

MARKET CONSULTATION SEVERAL SOLACTIVE INDICES

05 October 2022



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 'Indices'):

NAME	RIC	ISIN
Solactive Blockchain v2 Index	.SOLBKCH2	DE000SL0D1V4
Solactive Blockchain v2 Index PR	.SOBKCH2P	DE000SL0D1U6
Solactive Blockchain v2 Index GTR	.SOBKCH2T	DE000SL0D1W2
Solactive Blockchain Index	.SOLBKCH	DE000SL0DNR5
Solactive Blockchain Index GTR	.SOLBKCHT	DE000SL0DNS3
Solactive Blockchain Index PR	.SOLBKCHP	DE000SL0DNQ7
Solactive AgTech and Food Innovation v2 Index PR	.SOKROP2P	DE000SL0D1X0
Solactive AgTech and Food Innovation v2 Index GTR	.SOKROP2T	DE000SL0D1Z5
Solactive AgTech and Food Innovation v2 Index	.SOLKROP2	DE000SL0D1Y8
Solactive AgTech and Food Innovation Index	.SOLKROP	DE000SL0DNX3
Solactive AgTech and Food Innovation Index GTR	.SOLKROPT	DE000SL0DNY1
Solactive AgTech and Food Innovation Index PR	.SOLKROPP	DE000SL0DNW5
Solactive Global Hydrogen Index	.SOLGHYD	DE000SL0DNU9
Solactive Global Hydrogen Index GTR	.SOLGHYDT	DE000SL0DNV7
Solactive Global Hydrogen Index PR	.SOLGHYDP	DE000SL0DNT1
Solactive Global Hydrogen v2 Index PR	.SOGHYD2P	DE000SL0D1N1
Solactive Global Hydrogen v2 Index GTR	.SOGHYD2T	DE000SL0D1Q4
Solactive Global Hydrogen v2 Index	.SOLGHYD2	DE000SL0D1P6



Rationale for the Market Consultation

The rationale for the market consultation revolves around changes being made to the aforementioned indices. The first change involves the introduction of a fixing date 10 Business Days before the Rebalance Date (for the Blockchain v1 and v2 indices). The introduction of a fixing date for these indices serves to combat ever-increasing market volatility over the past calendar year and will continue to serve to temper the effects of market volatility within the selection process and rebalancing/adjustment periods. The second change involves the introduction of a weighting mechanism for the Blockchain v1 and v2 indices in which the weight of each index constituent is determined based on the lesser of Free Float Market Capitalization and Average Daily Trading Value multiplied by 50. This change will improve replicability and capacity for growth of the index as the weight of index components are better spread out rather than remain concentrated amongst a few names. The third change involves the relaxation of liquidity constraints for all the aforementioned indices where both Market Capitalization and Average Daily Traded Volume (ADV) will be relaxed to allow for a feasible rebalance to take place. Without the relaxation of these liquidity constraints, a rebalance with the minimum required index components will not be feasible during the upcoming November rebalance and possibly more rebalances that follow. The niche industries on which these indices are based on have experienced severe economic contractions since the beginning of the year and as a result many of the companies that operate within these industries would no longer pass the stricter liquidity constraints currently in place in the index. In anticipation of future market downturns and industry-related contraction, the laxer liquidity constraints below are being proposed.



Proposed Changes to the Index Guideline

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

Blockchain Indices (v1 and v2)

Section 2.3.1 Weighting of the Index Components

From (old version):

On each SELECTION DAY the weights of the selected INDEX COMPONENTS are determined by applying an effective MARKET CAPITALIZATION weighting scheme that accounts for liquidity in determining final weights.

- 1) The maximum weight of an INDEX COMPONENT is 12%.
- 2) The minimum weight if an INDEX COMPONENT is 0.3%.
- 3) The aggregate weight of the INDEX COMPONENTS listed on a Russian stock exchange cannot exceed 15% of the index weight.
- 4) The aggregate weight of the INDEX COMPONENTS weighted above 4.5% is capped at 45%. The remaining companies are capped at 4.5%.
- 5) The aggregate weight of Pre-Revenue and Diversified companies cannot exceed 10% of the index weight, and the maximum weight of a Pre-Revenue or Diversified company is 2%.

[...]

To (new version):

On each SELECTION DAY the weights of the selected INDEX COMPONENTS are determined by applying an effective MARKET CAPITALIZATION weighting scheme that accounts for liquidity in determining final weights.

- 1) The weight of a selected INDEX COMPONENT will be determined based on the lesser of:
 - a. FREE FLOAT MARKET CAPITALIZATION
 - b. Average daily trading value multiplied by 50.
- 2) The maximum weight of an INDEX COMPONENT is 12%.
- 3) The minimum weight if an INDEX COMPONENT is 0.3%.
- 4) The aggregate weight of the INDEX COMPONENTS listed on a Russian stock exchange cannot exceed 15% of the index weight.



- 5) The aggregate weight of the INDEX COMPONENTS weighted above 4.5% is capped at 45%. The remaining companies are capped at 4.5%.
- 6) The aggregate weight of Pre-Revenue and Diversified companies cannot exceed 10% of the index weight, and the maximum weight of a Pre-Revenue or Diversified company is 2%.

[...]

Section 6. Definitions

To (new version)

"FIXING DAY" is 10 BUSINESS DAYS before the REBALANCE DAY or ADJUSTMENT DAY, disregarding any potential change of the REBALANCE DAY OR ADJUSTMENT DAY. If that day is not a CALCULATION DAY, the FIXING DAY will be the previous CALCULATION DAY.



All Indices:

2.1 Index Universe Requirements

From (old version):

[...]

2. SHARE CLASS MARKET CAPITALIZATION of at least USD 100,000,000 for companies that are not INDEX COMPONENTS on the respective SELECTION DAY and at least USD 80,000,000 for companies that are index components on the respective SELECTION DAY.

3. AVERAGE DAILY VALUE TRADED in the last six months of at least USD 2,000,000 for companies that are not INDEX COMPONENTS on the respective SELECTION DAY and at least USD 1,400,000 for companies that are index components on the respective SELECTION DAY.

[...]

To (new version):

[...]

2. SHARE CLASS MARKET CAPITALIZATION of at least USD 50,000,000 for companies that are not INDEX COMPONENTS on the respective SELECTION DAY and at least USD 30,000,000 for companies that are index components on the respective SELECTION DAY.

3. AVERAGE DAILY VALUE TRADED in the last three months of at least USD 500,000 for companies that are not INDEX COMPONENTS on the respective SELECTION DAY and at least USD 250,000 for companies that are index components on the respective SELECTION DAY. The Index Provider may use AVERAGE DAILY VALUE TRADED in the last six months in the event that a feasible rebalance cannot be conducted using the AVERAGE DAILY VALUE TRADED in the last three months.

[...]



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 aforementioned indices and welcomes any feedback on how this may affect and/or improve their use of Solactive indices.



Consultation Procedure

Stakeholders and third parties who are interested in participating in this Market Consultation, are invited to respond until 2022-10-19.

[Subject to feedback received on this Market Consultation, the changes mentioned above are intended to become effective on 2022-11-02.

Please send your feedback via email to marketconsultation@solactive.com, specifying "Market Consultation Several Solactive 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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