

Market Consultation - Solactive GBS

Topics of the market consultation:

1. Reconstitution Frequency:
Change from a semi-annually reconstitution with quarterly IPO reviews to a full quarterly reconstitution.
2. Foreign Investment Limitations:
 - a) Review of the foreign ownership room only if the foreign ownership limit is less than 100%.
 - b) Thailand: Aggregation of the weight under the respective Common Stock, i.e., remove foreign ownership limits if the NVDR does not face any issuance limitations.
3. Choice of Listing:
Introduction of a regional listing into the determination hierarchy, i.e., local > regional > global.
4. Relative Liquidity Determination:
Replacement of the volume filter by a relative liquidity measure.

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1. RECONSTITUTION FREQUENCY

Change from a semi-annually reconstitution with quarterly IPO reviews to a full quarterly reconstitution.

CURRENT RULE:

The Indices are adjusted semi-annually in May and November. Additionally, IPOs can be included on a quarterly basis if they meet all criteria outlined in the relevant sections of the guideline document.

"**ADJUSTMENT DAY**" is the close of the first Wednesday in May and November.

"**IPO ADJUSTMENT DAY**" is the first Wednesday of February and August.



PROPOSED NEW RULE:

The Indices are adjusted quarterly in February, May, August, and November.

"**REBALANCING DAY**" is the first Wednesday of February, May, August, and November.

Change from a semi-annually reconstitution with quarterly IPO reviews to a full quarterly reconstitution.

What impact would the proposed new rule have on the turnover of the last four selections?

Solactive GBS Developed Markets Large & Mid Cap Index					
Two-Way Turnover	2023-05-09	2023-08-02	2023-11-01	2024-02-07	Average
Semi-Annually	3.0318%	0.6428%	1.1541%	0.5336%	1.3406%
Quarterly	2.8020%	1.0652%	0.9409%	0.7719%	1.3950%

Solactive GBS Emerging Markets Large & Mid Cap Index					
Two-Way Turnover	2023-05-09	2023-08-02	2023-11-01	2024-02-07	Average
Semi-Annually	17.8653%	1.7997%	6.7759%	1.1855%	6.9066%
Quarterly	15.3376%	3.7144%	4.7297%	2.7356%	6.6293%

What impact would the proposed new rule have on the additions and deletions of the last four selections?

Solactive GBS Developed Markets Large & Mid Cap Index					
Additions	2023-05-09	2023-08-02	2023-11-01	2024-02-07	Average
Semi-Annually	13	1	16	1	7.75
Quarterly	12	10	11	8	10.25

Solactive GBS Emerging Markets Large & Mid Cap Index					
Additions	2023-05-09	2023-08-02	2023-11-01	2024-02-07	Average
Semi-Annually	163	6	226	9	101
Quarterly	143	153	91	81	117

Solactive GBS Developed Markets Large & Mid Cap Index					
Deletions	2023-05-09	2023-08-02	2023-11-01	2024-02-07	Average
Semi-Annually	49	0	58	2	27.25
Quarterly	36	28	38	19	30.25

Solactive GBS Emerging Markets Large & Mid Cap Index					
Deletions	2023-05-09	2023-08-02	2023-11-01	2024-02-07	Average
Semi-Annually	53	2	46	0	25.25
Quarterly	34	33	27	27	30.25

Change from a semi-annually reconstitution with quarterly IPO reviews to a full quarterly reconstitution.

Benefits of a quarterly rebalancing cycle:

- Reduced turnover at each comprehensive index review as the turnover is spread across four reconstitutions instead of two.
- The index universe reflects market changes more swiftly.
- The index universe provides a better size integrity as securities are allowed to migrate from one segment to another on each quarterly reconstitution.
- Low impact on the quarterly average turnover compared to a semi-annually reconstitution.

Questions:

1.1. Do you agree with the proposal to switch to a quarterly reconstitution cycle?

1.2. Do you foresee any issues with a more frequent and timelier update of the index universe?

1.3. Do you foresee any issues with the slightly increased average turnover and number of additions/deletions within the index universe?

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2. FOREIGN OWNERSHIP LIMITATIONS

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2.a) Remove the foreign room constraint for securities with a foreign ownership limit of 100%

Remove the foreign room constraint for securities with a foreign ownership limit of 100%.

CURRENT RULE:

New (current) index components require a foreign ownership limit of at least 10% (7.5%) and a foreign ownership room of at least 15% (7.5%).

The weight of index components with a foreign ownership room of less than 15% is reduced by 50%.

If the foreign ownership room of an index component drops below 7.5% but the company has a depositary receipt which fulfills the tradability requirements, the company is kept in the index and its weight is reduced by 50%.



PROPOSED NEW RULE:

New (current) index components require a foreign ownership limit of at least 10% (7.5%) and a foreign ownership room of at least 15% (7.5%).

The weight of index components with a foreign ownership room of less than 15% is reduced by 50%.

If the foreign ownership room of an index component drops below 7.5% but the company has a depositary receipt which fulfills the tradability requirements, the company is kept in the index and its weight is reduced by 50%.

In case index components have a foreign ownership limit of 100%, any foreign investment limitations are not considered.

Remove the foreign room constraint for securities with a foreign ownership limit of 100%.

What impact would the proposed new rule have on the last selection (2024-01-10)?

Company Name	Country Allocation	CA Region	Foreign Ownership Limit (%)	Available Shares (%)	Foreign Room	Treatment under the new rule
Delta Electronics (Thailand) Public Co. Ltd.	TH	APAC	100	5.96	5.96%	ADDITION
Silergy Corp.	TW	APAC	100	10.68	10.68%	ADDITION

Benefits of removing the constraint:

- Accurate reflection of the true foreign ownership limitations within the Global Equity Market.
- Alignment of the treatment between securities with a foreign ownership limitation of 100% and securities without any foreign ownership limitations.

Questions:

2.a.1. Do you agree with the proposal that no restrictions will be applied if the foreign ownership limit is 100%?

2.a.2. Do you agree with neglecting a weight reduction if the foreign room requirement is not met, and the foreign ownership limit is 100%?

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2.b) Change the treatment of foreign ownership limitations within the Thai Equity Market

Change the treatment of foreign ownership limitations within the Thai Equity Market.

CURRENT RULE:

The local share is included in the index. If the foreign ownership room drops below 15% and there is a liquid foreign share, the foreign share will be included in the index instead.

NVDRs are included in the index if they fulfill the tradability requirements. If either the Foreign Share or the Common Stock of the company is part of the index, the free float percentage requirement is not considered. If a NVDR is eligible for index inclusion, its shares outstanding are considered when calculating the foreign ownership room of the underlying local stock

BACKGROUND:

Foreign investors can access the Thai Equity Market via three security types:

1. Local Share: foreign investors are not entitled to dividends nor to voting rights.
2. Non-voting Depository Receipts (NVDRs): foreign investors are not entitled to voting rights but NVDRs have the same liquidity pool and price as the Local Share and foreign investors are entitled to dividends.
3. Foreign Share: foreign investors are entitled to all rights, but Foreign Shares are subject to foreign ownership limits and to a different liquidity pool.

PROPOSED NEW RULE:

The foreign ownership limitations for all Thai securities are being removed and securities are added with their Local Share only. The final weighting factor will solely be based on the free float percentage of the respective security.



Companies facing an issuance limit with regards to their NVDR issuance will consider the issuance limit of the NVDR in the determination of the final weighting factor. The foreign ownership room determination will be based on the NVDR.

Change the treatment of foreign ownership limitations within the Thai Equity Market.

What impact would the proposed new rule have on the last selection (2024-01-10)? Please see below a short overview of companies with a larger final weighting factor change:

Company Name	Foreign Ownership Limitation	Free Float	Current Final Weighting Factor	NVDR Issuance Limit	Current NVDR Issuance	Foreign Ownership Room	New Final Weighting Factor
Kasikornbank Public Co. Ltd.	48.98%	79.66%	48.98%	25.00%	15.09%	39.64%	25.00%
Kasikornbank Public Co. Ltd. NVDR			15.09%				
Bangkok Bank Public Company Limited	30.00%	97.47%	30.00%	25.00%	23.13%	7.47%	0%*
Bangkok Bank Public Company Limited NVDR			23.13%				
TISCO Financial Group Public Co. Ltd.	49.00%	83.86%	49.00%	25.00%	9.67%	61.33%	25.00%
TISCO Financial Group Public Co. Ltd. NVDR			9.67%				
Kiatnakin Phatra Bank Public Co. Ltd.	44.00%	78.29%	44.00%	25.00%	5.38%	78.48%	25.00%
Kiatnakin Phatra Bank Public Co. Ltd. NVDR			5.38%				
Thanachart Capital Public Co., Ltd.	49.00%	75.33%	49.00%	25.00%	7.97%	68.11%	25.00%
Thanachart Capital Public Co., Ltd. NVDR			7.97%				
PTT Public Co., Ltd.	30.00%	47.80%	30.00%				47.80%
PTT Public Co., Ltd. NVDR			4.55%				
CP ALL Public Company Limited	49.00%	65.54%	49.00%				65.54%
CP ALL Public Company Limited NVDR			10.65%				
Bangkok Dusit Medical Services Public Co. Ltd.	30.00%	69.93%	30.00%				69.93%
Bangkok Dusit Medical Services Public Co. Ltd. NVDR			12.80%				
Central Pattana Public Co. Ltd.	30.00%	71.58%	30.00%				71.58%
Central Pattana Public Co. Ltd. NVDR			7.57%				
Siam Cement Public Co. Ltd.	25.00%	64.61%	25.00%				64.61%
Siam Cement Public Co. Ltd. NVDR			8.97%				

*Based on the information as of the 2024-01-10, Bangkok Bank would be removed from the index as it did not meet the foreign room requirements

Change the treatment of foreign ownership limitations within the Thai Equity Market.

Benefits of the change:

- Accurate reflection of the true foreign ownership limitations within the Thai Equity Market.
- The weight of the securities is aggregated under the Local Share.

Questions:

2.b.1. Do you agree with the proposal on how foreign ownership limitations will be considered for the Thai Equity Market?

2.b.2. Do you agree with including the local share instead of the NVDR?

2.b.3. Do you agree with the removal of the foreign share independent of its liquidity, or shall the foreign share still be considered for index inclusion depending on its liquidity?

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3. CHOICE OF LISTING

Introduction of a regional listing into the determination hierarchy, i.e., local > regional > global.

CURRENT RULE:

Only one listing per security may be included in the index universe. In instances when a security has two or more eligible listings that meet the tradability requirements, then the following priorities are considered when determining the eligible listing:

1. Most liquid local listing
2. Most liquid global listing



PROPOSED NEW RULE:

Only one listing per security may be included in the index universe. In instances when a security has two or more eligible listings that meet the tradability requirements, then the following priorities are considered when determining the eligible listing:

1. Most liquid local listing
2. Most liquid **REGIONAL LISTING**
3. Most liquid global listing

Which Regions will be defined?

- Americas
- EMEA
- APAC

DETERMINATION DETAILS:

1. The most liquid, eligible local listing is selected. If a local listing becomes eligible after a regional or global listing has been selected, the local listing needs to fulfill the tradability requirements for four consecutive selections before the switch to the local listing will be made.
2. If there is no eligible local listing, the most liquid regional listing is selected. If a regional listing becomes eligible after a global listing has been selected, the regional listing needs to fulfill the tradability requirements for four consecutive selections before the switch to the regional listing will be made.
3. If there is no eligible local (regional) listing, the most liquid global listing is selected.

If multiple listings within a bucket (i.e., local, region, or global) are eligible, the currently selected listing is kept in the index as long as the other eligible listing is not at least twice [2x] as liquid as the current listing.

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Introduction of a regional listing into the determination hierarchy, i.e., local > regional > global.

What impact would the proposed new rule have on the last selection (2024-01-10)?

Company Name	Country Allocation	CA Region	Current Listing Country	Current Listing Region	Local ADV [USD]	Regional ADV [USD]	Global ADV [USD]	Regional / Local	Global / Local	Global / Regional	Decision	New Listing Country	New Listing Region
argenx SE ADR	NL	EMEA	US	Americas	-	30,912,870.13	48,453,032.39	-	-	1.57	Regional	BE	EMEA
Baidu Inc Sponsored ADR Class A	CN	APAC	US	Americas	-	87,525,038.77	86,500,188.35	-	-	0.99	Regional	HK	APAC
BeiGene Ltd Sponsored ADR	CN	APAC	US	Americas	-	20,294,549.08	12,762,158.27	-	-	0.63	Regional	HK	APAC
Coca-Cola Europacific Partners plc	GB	EMEA	US	Americas	-	1,393,301.20	38,493,207.76	-	-	27.63	Regional	NL	EMEA
GDS Holdings Ltd. Sponsored ADR Class A	CN	APAC	US	Americas	-	3,792,972.89	2,854,965.76	-	-	0.75	Regional	HK	APAC
H World Group Limited Sponsored ADR	CN	APAC	US	Americas	-	5,945,680.96	17,093,772.76	-	-	2.87	Regional	HK	APAC
KE Holdings, Inc. Sponsored ADR Class A	CN	APAC	US	Americas	-	2,027,842.90	18,832,002.71	-	-	9.29	Regional	HK	APAC
New Oriental Education & Technology Group, Inc. Sponsored ADR	CN	APAC	US	Americas	-	21,626,389.46	26,109,853.04	-	-	1.21	Regional	HK	APAC
NIO Inc. Sponsored ADR Class A	CN	APAC	US	Americas	-	14,282,052.27	67,470,320.28	-	-	4.72	Regional	HK	APAC
Trip.com Group Ltd. Sponsored ADR	CN	APAC	US	Americas	-	41,177,336.56	40,690,263.29	-	-	0.99	Regional	HK	APAC
Zai Lab Ltd. Sponsored ADR	CN	APAC	US	Americas	-	7,201,901.45	3,841,234.48	-	-	0.53	Regional	HK	APAC
ZTO Express (Cayman), Inc. Sponsored ADR Class A	CN	APAC	US	Americas	-	2,848,052.17	14,265,092.02	-	-	5.01	Regional	HK	APAC

Alternative Solution - Introduction of a regional listing into the determination hierarchy.

CURRENT RULE:

Only one listing per security may be included in the index universe. In instances when a security has two or more eligible listings that meet the tradability requirements, then the following priorities are considered when determining the eligible listing:

- Most liquid local Listing
- Most liquid global Listing



ALTERNATIVE RULE:

Only one listing per security may be included in the index universe. In instances when a security has two or more eligible listings that meet the tradability requirements, then the following priorities are considered when determining the eligible listing:

- Most liquid Local Listing
- Most liquid **REGIONAL LISTING**
- Most liquid Global Listing

Which Regions will be defined?

- Americas
- EMEA
- APAC

DETERMINATION DETAILS:

1. The most liquid, eligible local listing is selected. If a local listing becomes eligible after a regional or global listing has been selected, the local listing needs to fulfill the tradability requirements for four consecutive selections before the switch to the local listing will be made.
2. If there is no eligible local listing, the most liquid regional listing is selected. If there is no eligible local (regional) listing, the most liquid global listing is selected.
3. If the most liquid global listing is at least twice [2x] as liquid as the regional listing, the global listing is selected. Once the global listing is selected, it is kept in the index if it is at least as liquid [1x] as the regional listing.

If multiple listings in a bucket (i.e., local, regional, or global) are eligible, the currently selected listing is kept in the index as long as the other eligible listing is not at least twice [2x] as liquid as the current listing.

Alternative Solution - Introduction of a regional listing into the determination hierarchy.

What impact would the alternative solution have on the last selection (2024-01-10)?

Company Name	Country Allocation	CA Region	Current Listing Country	Current Listing Region	Local ADV [USD]	Regional ADV [USD]	Global ADV [USD]	Regional / Local	Global / Local	Global / Regional	Decision	New Listing Country	New Listing Region
Baidu Inc Sponsored ADR Class A	CN	APAC	US	Americas	-	87,525,038.77	86,500,188.35	-	-	0.9883	Regional	HK	APAC
BeiGene Ltd Sponsored ADR	CN	APAC	US	Americas	-	20,294,549.08	12,762,158.27	-	-	0.6288	Regional	HK	APAC
GDS Holdings Ltd. Sponsored ADR Class A	CN	APAC	US	Americas	-	3,792,972.89	2,854,965.76	-	-	0.7527	Regional	HK	APAC
Trip.com Group Ltd. Sponsored ADR	CN	APAC	US	Americas	-	41,177,336.56	40,690,263.29	-	-	0.9882	Regional	HK	APAC
Zai Lab Ltd. Sponsored ADR	CN	APAC	US	Americas	-	7,201,901.45	3,841,234.48	-	-	0.5334	Regional	HK	APAC

Introduction of a regional listing into the determination hierarchy, i.e., local > regional > global.

Benefits of the introduction:

- Consistent representation of local trading hours and currency exposure.

Questions:

3.1. Do you agree with the proposal that regional listings are preferred over global listings?

3.2. Do you agree with the proposal of an observation period of four consecutive selections before switching to a different listing within the hierarchy?

3.3. Do you see potential issues with cases like Coca-Cola Europacific Partners plc or KE Holdings, Inc. Sponsored ADR Class A, where the global liquidity exceeds its regional liquidity?

3.3.a) If yes, would you agree with the alternative solution?

3.3.a.1. Do you agree with the proposed thresholds to allow for a switch between the regional and global listing?

3.3.b) If you do not agree with any of the proposed changes, shall no changes be made to the choice of listing determination?

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4. RELATIVE LIQUIDITY DETERMINATION

Replacement of the volume filter by a relative liquidity measure.

CURRENT RULE:

New (current) index components require a volume traded of at least 100,000 (75,000) shares over the preceding 1-month period and 600,000 (450,000) shares over the preceding 6-month period.



PROPOSED NEW RULE:

New index components with a trading price of (not) greater than USD 15,000 require a **LIQUIDITY RATIO** of at least 0.3% (0.03%).

Current index components with a trading price (not) greater than USD 30,000 require a **LIQUIDITY RATIO** of at least 0.15% (0.015%).

How is the **LIQUIDITY RATIO** defined?

"**LIQUIDITY RATIO**" is defined as, in respect of an index component, the ratio of the minimum of the average daily value traded over the preceding 1-month period and 6-month period divided by the free float market capitalization.

Replacement of the volume filter by a relative liquidity measure.

What impact would the proposed new rule have on the last selection (2024-01-10)?

Largest additions by free float market capitalization:

Company Name	Free Float Market Capitalization [USD]	Liquidity Ratio
Chocoladefabriken Lindt & Spruengli AG Partizipsch.	12,678,398,834.65	0.1966%
Japan Real Estate Investment Corp.	5,570,835,799.08	0.2182%
LPP S.A.	4,463,986,401.19	0.2608%
White Mountains Insurance Group Ltd	3,765,888,972.75	0.0724%
Lotus Bakeries NV	3,426,310,063.13	0.1618%
Christian Dior SE	3,160,268,158.86	0.0971%
INFICON Holding AG	3,092,224,514.28	0.0918%
Advance Residence Investment Corporation	2,990,347,888.88	0.2278%
Emmi AG	2,342,479,428.22	0.0815%
Japan Prime Realty Investment Corporation	2,241,184,796.19	0.2043%

Largest deletions by free float market capitalization:

Company Name	Free Float Market Capitalization [USD]	Liquidity Ratio
HAL Trust	11,536,898,256.37	0.0096%

Alternative Solution - Replacement of the volume filter by a relative liquidity measure.

CURRENT RULE:

New (current) index components require a volume traded of at least 100,000 (75,000) shares over the preceding 1-month period and 600,000 (450,000) shares over the preceding 6-month period.



ALTERNATIVE RULE:

New (current) index components require a **LIQUIDITY RATIO** of at least 0.03% (0.015%).

How is the **LIQUIDITY RATIO** defined?

"**LIQUIDITY RATIO**" is defined as, in respect of an index component, the ratio of the minimum of the average daily value traded over the preceding 1-month period and 6-month period divided by the free float market capitalization.

Alternative Solution - Replacement of the volume filter by a relative liquidity measure.

What impact would the alternative solution have on the last selection (2024-01-10)?

Largest additions by free float market capitalization:

Company Name	Free Float Market Capitalization [USD]	Liquidity Ratio
Berkshire Hathaway Inc. Class A	128,686,196,100.00	0.0455%
Chocoladefabriken Lindt & Spruengli AG	13,117,151,937.63	0.0682%
Chocoladefabriken Lindt & Spruengli AG Partizipsch.	12,678,398,834.65	0.1966%
Japan Real Estate Investment Corp.	5,570,835,799.08	0.2182%
LPP S.A.	4,463,986,401.19	0.2608%
White Mountains Insurance Group Ltd	3,765,888,972.75	0.0724%
Lotus Bakeries NV	3,426,310,063.13	0.1618%
Christian Dior SE	3,160,268,158.86	0.0971%
INFICON Holding AG	3,092,224,514.28	0.0918%
Advance Residence Investment Corporation	2,990,347,888.88	0.2278%

Largest deletions by free float market capitalization:

Company Name	Free Float Market Capitalization [USD]	Liquidity Ratio
HAL Trust	11,536,898,256.37	0.0096%

Replacement of the volume filter by a relative liquidity measure.

Benefits of the replacement:

- Reflection of the liquidity relative to the actual tradable market capitalization in contrast to an absolute liquidity criteria.
- More accurate reflection of Equity Markets comprising securities with high trading prices.

Questions:

4.1. Do you agree with the price threshold of USD 15,000 (30,000) for new (current) index constituents?

a) If not, would a price threshold of USD 10,000 (20,000) for new (current) index constituents be more appropriate? OR

b) If not, what is an appropriate threshold from your perspective?

4.2. In times of fractional trading, is a high trade price in terms of the liquidity profile still a concern for the replicability of our indices?

a) If not, would you agree with the alternative solution?