

AKROS

Akros Index Engineering Policy of Tradability

Akros Index Engineering Inc.

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1. Introduction

- 1.1. External events may occasionally create challenges or prevent Akros Index Engineering (“AIE” or the “Company”) clients from trading securities in certain markets. These events can include temporary stock exchange closures, restrictions on repatriating foreign capital imposed by governments, central banks, or monetary authorities, and sanctions that prohibit new investments in a country.
- 1.2. This document outlines how AIE would typically respond to such situations. It is important to note, however, that these events are inherently unpredictable. AIE's response will be based on its analysis of the specific circumstances at the time, and it cannot guarantee adherence to the actions outlined here.
- 1.3. AIE commits to keeping its clients informed about decisions concerning the inclusion or suspension of countries within its indexes, or the selection of reference prices for specific indexes or securities, as promptly as possible given the circumstances. Technical notices will be sent directly to clients, and updates will be available on our website. Additionally, our global client service teams will be ready to address any particular queries clients might have.

2. Possible Scenarios

2.1. When restrictions are placed on the repatriation of foreign capital

When government, central bank, or monetary authority restrictions impede the repatriation of capital by foreign investors, AIE will initially consult with members of relevant external advisory committees and market participants to gauge the impact and expected duration of these restrictions.

If this is determined that the restrictions are severe or likely to last longer than 20 local business days, AIE will exclude the securities of the affected country from its indices. Conversely, if the impact of the restrictions is deemed minor or short-term – less than 20 local business days – Akros Indices will continue to be calculated as usual.

Should the restrictions extend beyond 20 local business days, AIE will reevaluate whether to keep or remove the affected securities from its indices. This decision will be reassessed after every additional 10 business days, up to a total of 40 business days from the onset of the restrictions. If restrictions are still in place after 40 business days, the securities will be removed from the indices.

The removal process typically requires two local business days' notice. If the local stock exchange operates normally – allowing for settled sales and slow but possible repatriation – the securities will be removed at market price with two days' notice. If not, they will be removed at zero value.

For existing investors, to aid in performance benchmarking, a standalone country index based on local exchange prices will be created if securities are removed. Custom combinations of the revised indices excluding the affected country and the standalone index will be available for new investors.

Once restrictions are lifted, the affected market will not automatically rejoin the standard Akros Indices. Instead, its status will undergo reevaluation based on AIE standard country classification procedures and timelines, potentially requiring a period on the relevant watch-list before its status is confirmed.

2.2. Exceptional Market Disruption

In situations where market conditions prevent investment managers from effectively implementing major index events, including index reviews, AIE will evaluate these conditions individually. The Company will engage with its external advisory committees and consult with market participants as needed to decide the most appropriate action.

If exceptional market disruptions occur, AIE may delay the implementation of significant events such as index reviews and updates to country classifications until the markets have stabilized or the events can be adequately managed.

In the event that it becomes necessary to postpone the implementation of an index event, AIE will issue advance notice of this postponement and outline the planned course of action.

2.3. Exceptional Trading Restrictions in a Security

Should trading restrictions on the shares of a security compromise the ability of investment managers to replicate the benchmark treatment, AIE will evaluate the situation on a case-by-case basis. This assessment will involve consultations with external advisory committees and relevant market participants to determine the most suitable course of action. Possible actions may include postponing or canceling the implementation of any index changes related to the security, including those scheduled during index reviews, or removing constituents from the Akros Indices. Any deviations from previously communicated index treatments will be announced with at least two day's notice.

For instance, if index users report inability to replicate changes within the Akros Indices due to brokers, custodians, or central depositories ceasing support for trading or holding a constituent because of regulatory or legal restrictions, AIE will verify the extent of these restrictions by consulting with its client advisory committees and other stakeholders as necessary before deciding whether to remove the constituent from the indices or to reverse any scheduled index changes. For example, stocks primarily generating revenue from recreational cannabis sales might not be supported by custodians due to US federal law, making such stocks ineligible for inclusion in the Akros Indices to ensure feasible index replication.

Once a constituent is removed due to trading restrictions, it will be reconsidered for index eligibility only after those restrictions are lifted, treating the stocks as a new issue for index eligibility purposes.

2.4. Extended Closure of a National Stock Market

In the event that a national stock market closes unexpectedly, rendering investors unable to trade through alternative channels, AIE will implement the following policy.

Securities from that country's index will be maintained at their last traded price for up to 20 local business days. During this period, AIE will engage with its external advisory committees and market participants to determine the most appropriate actions and timing before making any decisions.

Should there be a consensus that the exchange is likely to reopen soon, the suspension may be extended by an additional 10 local business days. After this period ends, the situation will be reassessed, and the suspension may be extended again by another 10 business days.

If initially or after the second suspension period it is believed that the closure will be prolonged, or if by the end of 40 local business days from the original closure the exchange has not announced a definite reopening date, AIE will remove the securities from its indices. The securities will be removed at zero value unless a valid price can be determined from grey markets, in which case this price may be preferred. The calculation of the country index will then be discontinued.

If the market reopens within three months after the securities were removed, any securities that resume trading will be considered for inclusion in the Akros Indices as new listings. Calculation of the country index will restart, and the country will be re-included in the indices during the next quarterly review, once at least three securities from the country are eligible for inclusion.

If the stock exchange remains closed for more than three months, the securities will not be readmitted to the Akros Indices, and the country's status will be reassessed under the same procedures outlined in Section 2.4, which apply to countries facing repatriation restrictions.

2.5. Imposition of Sanctions Restricting Investment into Foreign Jurisdictions

The imposition of sanctions that restrict investment into foreign jurisdictions presents a complex scenario, as sanctions often vary based on the investor's domicile and may not be universally applied. Sanctions can target specific countries, industries, companies, or entities owned significantly by sanctioned individuals.

AIE will handle each sanction situation on a case-by-case basis, with the general index treatment outlined as follows:

- If sanctions (either primary or secondary) prohibit investment by US, UK, or EU natural or legal persons in specific countries, industries, named companies, or companies connected to sanctioned individuals, AIE will remove these sanctioned securities from its indices. Removal will occur with a minimum of T+2 days' advanced notification at market value. If the securities are suspended, they will be removed at zero value.
- When sanctions are imposed on existing index constituents that restrict their ability to raise capital from US, UK, or EU natural or legal persons, such as through issuing new shares, AIE will maintain these constituents within its indices but will suspend the implementation of capital-raising corporate events. These events will be reinstated upon the lifting of sanctions.
- If sanctions restrict investment by investors other than those from the US, UK, or EU in specific countries, industries, or companies, AIE may create custom indices for clients affected by these sanctions. However, standard Akros Indices will not see any deletions of constituents as a result of these sanctions, and capital-raising events for affected constituents will continue.

Companies impacted by sanctions will only be considered for re-inclusion in standard Akros Indices once sanctions are lifted. For index eligibility, they will be treated as a new issue during the subsequent index review.

Long-term responses to the imposition of sanctions will be determined after consultations with the AIE external advisory committees and market participants, as appropriate.

2.6. Indices Including Depositary Receipts (DRs)

When an index includes Depositary Receipts (DRs) and trading of these DRs is suspended by the trading venue, AIE will implement the following policy. DRs in the index will be maintained at their last traded price for up to 20 local business days, based on the normal trading days of the local market. During this time, AIE will engage with its external advisory committees and market participants to determine the most appropriate course of action and the timing for any decisions.

If there is a consensus that trading of the DRs is likely to resume soon, the suspension may be extended by an additional 10 local business days. Following this period, the situation will be reassessed, and the suspension may be extended again by another 10 business days.

If the initial consensus is that the suspension is likely to be prolonged, or if after the second suspension period of 10 business days (totalling 40 business days from the original suspension) the trading venue has not set a definitive date for resuming DR trading, AIE may decide to remove the DRs from the index. This decision will depend on the fungibility of the DRs, and the DRs may be removed at a price equivalent to that of the underlying local shares.

In scenarios where the underlying local shares cease trading or if the repatriation of their sale proceeds becomes restricted, the index calculation might still continue temporarily. AIE will consult with its external advisory committees and clients who have products based on these indices to decide if trading in the DRs is likely to remain viable. If the consensus is negative, AIE will proceed to remove the DRs from the index while there is still sufficient liquidity to allow investors to exit. The future composition of such indices will be determined after consultation with AIE's external advisory committees and the parties affected.

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