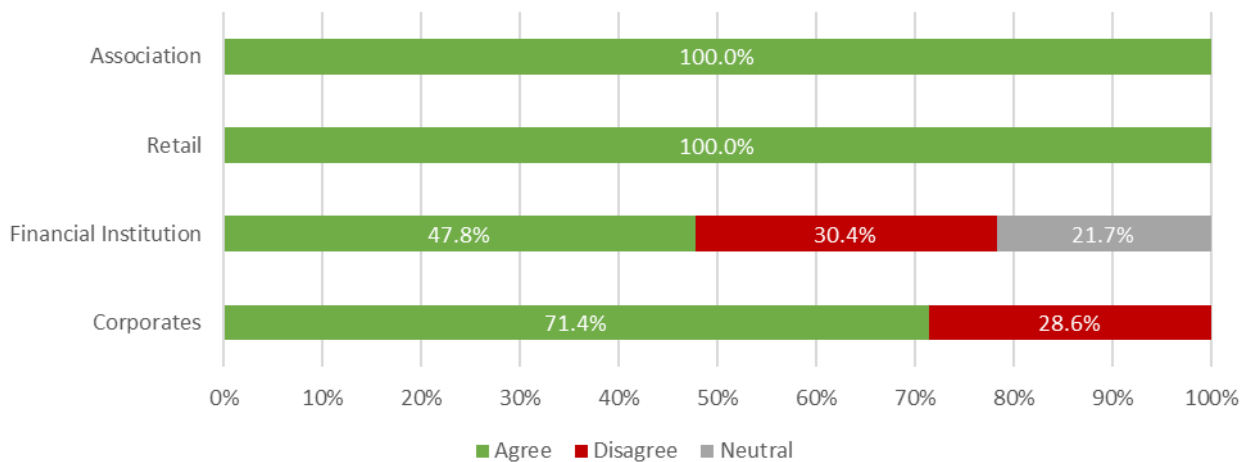
## Question 5: Introduction of group entity capping

The introduction of group entity capping (question 5) was welcomed by 58.8% of respondents, citing that the functionality would prevent an overrepresentation of large conglomerates in the index and thus decrease the possibility of excessive concentration risks. 26.5% of respondents were against the introduction of this functionality, arguing that it unnecessarily penalizes companies, while being an overly complicated rule.

Q5: Introduction of group entity capping - responses overall



Q5: Introduction of group entity capping - responses by group



## Decision

STOXX has decided to increase the capping limit for DAX from 10% to 15%. The increased capping limit will ensure that DAX remains representative for the German stock market. To ensure an aligned set of rules for the DAX index family, the new capping limit of 15% will also be applicable to MDAX, SDAX and TecDAX. The new capping limit will become effective with the ordinary review on March 18<sup>th</sup>, 2024.

To answer concerns mainly raised by active portfolio managers regarding the non-compatibility of the new 15% capping limit with current UCITS regulations, STOXX will consider the possibility to introduce a 10% capped DAX version.

STOXX has also decided to introduce an intra-quarter capping functionality to ensure that the increased capping limit does not lead to excessive concentration risks intra-quarter in case of extraordinary events and to reduce the scale of adjustments necessary in that case at the ordinary reviews. The proposed 20% threshold is deemed to be well-balanced between the objectives of preventing concentration risks and minimizing the amount of interventions and will thus be implemented by STOXX as proposed. Intra-quarter capping will be introduced to DAX, MDAX, SDAX and TecDAX with the ordinary review on September 23<sup>rd</sup>, 2024.

Additionally, STOXX has decided to introduce group entity capping to prevent an overrepresentation of large conglomerates in the index and decrease the possibility of excessive concentration risks. Group entity capping will be introduced to DAX, MDAX, SDAX and TecDAX not before the ordinary review on September 23<sup>rd</sup>, 2024.

DivDAX and DAX ex Financials 30 will remain unchanged.