

# MARKET CONSULTATION SOLACTIVE CHINA BIOTECH INDEX

08 June 2020



## Content of the Market Consultation

Solactive AG has decided to conduct a Market Consultation with regard to changing the Index Methodology of the following Indices (the 'Affected Indices'):

NAME	RIC	ISIN
Solactive China Biotech Index PR	.SOLCBTP	DE000SLA726
Solactive China Biotech Index NTR	.SOLCBTN	DE000SLA7273
Solactive China Biotech Index TR	.SOLCBTT	DE000SLA7281

## Rationale for Market Consultation

The Affected Indices provide exposure to Chinese companies that are active in the field of Biotechnology. Due to the current market conditions, Solactive propose changes in the selection methodology to diversify the index and make it less concentrated in few constituents.

## 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 1.5 Weighting: Increasing the weight cap from 6% to 9% to limit the excessive overweighting in smaller companies

Old Version:

On each Selection Day, the components of the Index are weighted according to Free Float Market Capitalization such that the weight of the company does not exceed 6%.

[...]

New Version:

On each Selection Day, the components of the Index are weighted according to Free Float Market Capitalization such that the weight of the company does not exceed 9%.

[...]

2. Section 2.1 Selection of the Index Components: Increasing the number of constituents from 20 to 30

Old Version:

The initial composition of the Index as well as any ongoing adjustment is based on the following rules:



On the Selection Days, Solactive determines the securities that are eligible for inclusion in the Index Universe as defined in Section 4. The securities are selected for index inclusion based on the following rules:

- a) Top 15 by total market capitalization rank are selected for index inclusion
- b) Existing constituents with rank from 16 to 25 are selected for index inclusion until the target constituent count of 20 is reached
- c) If there are less than 20 stocks after step b, non-constituents are selected with rank from 16 to 25 until the target constituent count of 20 is reached

New Version:

The initial composition of the Index as well as any ongoing adjustment is based on the following rules:

On the Selection Days, Solactive determines the securities that are eligible for inclusion in the Index Universe as defined in Section 4. The securities are selected for index inclusion based on the following rules:

- a) Top 30 by total market capitalization rank are selected for index inclusion
- b) Existing constituents with rank from 20 to 40 are selected for index inclusion until the target constituent count of 30 is reached
- c) If there are less than 30 stocks after step b, non-constituents are selected with rank from 20 to 40 until the target constituent count of 30 is reached.

### 3. Section 4 Definitions: Introduction of 6 months minimum listing history to avoid companies without sufficient trading history

- Index Universe

Old Version:

The "Index Universe" in respect of a Selection Day are companies headquartered in China or Hong Kong that fulfil the following criteria:

1. Should be listed on one of the following exchanges:
  - a) Hong Kong: HKEX
  - b) Stock Connect: Shanghai and Shenzhen
  - c) US: NYSE and NASDAQ

[...]

New Version:



The "Index Universe" in respect of a Selection Day are companies headquartered in China or Hong Kong that fulfil the following criteria:

1. Should be listed on one of the following exchanges and should have listing history of at least 6 months:

- a) Hong Kong: HKEX
- b) Stock Connect: Shanghai and Shenzhen
- c) US: NYSE and NASDAQ

[...]

### Feedback on the proposed changes

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)	

Solactive is inviting all stakeholders and interested third parties to evaluate the proposed changes to the Methodology for the Solactive China Biotech Indices and welcomes any feedback on how this may affect and/or improve their use of Solactive indices.

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### Consultation Procedure

Stakeholders and third parties who are interested in participating in this Market Consultation, are invited to respond until *19th June2020*.

Subject to feedback received on this Market Consultation, the changes mentioned above are intended to become effective on *26th June2020*.

Please send your feedback via email to [compliance@solactive.com](mailto:compliance@solactive.com), specifying "Market Consultation Solactive China Biotech Indices" as the subject of the email, or

via postal mail to: Solactive AG  
Platz der Einheit 1  
60327 Frankfurt am Main  
Germany

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

# CONTACT

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