

A dark blue horizontal banner with a stylized graphic on the left consisting of overlapping triangles in shades of blue and green. The text 'ESMA COMPLIANCE STATEMENT' is written in a bold, yellow, sans-serif font on the right side of the banner.

# ESMA COMPLIANCE STATEMENT



Sense in  
sustainability

# ECPI INDICES

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ECPI Srl is a member of StatPro Group plc

## INTRODUCTION

On 18th December 2012, the European Securities and Markets Authority (ESMA)'s consolidated Guidelines on ETFs and other UCITS issues (Original Guidelines) were published and on February 18, 2013 these came into force.

These Guidelines were updated on August 1, 2014 (Revised Guidelines).

Furthermore, on May 24, 2017 ESMA published ESMA34-43-392 document *Questions and Answers - Application of the UCITS Directive*.

These rules apply to UCITS ETFs and index-tracking UCITS, as well as UCITS investing in financial indices.

The purpose of this document is to provide the reader comfort with respect to ECPI's position in relation to stated ESMA guidelines.

ECPI's Focus is on those sections of ESMA guidelines that attain to the construction and use of Financial Indices, namely, Section V, Guideline 9(a), and Section XIII on Financial Indices.

Please address any query or request for additional information on this document to [ecpi.indices@statpro.com](mailto:ecpi.indices@statpro.com).

## Section V, Guideline 9(a)

*Guideline 9 (a): The prospectus of an index-tracking UCITS should include:*

*(a) a clear description of the indices including information on their underlying constituents. In order to avoid the need to update the document frequently, the prospectus can direct investors to a web site where the exact compositions of the indices are published;*

### ECPI GROUP COMPLIANCE STATEMENT

For all ECPI indices, index methodologies are publicly available on the company web site at the following URL

<http://www.ecpigroup.com/en/indices>

At the same link ECPI publishes for each index, in clear, with no restrictions, previous rebalancing constituents, weights, factsheets, and end of day level history.

## GUIDELINE 49

*When a UCITS intends to make use of the increased diversification limits referred to in Article 53 of the UCITS Directive, this should be disclosed clearly in the prospectus together with a description of the exceptional market conditions which justify this investment.*

### ECPI GROUP COMPLIANCE STATEMENT

All ECPI indices are construed to ensure respect of diversification rules and a correct market representation of the market it refers to in compliance with UCITS Directive.

## GUIDELINE 50

*A UCITS should not invest in a financial index which has a single component that has an impact on the overall index return which exceeds the relevant diversification requirements i.e. 20%/35%. In the case of a leveraged index, the impact of one component on the overall return of the index, after having taken into account the leverage, should respect the same limits.*

### ECPI GROUP COMPLIANCE STATEMENT

All ECPI indices are fully compliant with relevant diversification requirements.

Index rules always foresee sector concentration limits, geographic diversification and single name concentration limits, if applicable.

None of ECPI indices foresee the use of leverage mechanisms.

ECPI publishes constituent weighting information for all indices on its web site for clients to assess respect of guideline.

## GUIDELINE 51

*A UCITS should not invest in commodity indices that do not consist of different commodities. Subcategories of the same commodity (for instance, from different regions or markets or derived from the same primary products by an industrialized process) should be considered as being the same commodity for the calculation of the diversification limits. For example, WTI Crude Oil, Brent Crude Oil, Gasoline or Heating Oil contracts should be considered as being all sub-categories of the same commodity (i.e. oil). Sub-categories of a commodity should not be considered as being the same commodity if they are not highly correlated. With respect to the correlation factor, two components of a commodity index that are sub-categories of the same commodity should not be considered as highly correlated if 75% of the correlation observations are below 0.8. For that purpose the correlation observations should be calculated (i) on the basis of equally-weighted daily returns of the corresponding commodity prices and (ii) from a 250-day rolling time window over a 5-year period.*

### ECPI GROUP COMPLIANCE STATEMENT

ECPI indices do not contemplate investments in commodities.

ECPI does not manage any commodity index.

ECPI can therefore state that guideline n 51 is fully respected or that it does not apply to ECPI index offer.

## GUIDELINE 52

*A UCITS should be able to demonstrate that an index satisfies the index criteria in Article 53 of the UCITS Directive and Article 9 of the Eligible Assets Directive, including that of being a benchmark for the market to which it refers. For that purpose:*

- a. an index should have a clear, single objective in order to represent an adequate benchmark for the market;*
- b. the universe of the index components and the basis on which these components are selected for the strategy should be clear to investors and competent authorities;*
- c. if cash management is included as part of the index strategy, the UCITS should be able to demonstrate that this does not affect the objective nature of the index calculation methodology.*

### ECPI GROUP COMPLIANCE STATEMENT

Guideline 52(a): For all ECPI indices the index objective is stated in the corresponding index calculation rules and factsheets;

Index rules and factsheet are published on ECPI web site.

Guideline 52(b): the reference universe of index components is detailed in the index rules;

In all instances reference universe of index components is determined on the basis of a ruled based mechanism where no discretionary decision is possible.

Guideline 52(c): The predominant majority of ECPI indices do not include the management of a cash component as part of the index strategy.

For Strategy Indices (i.e. Volatility Control Index), that foresee cash management as part of the index strategy in order to ensure that this does not affect the objective nature of the index this is clearly detailed in the Index Rules.

## GUIDELINE 53

*An index should not be considered as being an adequate benchmark of a market if it has been created and calculated on the request of one, or a very limited number of, market participants and according to the specifications of those market participants.*

### ECPI GROUP COMPLIANCE STATEMENT

All ECPI indices are available, following execution of a license agreement, to all market participants.

No ECPI index is created or calculated with exclusivity to a single or limited number of market participants.

## GUIDELINE 54

*The UCITS' prospectus should disclose the rebalancing frequency and its effects on the costs within the strategy.*

### ECPI GROUP COMPLIANCE STATEMENT

The rebalancing frequency of all ECPI indices is stated in the index rules and factsheets.

Rules and Factsheet describing rebalancing frequency are publicly available on the ECPI website.

Rebalancing frequency of ECPI indices is coherent with the single objective of the index.

Effects of rebalancing of the index on the costs of the UCITS can be estimated by the UCITS proponent.

## GUIDELINE 55

*A UCITS should not invest in a financial index whose rebalancing frequency prevents investors from being able to replicate the financial index. Indices which rebalance on an intra-day or daily basis do not satisfy this criterion. For the purpose of these guidelines, technical adjustments made to financial indices (such as leveraged indices or volatility target indices according to publicly available criteria should not be considered as rebalancing in the context of this paragraph.*

### ECPI GROUP COMPLIANCE STATEMENT

Rebalancing frequency is monthly, quarterly or semiannually depending on the index objective and is always stated in the index rules.

ECPI Rebalancing frequency allows investors to easily replicate indices.

## GUIDELINE 56

*UCITS should not invest in financial indices for which the full calculation methodology to, inter alia, enable investors to replicate the financial index is not disclosed by the index provider.*

*This includes providing detailed information on index constituents, index calculation (including effect of leverage within the index), re-balancing methodologies, index changes and information on any operational difficulties in providing timely or accurate information.*

*Calculation methodologies should not omit important parameters or elements to be taken into account by investors to replicate the financial index.*

*This information should be easily accessible, free of charge, by investors and prospective investors, for example, via the internet.*

*Information on the performance of the index should be freely available to investors.*

### ECPI GROUP COMPLIANCE STATEMENT

Rules governing Construction, Calculation and Rebalancing of the indices are publicly available on the web site of the index provider. (<http://www.ecpigroup.com/en/indices>).

Index rules do not omit any information or parameter so to allow replicability of the index from potential Investors.

Further information on calculation math and corporate actions treatment are also available in clear on S&P Dow Jones Indices web site that operates as Calculation Agent for ECPI Equity indices.

(<https://www.spindices.com/documents/methodologies/methodology-sp-equity-indices-policies-practices.pdf>)

Index levels are available, inter alia, on ECPI Web site.

(<http://www.ecpigroup.com/en/indices>)

Index levels and index performance is also published on major data vendors.

Information on index components and weights are available in clear at no costs on the index provider web site.

Requests can also be addressed to the index provider ([ecpi.indices@statpro.com](mailto:ecpi.indices@statpro.com)).

ECPI publishes index components and weights of previous period timely and coherently with index rebalancing frequency.

## GUIDELINE 57

*A UCITS should not invest in financial indices that do not publish their constituents together with their respective weightings. This information should be easily accessible, free of charge, by investors and prospective investors, for example, via the internet. Weightings may be published after each rebalancing on a retrospective basis. This information should cover the previous period since the last rebalancing and include all levels of the index.*

### ECPI GROUP COMPLIANCE STATEMENT

ECPI publishes on a retrospective basis for all its indices constituents together with their respective weightings.

Index values, index names of the constituents and constituent weights are published, free of charge, in clear on ECPI web Site.

Index constituents and their respective weights are provided in clear for the previous rebalancing period well in advance of the next index rebalancing date.

## GUIDELINE 58

*A UCITS should not invest in financial indices whose methodology for the selection and the rebalancing of the components is not based on a set of pre-determined rules and objective criteria.*

### ECPI GROUP COMPLIANCE STATEMENT

ECPI indices are calculated and rebalanced in accordance with objective rules-based methodologies and do not allow for subjective or discretionary selection of index components.

Index methodologies and rebalancing rules are available on ECPI Web site.

ECPI Group keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units ECPI group may have information that is not available to other business units.

ECPI Group has established policies and procedures that prohibit constituents to its indices to be included in an index on the basis of payment volunteered from them.

## GUIDELINE 59

*A UCITS should not invest in financial indices whose index provider accepts payments from potential index components for inclusion in the index.*

### ECPI GROUP COMPLIANCE STATEMENT

ECPI does not accept payments from potential index components for inclusion in the index.

A ruled based selection of index components is described in ECPI construction and rebalancing rules .

No discretionary selection of potential index component is foreseen in the rules.

Rules are available on ECPI Web Site.

## GUIDELINE 60

*A UCITS should not invest in financial indices whose methodology permits retrospective changes to previously published index values ("backfilling").*

### ECPI GROUP COMPLIANCE STATEMENT

The ECPI Index Methodology does not allow retrospective changes to previously published index values ("Backfilling"). Divisor corrections, index input changes due to late dividend announcements and other similar adjustments are not considered "backfilling".

## GUIDELINE 61

*The UCITS should carry out appropriate documented due diligence on the quality of the index. This due diligence should take into account whether the index methodology contains an adequate explanation of the weightings and classification of the components on the basis of the investment strategy and whether the index represents an adequate benchmark. The due diligence should also cover matters relating to the index components. The UCITS should also assess the availability of information on the index including:*

- a. *whether there is a clear narrative description of the benchmark;*
- b. *whether there is an independent audit and the scope of such an audit;*
- c. *the frequency of index publication and whether this will affect the ability of the UCITS to calculate its net asset value.*

### ECPI GROUP COMPLIANCE STATEMENT

All information that the UCITS may need in order to carry out "an appropriate documented due diligence on the quality of the index" is available on ECPI web site.

Interested UCITS can also rely on ECPI assistance to expedite their due diligence on a financial index by providing all relevant documentation with respect to index calculation methodologies, rebalancing rules and components weightings.

With respect to availability of information on any index furnished by ECPI:

(a): a clear narrative description of the benchmark can be found in the index rules and factsheets published on <http://www.ecpigroup.com/en/indices>

(b): indices are always calculated and rebalanced in full respect and compliance of index relevant methodologies. These are published at:

<http://www.ecpigroup.com/en/indices>

(c): indices are calculated and published daily, on a next day basis. Calculation calendars are reported in the index rules and published at:

<http://www.ecpigroup.com/en/indices>

## GUIDELINE 62

*The UCITS should ensure that the financial index is subject to independent valuation.*

### ECPI GROUP COMPLIANCE STATEMENT

ECPI Group keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities.

ECPI Group has established policies and procedures to ensure that the unit that performs the valuation is functionally independent from the unit responsible for the design of the index.

Also, ECPI confirms that the remuneration of the staff responsible for the valuation of the index is not linked to the performance of the financial index.

Furthermore, ECPI has outsourced the daily calculation activity of equity indices to S&P Dow Jones Indices that acts as independent calculation (valuation) agent thereby ensuring complete segregation between calculation and index design.

An independent assessment of the correct valuation of ECPI indices is also carried out by data vendors that redistribute indices and by clients that often re-calculate indices in house.

## CONTATTI

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