
STOXX LIMITED

STOXX DECREMENT INDICES
QUALITY CHARTER

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1 INTRODUCTION

STOXX Ltd. calculates under its iSTOXX brand a number of indices that incorporate a synthetic performance deduction in the index methodology ("Decrement Indices"). Such Decrement Indices are based on an existing Net Return or Gross Return index and apply a constant or relative performance deduction to the index value on a daily basis.

Such Decrement Indices are specifically designed to underlie structured products with additional structures (e.g. capital protection). The synthetic decrement is used in order to provide financing for such structures by the product issuer.

In order to ensure full transparency and adequate usage, STOXX has created this binding Quality Charter for all such Decrement Indices, covering both the construction of the index and their usage in structured products.

2 INDEX CONSTRUCTION PROVISIONS

2.1 INDEX NAMING CONVENTION

In order to ensure full transparency, all Decrement Indices must contain the suffix "Decrement" and reference the amount of the decrement, e.g. iSTOXX [ABC] Decrement x% (constant performance deduction of x% p.a.) or iSTOXX [ABC] Decrement x (constant index points deduction of x points p.a.).

2.2 INDEX DESCRIPTIONS

The description of the index displayed publically in marketing materials, texts or websites must contain a clear reference to the decrement and the full amount of such decrement shall be stated clearly.

In the case of constant performance deduction, the text may read: "The iSTOXX [ABC] Decrement x% index replicates the performance of the [ABC] index assuming a constant x% performance deduction per annum. The performance deduction accrues constantly on a daily basis."

In the case of constant index points deduction, the text may read: "The iSTOXX [ABC] Decrement x index replicates the performance of the [ABC] index assuming a constant x index points deduction per annum. The index points deduction accrues constantly on a daily basis."

2.3 BASE INDEX RESTRICTIONS

A decrement may only be applied to a base index that is either a net return or gross return index. Decrement indices must not be created based on price indices.

2.4 MAXIMUM DECREMENT THRESHOLD

The decrement amount must be such that the resulting average 10 year dividend yield does not exceed the following thresholds. STOXX retains the right to review the thresholds in line with market conditions:

- Decrement Gross Return indices: 150% of the average 10 year gross dividend yield of the parent index
- Decrement Net Return indices: 200% of the average 10 year net dividend yield of the parent index.

The annual dividend yields are calculated starting from the last full calendar month elapsed and according to the standard STOXX methodology.

The above thresholds are to be intended as guidelines only and STOXX retains the right to assess the suitability of any proposed decrement on a case-by-case basis.

3 PRODUCT ISSUANCE PROVISIONS

3.1 PRODUCT DESCRIPTIONS

The description of the index as referenced in product prospectuses, marketing materials, texts or websites must contain a clear reference to the decrement and the full amount of such decrement shall be stated clearly.

3.2 PRODUCT ISSUANCE

No structured products of a linear nature (i.e. that reflect the performance of the index 1-1 without additional structures such as capital guarantees or others) shall be issued based on a Decrement Index.

3.3 DISCLAIMERS

The following disclaimers are required to be placed in materials referring to products based on a Decrement Index:



The index is part of a family of indices specifically designed to serve as underlying for structured products with capital protection, growth or income products, but not recommended for use in linear products as the index may largely underperform its associated benchmark.

STOXX and [Product Issuer] expressly declare that the valuation and calculation methodologies for [Decrement Index] require deductions from the index performance (the "Performance Deductions") and therefore may not be reflecting the aggregate fair or full performance of the index.

STOXX and [Product Issuer] do not have any responsibility for, and do not purport, neither expressly nor by implication, that any Performance Deduction is adequate or sufficient for any particular purpose, such as serving as a sufficient basis for achieving capital protection in capital guaranteed products

4 CONTACT

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DISCLAIMER

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