

CMC MARKETS TRADE WEIGHTED FOREIGN EXCHANGE INDEX METHODOLOGY

INDEX DESCRIPTION

1. Definitions:

“CMC Markets” means CMC Markets Singapore Pte Ltd (registered numbers UEN 200605050E);

“Index” means the CMC Markets USD, GBP, EUR, NZD, AUD, CNH, CHF, JPY, CAD, NOK, SEK and/or SGD Index (as applicable);

“Index Coefficient” means the number used to calculate the Index and normalise the price;

“Index Component” means one of the individual foreign exchange currency pairs used to construct the Index;

“Index Disruption Event”, means any event such as, but not limited to, currency pegging that results in a material non-market driven change in price;

“Index Launch Date”, means the day on which the Index first begins pricing;

“Index Price” means the price of the Index;

“Index Rebalancing”, means the adjustment made to an Index by the Index Review Panel post an Index Review Panel meeting;

“Index Review Panel” means the committee that reviews the Index Components at least on the Review Dates or at any other time and which is composed of at least three members of CMC Markets to be nominated and replaced from time to time by the Group Head of Trading of CMC Markets in London, 133 Houndsditch, London, EC3A 7BX;

“Outgoing Component” means the affected Index Component, which is substituted with another Index Component as a result of a Substitution Event;

“Qualifying Component” means a component voted for inclusion within the Index by the Index Review Panel;

“Rebalancing Date” means the first Trading Day of the month following a Review Date;

“Review Date” means May of each year or as data becomes available, or any other date as the Index Review Panel may determine in its sole discretion;

“Substitution Event” means the replacement of an Index Component as a result of an Index Disruption Event or decision by the Index Review Panel;

“Trade Level” means the total trade levels (imports and exports) of the Index’s economy of origin; and

“Trading Day” means any day that CMC Markets is open that is also a trading day for all Index Components, excluding a day on which trading of any Index Component is scheduled to close earlier than its regular weekday closing time.

2. Initial Index Composition and Minimum Number of Index Components

On the Index Launch Date each Index will comprise of Index Components deemed suitable for inclusion by the Index Review Panel, based on their Trade Level. The weighting of each Index Component is capped at 40% of the total trade volume.

The Index will initially and at each Index Rebalancing, comprise of the number of Index Components listed in Table 7.1 (section 7), but may be subject to review if there are less than the number of Index Components listed in Table 7.1 available, due to an Index Disruption Event.

Between an Index Rebalancing, an Index Component can be deleted from the Index due to Index Disruption Events such as, but not limited to, currency pegging, removal of an existing currency peg or extraordinary government intervention.

3. Initial Index Composition Calculation Methodology

On the Index Launch Date ($t=0$) the Index Price will be calculated as below.

$$IP_{(0)} = C * \prod_{i=1}^n P_{(i,0)}^{W_i}$$

Where:

$IP_{(0)}$ = Index Price on Trading Day $t=0$

C = Coefficient of Index

$P_{(i,0)}$ = Price of component i in the Index on Trading Day $t=0$. The spot rate expressed in base currency terms, i.e. EUR, GBP, CHF.

W_i = Currency weight of component i .

n = Number of components in the Index on Trading Day $t=0$

The Index Coefficient is a number used to calculate and normalise the Index and set the Index Price at a base of 20,000 for JPY Index and 1,000 for all other foreign exchange Indices. If any Index Component changes due to an Index Disruption Event, then a new Index Coefficient will be calculated based on the close prices on the day before the Index Disruption Event to keep the Index Price the same.

4. Index Disruption Event

If, in the determination of the Index Review Panel, an Index Disruption Event has occurred, the Index Review Panel will decide on the best course of action as to whether to remove or continue to include the Index Component within the Index. In either case, a new Index Coefficient will be calculated using the prices of all Index Components at the time of the last price published before the Index Disruption Event affecting an Index Component.

5. Annual Review of the Index

The Index shall be reviewed by the Index Review Panel on each Review Date. On the Review Date, all Index Components will be reweighted based on their Trade Level and viewed in descending order by their current weighting within the Index. Any Index Component that breaches the cap shall be reweighted as per the method on the Index Launch Date.

On the Rebalancing Date, a new Index Coefficient shall be calculated. The basis for the rebalancing shall be the respective prices of the Index Components on the relevant Rebalancing Date whereby the Index Price after the Rebalancing Date shall be equal to the Index Price before the Rebalancing Date.

If, in the determination of the Index Review Panel, an Index Disruption Event has occurred on any Rebalancing Date, the Rebalancing Date shall be postponed to the first succeeding Trading Day on which the Index Review Panel determines that there is no Index Disruption Event.

6. Index Component Substitution

The Index Review Panel will determine if each of the Index Components still meets the conditions of a Qualifying Component at each Review Date. If a Substitution Event occurs, the Outgoing Component shall be substituted by an alternative Index Component on the Rebalancing Date.

If no Qualifying Component exists, the weight of the Outgoing Component will be distributed proportionally amongst the remaining Index Components.

The basis for the Substitution Event shall be the respective prices of the Index Component on the relevant Rebalancing Date.

7. Further Information

CMC Markets Foreign Exchange Indices

General description:

The **CMC Markets Foreign Exchange Indices** track the performance of 12 currencies chosen by the Index Review Panel and will be comprised of a number of suitable currency pairs.

The Index was created with a base level price of 20,000 for the JPY Index and 1,000 for USD, GBP, EUR, AUD, NZD, CAD, CNH, CHF, SEK, NOK and SGD as of 31st December 2018.

Index Components on Index Launch Date:

Table 7.1

CNH	Weight	AUD	Weight	GBP	Weight	SEK	Weight
CNHUSD	29.54%	AUDCNH	40.00%	GBPEUR	40.00%	SEKEUR	40.00%
CNHEUR	28.56%	AUDJPY	20.34%	GBPUSD	22.98%	SEKNOK	16.81%
CNHJPY	17.47%	AUDEUR	12.94%	GBPCNH	15.43%	SEKCNH	13.49%
CNHAUD	9.06%	AUDUSD	12.48%	GBPCHF	7.14%	SEKUSD	12.12%
CNHGBP	4.57%	AUDGBP	5.36%	GBPNOK	4.22%	SEKGBP	11.12%
CNHCAD	4.48%	AUDSGD	4.06%	GBPCAD	4.04%	SEKJPY	3.10%
CNHSGD	4.22%	AUDNZD	3.52%	GBPJPY	3.52%	SEKCHF	1.96%
CNHCHF	2.09%	AUDCHF	1.31%	GBPSEK	2.68%	SEKAUD	1.40%
CHF	Weight	NZD	Weight	EUR	Weight	NOK	Weight
CHF EUR	40.00%	NZDCNH	35.76%	EURUSD	23.53%	NOKEUR	40.00%
CHFUSD	21.63%	NZDAUD	18.01%	EURCNH	20.85%	NOKGBP	17.91%
CHFGBP	13.97%	NZDUSD	14.15%	EURGBP	15.49%	NOKSEK	17.18%
CHFCNH	13.83%	NZDEUR	13.85%	EURPLN	10.64%	NOKUSD	9.78%
CHFJPY	4.30%	NZDJPY	9.22%	EURCHF	8.73%	NOKCNH	9.33%
CHFSGD	3.18%	NZDGBP	3.85%	EURSEK	5.85%	NOKJPY	2.58%
CHFCAD	1.75%	NZDSGD	3.25%	EURJPY	4.79%	NOKCAD	2.23%
CHFAUD	1.34%	NZDCAD	1.90%	EURNOK	3.70%	NOKCHF	0.99%
				EURCAD	2.80%		
				EURSGD	1.90%		
				EURAUD	1.71%		
JPY	Weight	CAD	Weight	USD	Weight	SGD	Weight
JPYCNH	40.00%	CADUSD	40.00%	USDEUR	27.83%	SGDCNH	30.52%
JPYUSD	26.70%	CADCNH	24.21%	USDCNH	24.88%	SGDUSD	26.83%
JPYEUR	15.92%	CADEUR	19.07%	USDCAD	24.33%	SGDEUR	19.43%
JPYAUD	7.28%	CADJPY	6.93%	USDJPY	9.72%	SGDJPY	10.08%
JPYSGD	3.23%	CADGBP	6.46%	USDGBP	5.73%	SGDAUD	4.54%
JPYCAD	2.97%	CADCHF	1.43%	USDUSD	3.13%	SGDGBP	4.10%
JPYGBP	2.41%	CADAUD	1.06%	USDCHF	2.75%	SGDCHF	3.47%
JPYCHF	1.50%	CADNOK	0.84%	USDAUD	1.63%	SGDCAD	1.05%