



IHS Markit™

Index Administration Services Restatement Policy

June 2021

Introduction

IHS Markit Benchmark Administration Limited (**IMBA UK** or the **Administrator**) is the appointed Administrator of the IHS Markit Index Administration Service (**IAS**). The Administrator is committed to conducting its business with integrity and to providing index information of the highest quality to its customers and index stakeholders. However, the Administrator recognizes that, in some situations, inaccuracies can arise that may warrant a restatement of one or more indices. Such inaccuracies may be caused by a range of events including:

1. **Incorrect input data** (e.g. prices, rates, index levels which are incorrect or have been updated) or **incorrect ancillary data** (e.g. incorrect, missed or late corporate actions, errors in the index calendar data);
2. **Incorrect application of the index methodology** (e.g. error in the implementation and/or application of the index methodology); or
3. **Incorrect index composition** (e.g. index constituents which are incorrectly added to or removed from an index, or incorrect index constituent weights).

The Administrator has implemented a wide range of automated checks to capture and validate exceptions which could indicate an error or data problem. These include checks on large constituent-level price movements and large index-level movements. Additional comparative and consistency checks are also in place. All exceptions or warning alerts are reviewed and analysed by the Administrator. In the event that the alert is caused by a data or process error, and is identified before publication, index analysts will correct the error before official publication.

Index Restatement Policy

In the instance an inaccuracy is not identified and resolved before index calculation and publication, or if input data received is revised retrospectively, the Administrator will review the impact on any affected index.

The below processes will be followed unless the IAS Index Administration Committee (**IAC**) determines otherwise.

1. Inaccuracies caused by incorrect input data or ancillary data

- 1.1. Under the following circumstances, the Administrator will, as standard, recalculate and restate index level(s):
 - The inaccuracy is identified within three index business days after publication of the index level(s); and
 - The composition and weightings of the affected index (or any downstream dependent index) have not been impacted by the incorrect data and would not be impacted by the restatement of the index level(s).
- 1.2. Should any such restatement also impact the index level publication precision (as defined in the respective index manual), the Administrator will also announce such restatement on [ihsmarkit.com](https://www.ihsmarkit.com).
- 1.3. If the two above conditions at paragraph 1.1 are not met, no restatement is issued until the IAC has given due consideration to the issue (see section 4 below).

2. Inaccuracies caused by incorrect application of the index methodology

- 2.1. Inaccuracies caused by the incorrect application of the index methodology will follow the steps outline above in section 1.
- 2.2. If the conditions at paragraph 1.1 are not met, no restatement is issued until the IAC has given due consideration to the issue (see section 4 below)
- 2.3. Additionally, the IAC will consider steps to correct the application of the methodology (by correcting internal calculation systems and, where applicable, the index manual) and whether to do so on a go-forward basis only.

- 2.4. Any methodology change will be consulted on where appropriate and announced with reasonable notice wherever practicable as per the IMBA UK Changes and Cessations Policy found [here](#).

3. Incorrect index composition or weightings and consequential index level inaccuracies

- 3.1. All errors in composition and/or weightings are escalated to the IAC. The IAC will decide whether an index composition or weighting error should warrant a restatement or be corrected at the next rebalance.

In the event that an index composition error has been identified prior to the rebalance of the index, the Administrator will rectify the index composition and update any relevant preview information published in advance of such rebalance.

4. Consideration by the IAC

The IAC will make restatement decisions in a timely fashion. In determining whether an index should be restated, the IAC will take multiple factors into consideration as set out below. Not all factors need to be present and some may be more determinative than others depending on the circumstances of the given inaccuracy. The factors considered by the IAC include, but are not limited to, the following.

- Whether the stated index objective is breached;
- The materiality of the deviation between published and updated index levels;
- Whether the index composition or weightings have been affected, and the rebalancing schedule of the impacted index;
- The number of indices, sub-indices and dependent indices affected (e.g. is the index used as indicator);
- Whether the inaccuracy carries over day on day;
- Whether the index is a benchmark (i.e. it is linked to financial instruments/ contracts or fund AUM);
- Dates of the restatement period. In particular:
 - Whether the restatement affects month-end index levels
 - How recent the restatement period is
 - The length of the period to be restated (incl. convergence/divergence of incorrect and correct time series);
- Relative and absolute importance of an erroneous input data point;
- Impact of not restating; and
- Whether the underlying cause should be treated as a market disruption event.

The IAC will also ensure the Board of the Administrator is made aware of any restatements or underlying issues of which they would reasonably expect to be informed.

Formal complaints

Formal complaints can be sent electronically to our dedicated e-mail address MarketIndices.Complaints@ihsmarkit.com.

Document Governance

Policy Name: IAS Restatement Policy
Policy Owner: IAC
Applies to: IAS Benchmark Families
Approved by: IAC, IMBA UK Board
Date of last review: 15 June 2021

Disclaimer

The Index restatement policy (the "policy") is intended only for professionals in the financial markets and is not, and should not be construed as, financial, legal or other advice of any kind, nor should it be regarded as an offer or as a solicitation of an offer to buy, sell or otherwise deal in any investment. The policy is applicable to the indices IHS Markit administers and whose Index rules or documentation specifically references this policy. The policy should not be interpreted as the approval of any regulator. You may not use the policy to generate any advice, recommendations, guidance, publications or alerts and the policy is not a substitute for your own analysis.

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