

MARKET CONSULTATION TREATMENT OF BOND INDICES IN RESPONSE TO RECENT SANCTIONS TARGETING RUSSIA

02 March 2022



Content of the Market Consultation

Solactive AG continues to monitor the recently announced sanctions targeting Russia, and their impact on the operation of the Russian bond markets. We note that these sanctions are having a significant impact on the ability of investors to trade in these bond instruments and the market in general, and the replicability of Solactive indices which contain Russian bond securities.

In light of these developments, we invite stakeholders to provide feedback on the following proposals by 11:59 pm (CET) on Thursday 3 March 2022.

Ineligibility of Russian bond market

According to the Bond Market Classification Framework (<https://www.solactive.com/documents/bond-market-classification-framework/>), we are of the view that the current market conditions of the Russian bond market constitute an extraordinary event which leads to a potential reclassification in between the regular review periods. We observe significantly reduced access to the Russian market, limitations on market size and liquidity and highly restricted accessibility to investors.

As a result, we propose to classify Russia as no longer meeting the requirements for Emerging Market countries in accordance with the Bond Market Classification Framework and remove it from the respective lists of both Hard Currency and Local Currency Emerging Bond Markets.

For any Solactive administered indices which explicitly refer to Russian bond eligibility in the Index Guidelines, these will be considered in the same manner as above, and this index specific eligibility will be removed.

We invite stakeholders to provide feedback on this proposal, and in particular, please provide specific answers to the following questions:

- Do you agree with the proposal to reclassify Russia and remove it from the Solactive list of Hard Currency and Local Currency Emerging Bond Markets with the consequence that Russian bond securities will no longer be eligible for inclusion in Solactive administered indices?
- In case you disagree could you please describe how foreign investors in particular might still be able to participate in the Russian bond market?



Immediate removal of Russian bond securities which are existing components of Solactive administered indices

As a result of the observed impact of the sanctions on the Russian bond markets and the limitations on accessibility and tradability for investors, we would also act to remove any Russian bond securities as soon as possible (with a minimum 2 day notice period) from any Solactive administered indices. The affected indices would not be rebalanced, but the Russian securities would be removed at the last available trading price. Any corrections to capping or other index specific features will then be made at the next ordinary rebalance.

Please comment on this proposal, and in particular, please provide specific answers to the following questions:

- Do you agree with this proposal to remove Russian bond securities as soon as possible from Solactive administered indices ? If not, what would be the benefit to keep the bonds in the respective index universe?
- Do you also agree to remove at the last available trading price ? If not, what would be the preferred method to remove the bonds from the index and why would that be preferred against the proposed method?
- Is there any other approach or method that you would prefer to see in response to this current situation ?

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)	



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- Do you agree with the proposal to reclassify Russia and remove it from the Solactive list of Hard Currency and Local Currency Emerging Bond Markets with the consequence that Russian bond securities will no longer be eligible for inclusion in Solactive administered indices?
- In case you disagree could you please describe how foreign investors in particular might still be able to participate in the Russian bond market?
- Do you agree with this proposal to remove Russian bond securities as soon as possible from Solactive administered indices ? If not, what would be the benefit to keep the bonds in the respective index universe?
- Do you also agree to remove at the last available trading price ? If not, what would be the preferred method to remove the bonds from the index and why would that be preferred against the proposed method?
- Is there any other approach or method that you would prefer to see in response to this current situation ?



Consultation Procedure

Stakeholders and third parties who are interested in participating in this Market Consultation, are invited to respond until 11:59 pm (CET) on Thursday 3 March 2022.

Subject to feedback received on this Market Consultation, the changes mentioned above are intended to become effective as early as possible, but not before than Tuesday 8 March 2022.

Please send your feedback via email to marketconsultation@solactive.com, specifying "Market Consultation : Treatment of bond indices in response to recent sanctions targeting Russia" 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.

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