

MARKET CONSULTATION SOLACTIVE CANADIAN SELECT INDICES

15 June 2020



Content of the Market Consultation

Solactive AG has decided to conduct a Market Consultation with regard to a potential change of the selection criteria of the following Indices (the '**Affected Indices**');

NAME	RIC	ISIN
Solactive Canadian Select Corporate Bond Index	.SOLHCB	DE000SLA3FC2
Solactive Canadian Select Corporate Bond PR Index	.SOLHCBPR	DE000SLA4FC0
Solactive Canadian Select Short Term Bond Index	.SOLHSB	DE000SLA3FD0
Solactive Canadian Select Short Term Bond PR Index	.SOLHSBPR	DE000SLA4FD8
Solactive Canadian Select Universe Bond Index	.SOLHBB	DE000SLA3FB4
Solactive Canadian Select Universe Bond PR Index	.SOLHBBPR	DE000SLA4FB2

Rationale for Market Consultation

Solactive has conducted a market consultation with regard to change of methodology published on 15th May 2020 (<https://www.solactive.com/market-consultation-solactive-canadian-select-indices/>).

Following the feedback received from the market, Solactive has determined to conduct another market consultation to accommodate additional methodology changes.

The below proposed changes to the index guideline gives a complete overview of the changes from the current market consultation and market consultation published on 15th May 2020.

Proposed Changes to the Index Guideline

The following Methodology changes are proposed in the following points of the Index Guideline (ordered in accordance with the numbering of the affected sections):

1. Section 2.1.1 "Solactive Canadian Select Corporate Bond Index"
 - a) Broadening the amount of issues per issuer: Increase the issues per issuer from a maximum of 2 issues to a maximum of 4 issues and increasing ranking buffer rule.

Old Version:

2.1.1 Solactive Canadian Select Corporate Bond Index:

[...] For each issuer, the bonds are ranked according to their points (e.g. 1,2,3, etc.) and only the bonds with the first rank (=highest points) will be chosen as index components. If more than two bonds per issuer are ranked highest, bonds that are already part of the index composition will be chosen. If only one or none of the bonds with the highest rank are already part of the index composition, the bonds with the smaller absolute deviation on duration will be chosen. Assuming a bond had the highest rank in the last selection and only has the second rank in the current selection, it will be chosen as an index component. Respectively the bond with the first rank will not be included in such a case.



New Version:

2.1.1 Solactive Canadian Select Corporate Bond Index:

[...] For each issuer, the bonds are ranked according to their points (e.g. 1,2,3, etc.) and only the bonds with the first rank (=highest points) will be chosen as index components. For each issuer a maximum of 4 bonds will be considered to enter the index. If more than four bonds per issuer are ranked highest, bonds that are already part of the index composition will be chosen. If only one or none of the bonds with the highest rank are already part of the index composition, the bonds with the smaller absolute deviation on duration will be chosen. Assuming a bond had the highest rank in the last selection and only has the second rank or third rank in the current selection, it will be chosen as an index component. Respectively the bond with the first rank will not be included in such a case.

b) Change of the point system assigned based on absolute deviation on yield and duration:

Old version

Absolute deviation on yield:

From	To	Points	
	0%	10%	10
	10%	15%	5
	15%	30%	2
	30%	45%	1
	45%	300%	0

Absolute Deviation on duration:

From	To	Points	
	0%	20%	10
	20%	30%	5
	30%	45%	2
	45%	55%	1
	55%	300%	0



New version:

Absolute deviation on yield

From	To	Points	
	0%	20%	10
	20%	40%	8
	40%	60%	6
	60%	80%	4
	80%	300%	0

Absolute Deviation on duration:

From	To	Points	
	0%	20%	10
	20%	30%	8
	30%	40%	6
	40%	50%	4
	50%	60%	2
	60%	300%	0

2. Section 2.1.2. "Solactive Canadian Select Universe Bond Index":

- a) Increase the amount of issues per issuer from a minimum of 3 issues to a minimum of 4 issues for the issuers in the top 6.

Old Version:

2.1.2 Solactive Canadian Select Universe Bond Index:

[...] The maximum number per government/maturity identifier is determined according to the following criteria:



- a) Their government/maturity identifier belongs to the highest 6 weights in the Government Universe, then up to 10 bonds can be included in the index. If less than 3 bonds are selected as an index constituent, the selection automatically includes the bonds with the next highest criteria points.

New Version:

2.1.2 Solactive Canadian Select Universe Bond Index:

[...] The maximum number per government/maturity identifier is determined according to the following criteria:

- a) Their government/maturity identifier belongs to the highest 6 weights in the Government Universe, then up to 10 bonds and a minimum of 4 bonds can be included in the index. If less than 4 bonds are selected as an index constituent, the selection automatically includes the bonds with the next highest criteria points.

b) In the government side: Increase the amount of issues per issuer from a maximum of 2 issues to a maximum of 3 issues for the issuers that are not in the top 6.

Old Version:

2.1.2 Solactive Canadian Select Universe Bond Index:

[...] The maximum number per government/maturity identifier is determined according to the following criteria [...]:

- b) Their government/maturity identifier does not belong to the highest 6 weights in the Government Universe then only 2 bonds per government/maturity identifier will be chosen.

New Version:

2.1.2 Solactive Canadian Select Universe Bond Index:

[...] The maximum number per government/maturity identifier is determined according to the following criteria [...]:

- b) Their government/maturity identifier does not belong to the highest 6 weights in the Government Universe then only a maximum of 3 bonds per government/maturity identifier will be chosen.

c) Change of the point system assigned based on absolute deviation on yield and duration:

Old version

Absolute deviation on yield:

From	To	Points
0%	10%	10
10%	15%	5



15%	30%	2
30%	45%	1
45%	300%	0

Absolute Deviation on duration:

From	To	Points
0%	20%	10
20%	30%	5
30%	45%	2
45%	55%	1
55%	300%	0

New version:

Absolute deviation on yield

From	To	Points
0%	20%	10
20%	40%	8
40%	60%	6
60%	80%	4
80%	300%	0

Absolute Deviation on duration:

From	To	Points
0%	20%	10



20%	30%	8
30%	40%	6
40%	50%	4
50%	60%	2
60%	300%	0

d) Increasing ranking buffer rule

Old Version:

[...] For each government/maturity identifier, the bonds are ranked according to their points (e.g. 1,2,3, etc.) and only the bonds with the highest rank (=highest points) will be chosen as index components. Current constituents will be chosen first if there are multiple bonds which qualify per government/maturity identifier. When additional bonds are required those with the highest rank, which already part of the index composition and have the smaller absolute deviation will be chosen first. If a bond was ranked first in the last selection it will continue to be an index component as long as its rank is not reduced by more than one position. However, a bond ranked first at the last selection will not be included in the current selection if the maximum number of bonds per government/maturity identifier has been reached.

New Version:

[...] For each government/maturity identifier, the bonds are ranked according to their points (e.g. 1,2,3, etc.) and only the bonds with the highest rank (=highest points) will be chosen as index components. Current constituents will be chosen first if there are multiple bonds which qualify per government/maturity identifier. When additional bonds are required those with the highest rank, which already part of the index composition and have the smaller absolute deviation will be chosen first. If a bond was ranked first in the last selection it will continue to be an index component as long as its rank is not reduced by more than two positions. However, a bond ranked first at the last selection will not be included in the current selection if the maximum number of bonds per government/maturity identifier has been reached.

Implementation

The implementation of the changes is suggested to follow the schedule below:

- a) June selection: Increase the issues from 2 to 3 on the corporate side
- b) July selection: Increase the issues from 3 to 4 on the corporate side
- c) August selection: Implementation of the changes in the government side

Feedback on the Market Consultation

If you would like to share your thoughts with Solactive, please use this consultation form and provide us with your personal details and those of your organization.



Name	
Function	
Organization	
Email	
Phone	
Confidentiality (Y/N)	

Consultation Procedure

Stakeholders, index users and third parties who are interested in participating in this Market Consultation, are invited to respond until ***June 18th 2020 (12 noon CEST)***.

Subject to feedback received on this Market Consultation, the changes mentioned above are intended to become effective on June 19th, 2020.

Please send your feedback via email to compliance@solactive.com, specifying "Market Consultation SOLACTIVE CANADIAN SELECT INDICES" as the subject of the email, or

via postal mail to: Solactive AG
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Should you have any additional questions regarding the consultative question in particular, please do not hesitate to contact us via above email address.



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