

Indxx

IOSCO Compliance Statement

January 2016

IOSCO Principles for Benchmark Administrators

There are a total of 19 IOSCO principles/guidelines that have been set out for benchmark administrators. Through these principles, IOSCO aims to increase transparency in custom benchmark indices. At an organizational level, Indxx views these principles from two points of view:

1. In cases where the created benchmark index is Indxx's intellectual property, we don't disclose benchmark holdings data publicly on a daily basis. Only the index methodology and index values at every day's end are published
2. However, in cases where a client specifically wants Indxx to act as the 'benchmark administrator', we already have set policies in terms of disclosure, which will make us as closely compliant to IOSCO guidelines as possible. Our comments on each of the 19 guidelines/principles are as below:

Governance

Principle 1: Overall Responsibility of the Administrator

As the administrator of the benchmarks, Indxx has primary responsibility in all aspects of the benchmark determination process, including the development, determination, and distribution of the benchmark, establishing credible governance, oversight, business continuity, and accountability procedures. We can provide sufficient transparency in governance and relevant disclosure, as specifically required by the client

Indxx has established an Oversight Committee to preside over all actions relating to the governance and administration of the benchmarks

We have internal controls in place that are designed to ensure timely dissemination of benchmark values

Principle 2: Oversight of Third Parties

The third parties involved in the benchmark determination process are:

1. Data vendors: We solicit data from multiple data providers such as Bloomberg, Reuters, FactSet to minimize dependence on a single source
2. Independent Calculators: The third party calculators which we outsource benchmark calculation activities to, are reputed and leading players in the industry, and are particularly known for following best industry practices

Indxx has written agreements setting out the roles and obligations of each third party agent. Indxx conducts extensive due diligence on each of these independent calculators both before and after obtaining signed business agreements with them

If a third party contributes to the determination of the benchmark, that party's association is disclosed to the stakeholders

Principle 3: Conflicts of Interest for Administrators

Indxx plans to implement its own Conflicts of Interest Policy which would set out how we will identify, disclose, manage, mitigate and avoid actual or potential conflicts of interest

We have documented the roles and responsibilities of the key teams involved in benchmark determination including design teams, calculation teams and review teams. There are clear reporting lines for each of these teams.

Principle 4: Control Framework for Administrators

We have a risk based control framework which includes:

1. An Oversight Committee with responsibility for oversight of the Benchmarks
2. The Methodology, which also sets out the parameters for any exercise of judgment by Indxx employees
3. A whistle-blowing policy
4. A Conflicts of Interest Policy, which sets out our process for identifying, managing, mitigating and avoiding conflicts of interest
5. A training program for the employees, including specific training to ensure that employees have sufficient Benchmark related expertise

Principle 5: Internal Oversight

The oversight committee would oversee the calculation of the benchmark at each stage and would periodically audit it. It is also responsible for overseeing the design of the new benchmarks, approving new benchmarks and changes to the existing methodologies. The Oversight Committee comprises of members selected on the basis of their experience, knowledge and independence from the day to day management of the Benchmarks.

Quality of the Benchmark

Principle 6: Benchmark Design

The Methodology describes the key features of the Benchmark design, including how it wants to attain a reliable and accurate representation of the interest it seeks to measure

Principle 7: Data Sufficiency

This principle states that the data used to construct a Benchmark should be sufficient to accurately represent the interest measured by the Benchmark

1. For equity indices: Indxx equity Benchmarks use End of day prices and we source it from third party vendors and at times directly from the exchange
2. For fixed income indices: Here, we use mid closing prices that are sourced from third party vendors
3. For commodity indices: We use commodity prices from the exchange and third party data vendors

Principle 8: Hierarchy of Data Inputs

This principle states that an Administrator should establish and publish or make available clear guidelines regarding the hierarchy of data inputs. The treatment at Indxx would happen on a case to case basis. For instance, any security that has stopped trading would be removed from the Benchmark. Decisions on whether that security would be liquidated, or replaced would be decided by the Oversight Committee.

Principle 9: Transparency of Benchmark Determinations

We provide various documents that describe how benchmark determinations are made. Also, additional data, including daily values of current weights, number of shares, historical constituent weights, etc. are made available to clients. The publicly available documents provide sufficient information to allow the stakeholders to entirely understand the entire process used to make determinations for each benchmark.

Principle 10: Periodic Review

Indxx has procedures in place to review the applicable market factors (including market conditions like abnormal drop in liquidity) relating to each Benchmark to determine whether it would be appropriate to make any changes to the Methodology. Any potential changes are decided by the Oversight Committee. All stakeholders are informed well in advance if the proposed changes can have an impact on them along with the underlying reasoning

Quality of the Methodology

Principle 11: Content of the Methodology

The Methodology document published on the website contains sufficient detail to allow stakeholders to understand how the Benchmark values are arrived at; and to assess their representativeness to the stated objective, their relevance to stakeholders and their appropriateness as a reference.

The Methodology also specifies in detail the procedure we would undertake in the event of delisting of a security or when a security stops trading. The Methodology also states how different corporate actions would impact the Benchmark values. We also provide updates and relevant news pertaining to the Benchmark, to the stakeholders on a weekly basis.

Principle 12: Changes to the Methodology

Indxx has a formal process for making changes to its Methodology. The Oversight Committee has the responsibility of reviewing and overseeing any proposed material changes made to the methodology

Whenever a material change is made to the Methodology, Indxx would publish the new Methodology document on its website, and announce such changes at least 3 months in advance, to allow stakeholders to make suitable adjustments.

Principle 13: Transition

Indxx highlights to its subscribers in the Methodology that they should plan for possible changes to the Benchmarks or the cessation of a particular Benchmark

Principle 14: Submitter Code of Conduct

Not Applicable, as we do not use index submitters for any prices or other values that go into calculating the benchmark

Principle 15: Internal Controls over Data Collection

Indxx sources the prices and corporate actions from multiple data vendors. We also have connections within different exchanges and consequently, an easy access to any corporate action and pricing feeds

Accountability

Principle 16: Complaints Procedures

Indxx is planning to implement a Complaints Redressal initiative, which would delineate its procedures for handling complaints and challenges regarding disseminated benchmark values.

Principle 17: Audits

Indxx has an Internal Audit Committee which would periodically review every Index that is created. This Committee comprises of people that are independent and not associated with the index. We have internal checks to ensure data provided by external calculation agents is accurate, and we also perform periodic audits off their processes. We have our own internal technology capabilities which enable us to parallel calculate benchmark values for instances where we may have outsourced calculation, and are proactive in identifying and informing concerned stakeholders of any errors

Principle 18: Audit Trail

Indxx retains market data collected from data vendors that is used in the calculation of the Benchmarks. We retain written records, including files dating back to the time of the Benchmark creation for 7 years.

Principle 19: Cooperation with Regulatory Authorities

Indxx remains committed to working with relevant regulators to ensure every guideline is complied with