

Zug, July 26, 2024

## Methodology Change – Introduction of intra-quarter capping and group entity capping for DAX, MDAX, SDAX and TecDAX

Dear Customer,

STOXX Ltd., the operator of ISS STOXX' index business and a global provider of innovative and tradable index concepts, today announces details on the introduction of intra-quarter capping and group entity capping for DAX, MDAX, SDAX and TecDAX effective with the September review 2024.

### Overview of the Changes

On November 22, 2023, STOXX announced in the [results of the market consultation on the DAX capping limit](#) the introduction of intra-quarter capping for DAX, MDAX, SDAX and TecDAX with the ordinary review on September 23, 2024. The final rule to be implemented at that date can be found in Annex I. The updated DAX Equity Index Methodology Guide reflecting the introduction of intra-quarter capping will be published on September 23, 2024.

Furthermore, STOXX announced in the aforementioned results publication the introduction of group entity capping not before the ordinary review in September. STOXX hereby announces the implementation of this functionality for DAX, MDAX, SDAX and TecDAX with the index review in September 2024; weighting cap factors for the affected indices will be calculated according to the new methodology during this review for the first time. The final rule can be found in Annex II. The updated DAX Equity Index Methodology Guide reflecting the introduction of group entity capping will be published on August 30, 2024.

### Affected Indices

DAX, MDAX, SDAX and TecDAX

UCITS Capped and 10% Capped versions are not affected.

For more information on the DAX indices, please visit [STOXX.com](https://www.stoxx.com).

## Annex I: Guide Update for Intra-quarter Capping

This section only applies to indices that contain intra-quarter capping and reference explicitly to this section.

Intra-quarter capping will be triggered if the weight of a component exceeds 20% based on closing prices of the respective trading day. Should one component exceed this threshold, the component's weight will be capped extraordinarily to 15%. Any other component exceeding 15% index weight will subsequently be capped to 15%, until no component exceeds 15% index weight.

The timetable for the process is as follows:

Date t: Weight exceeds 20% at the close of market

Date t+1: Announcement of the new weighting cap factors after close of market

Date t+3: Implementation of the new weighting cap factors after close of market

Date t+4: Effective date

Note: Violations of the 20% threshold between dates t+1 and t+3 do not trigger another capping.

### **Intra-quarter Capping During Review Implementation Week**

Where a capping breach occurs during review implementation week but prior to Wednesday, the intra quarter capping rule shall not be applied. If this breach is not subsequently resolved by the upcoming review implementation, the weighting cap factors will be recalculated based on Tuesday's closing prices, and revised weighting cap factors announced in the Review Reports published on Wednesday. Where a capping breach occurs from Wednesday onwards, then the above timetable for intra-quarter capping will be applied. For the avoidance of doubt, the announced Review will be implemented first, and any re-calculation of weight cap factors shall be implemented thereafter.

### **Anticipated Intra-quarter Capping Due To Upcoming Corporate Actions**

If an upcoming Corporate Action triggers a component to exceed 20% index weight, then an intra-quarter capping will be triggered.

The following set of data is used to estimate a potential upcoming breach of the 20% threshold due to an upcoming corporate action. The calculation of potential future capping will be using the following data:

- » Latest corporate actions forecast published
- » Index Composition effective t+3
- » Shares effective t+3
- » Free-Float effective t+3
- » Close price from the previous day adjusted for upcoming corporate actions (excluding cash & special cash dividends)
- » Weight Factor (if applicable) effective t+3
- » Cap factor effective t+3

In case of a potential breach detected following an upcoming corporate action, the changes are announced immediately, implemented two trading days later and become effective on the ex-date of the corporate action event. The timetable for the process is as follows:

Date t-4: Close price of index components for new weighting cap factors calculation

Date t-3: Announcement of the new weighting cap factors after close of market based on the prior's day close price

Date t-1: Implementation of the new weighting cap factors after close of market

Date t: Latest Effective Date of the Corporate Action / Effective date of the new weighting capfactors in the index

However, in case of late announced corporate action or corporate action with an ex-date effective less than 3 trading days ahead, the anticipated intra-quarter capping will be announced immediately, implemented two trading days later and becoming effective on the next trading day after implementation (i.e. after the corporate action effective date).

---

## **Anticipated Intra-quarter Capping Due To Upcoming Corporate Actions During Review Implementation Week**

If a Corporate Action known to STOXX latest by the Tuesday preceding the index review effective date has its ex-date during the review implementation week, and would breach the 20% threshold, intra-quarter capping shall still be applied as per the timetable above. If this breach is not subsequently resolved by the upcoming index review implementation, then the weighting cap factors will be recalculated and revised weighting cap factors announced in the republished Review Reports (to be implemented on index review effective date).

If a Corporate Action known to STOXX on the Wednesday preceding the index review effective date has its ex-date during the review implementation week, and would breach the 20% threshold, then the intra-quarter capping rule shall not be applied. If this breach is not subsequently resolved by the upcoming index review implementation, the weighting cap factors will be recalculated and revised weighting cap factors announced in the republished Review Reports on Wednesday (to be implemented on index review effective date).

For corporate actions that are known to STOXX from Thursday onwards where the ex-date of the event is within two days of the company's announcement, STOXX will announce at earliest possible date the breaches with an implementation for the capping 3 trading days later. For the avoidance of doubt, the announced review will be implemented first, and any recalculation of weighting cap factors shall be implemented thereafter.

## Annex II: Guide Update for Group Entity Capping

This section only applies to indices that reference explicitly to this section.

A group entity shall be a group of companies that are related to each other, and is based on the definition and calculation from LSEG Quantitative Analytics Database [Field: UltimateParentOrgPermID]. If 2 or more securities within the same index share the same LSEG Quantitative Analytics Database Ultimate Parent ID, then they are considered a group entity for weighting cap factor purposes.

STOXX will publish a list of identified group entities of the underlying universe on the 1<sup>st</sup> trading day of the review month (March, June, September and December) at 22:00 CET. It will be based on the underlying universe for the upcoming quarterly index review. The list will be published containing security name, identifier and flag indicating group entity.

Calculating and applying the weighting cap factors: First, single component weighting cap factors are calculated by carrying out single component capping as per the component cap limit of the index in question. After the application of single component capping, it is checked whether a group entity, based on the aforementioned list, has a combined index weight above 30% as largest constituent or 15%, if not the largest. In that case, the group entity will be capped to 30% or 15% weight respectively by applying the same group entity weighting cap factor to all securities comprising that group. Excess weight is redistributed to the remaining group entities on a pro-rata basis, up to a maximum of 15% index weight per security. To calculate the final weighting cap factors, the weighting cap factors resulting from the group entity capping are multiplied with the single component weighting cap factors. The resulting weighting cap factors will be published on the second Friday of the review implementation month and calculated using prior Thursday's closing prices.

If during the review implementation week, a recalculation of weighting cap factors for the index review implementation due to intra-quarter capping is required, then a recalculation of group entity weighting cap factors will consequently also be performed in line with the timeline for intra-quarter capping respectively.

If other constituents of the index are breaching the 15% threshold due to the combined weight of the group entity, then the constituents shall also be capped respectively. This group entity capping rule shall only apply at quarterly index reviews. An intra-quarter capping of group entities shall not be applied.

A potential capping where group entities are involved shall only apply to indices where the index has 6 or more different Ultimate Parent IDs.