

MARKET CONSULTATION SOLACTIVE CANADIAN BANK MEAN REVERSION INDEX

16 September 2021



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 ("Affected Indices"):

INDEX NAME	RIC	ISIN
Solactive Canadian Bank Mean Reversion Index PR	.SOLCBMRP	DE000SLOAWK7
Solactive Canadian Bank Mean Reversion Index NTR	.SOLCBMRN	DE000SLOAWL5
Solactive Canadian Bank Mean Reversion Index TR	.SOLCBMRT	DE000SLOAWM3

Rationale for Market Consultation

This Affected Indices are designed to invest in the 6 major Canadian banks, based on a mean reversion weighting scheme.

The size of the ETF with the assets under management has resulted into liquidity constraints and monthly rebalancing is leading to high turnover in the index components and noticeable tracking error. In order to provide sufficient time for financial products (referencing to the Index) to replicate the amendments in the Index between the selection and rebalance day, Solactive determined to increase the gap between selection and rebalance. Additionally, four days rebalance averaging which will help manage the trade over longer horizon to minimise slippage.

The overweight/underweight would be based on the performance relative to the 200 day moving average (instead of 50 day moving average) will all add more stability and reduce the turnover.

Proposed Changes to the Index Guideline

The following Methodology changes are proposed in the following points of the Index Guideline:

1. Section 2.3: WEIGHTING OF THE INDEX COMPONENTS

From (old version):

On each SELECTION DAY each INDEX COMPONENT is assigned a moving average approach as described below:

1. Calculate the percentage difference between the INDEX COMPONENT'S CLOSING PRICE and its 50-trading-day average CLOSING PRICE on a SELECTION DAY.
2. The three INDEX COMPONENTS with the lowest percentage difference between their CLOSING PRICE on a SELECTION DAY and their 50-trading-day average CLOSING PRICE will be weighted at 80% divided by 3 each.



3. The three INDEX COMPONENTS with the highest percentage difference between the CLOSING PRICE on a SELECTION DAY and their 50-trading-day average CLOSING PRICE will be weighted at 20% divided by 3 each.

To (new version):

On each SELECTION DAY each INDEX COMPONENT is assigned a moving average approach as described below:

1. Calculate the percentage difference between the INDEX COMPONENT'S CLOSING PRICE and its 200-trading-day average CLOSING PRICE on a SELECTION DAY.
2. The three INDEX COMPONENTS with the lowest percentage difference between their CLOSING PRICE on a SELECTION DAY and their 200-trading-day average CLOSING PRICE will be weighted at 80% divided by 3 each.
3. The three INDEX COMPONENTS with the highest percentage difference between the CLOSING PRICE on a SELECTION DAY and their 200-trading-day average CLOSING PRICE will be weighted at 20% divided by 3 each.

The proposed change to 200 day moving average from 50 day moving average is to align with proposed change to quarterly rebalancing from monthly rebalancing. This will add more stability to the index and in turn reduce the turnover cost.

2. Section 6: DEFINITIONS

REBALANCE DAY

From (old version):

"**REBALANCE DAY**" is the last ELIGIBLE REBALANCING DAY of each month.

To (new version):

"**REBALANCE DAY**" is the last ELIGIBLE REBALANCING DAY of the months of January/April/July/October and lasts for 4 eligible Rebalancing Days. If that day is not an Eligible Rebalancing Day, the Rebalance Day will be the following Eligible Rebalancing Day.

SELECTION Day

From (old version):

"**SELECTION Day**" is 1 CALCULATION DAY before the REBALANCE DAY.

To (new version):

"**SELECTION Day**" is 4 CALCULATION DAYS before the REBALANCE DAY.

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 Canadian Bank Mean Reversion Index 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 September 29th, 2021 (cob).



Market Consultation Solactive Canadian bank mean reversion index

Subject to feedback received on this Market Consultation, the changes mentioned above are intended to become effective on October 14th, 2021.

Please send your feedback via email to compliance@solactive.com, specifying "Market Consultation Solactive Canadian Bank Mean Reversion Index" 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

Solactive AG

German Index Engineering

Platz der Einheit 1

60327 Frankfurt am Main

Germany

Tel.: +49 (0) 69 719 160 00

Fax: +49 (0) 69 719 160 25

Email: info@solactive.com

Website: www.solactive.com

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