**Confirmation Letter** ***(to be filled in and signed by the fund’s Board of Directors)***

**Fund’s name:**

**Registered office:** **- Luxembourg**

Mr.

Commission de Surveillance du Secteur Financier

283, route d'Arlon

L-1150 Luxembourg

Date

Dear

We are referring to the “yy index” (the “**Index**”) and the assessment of its eligibility in light of Articles 9 and 12 of the Grand-ducal Regulation of 8 February 2008, Circular CSSF 08/339 (if relevant), Circular CSSF 08/380 and Circular CSSF 13/559.

We hereby confirm that the eligibility of the Index has been checked and tested in accordance with [pls mention the document outlining the index assessment methodology as referred to in the CSSF Annual Report, 2008, Chap II, section 8.4.4] dated       filed with your Commission.

On the basis of the “Financial Index Eligibility Table” enclosed with the present letter, we hereby take the view that the Index complies with the aforementioned regulations.

Yours sincerely,

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| Name:      Title:       | Name:      Title:       |

Date:

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| **“Financial Index” Eligibility Table** |

1. **The following tables aim at providing an overview of the main characteristics of the UCITS, the financial index (hereafter “index”) and of closely related aspects. Please provide clear and synthetic answers. If a given section is not applicable, then “not applicable” shall be indicated in the relevant section.**

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| **UCITS specific questions** |
| Is the UCITS an index-tracking UCITS in accordance with section II (“Definitions”) of the ESMA document ESMA/2012/832 “Guidelines on ETFs and other UCITS issues” (hereafter “ESMA/2012/832”), as implemented by Circular CSSF 13/559? |  |
| Is the UCITS an index-tracking leveraged UCITS in accordance with section II (“Definitions”) of ESMA/2012/832? If yes, does the UCITS strategy consist in having a leveraged exposure to the index or does the UCITS take an exposure to a leveraged index? |  |
| If the UCITS is not an index-tracking UCITS, please indicate the investment strategy relating to the index (covered by this “Financial Index Eligibility Table) as applied by the UCITS. |  |
| Is the UCITS a “UCITS ETF” in accordance with section II (“Definitions”) of ESMA/2012/832? |  |
| Does the UCITS track the index by means of a physical replication model or a synthetic replication model or a combination of both? |  |
| Does the index-tracking leveraged UCITS comply with the global exposure[[1]](#footnote-1) limits and rules? |  |

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| **Index questions** |
| Index Name |  |
| Index Manager / Index Sponsor |  |
| Index Calculation Agent |  |
| Other Entity involved (if relevant) |  |
| Are these entities subject to prudential supervision? If applicable, please provide the name of the corresponding supervisory authority. |  |
| Are these entities specialised in this kind of activity? |  |
| Has the document outlining the index assessment methodology been provided to the CSSF (cf. CSSF Annual Report, 2008, Chap II, section 8.4.4)? |  |
| Does the UCITS’ Board of Directors proceed to an ongoing (re)assessment of the eligibility of the index? |  |
| Are all index constituents eligible as direct investments pursuant to the Law of 17 December 2010 on undertakings for collective investment (hereafter “L2010”) and the Grand-ducal Regulation of 8 Feb 2008 as regards the clarification of certain definitions (hereafter “LGDR”)[[2]](#footnote-2)? If not, please specify. |  |
| What group of underlyings / market does the index aim to represent?  |  |
| Is there an optimisation process in the selection and/or weighting of the index components? Please provide a comprehensive description of the process. |  |
| Does an algorithm-based method play a role in the selection and/or weighting of the index components? Please provide a comprehensive description of the method. |  |
| Is the index based on discretionary selection and/or weighting rules? Please describe any discretionary aspects. |  |
| Can the algorithm (if applicable) underlying the selection and/or weighting of the index components be changed at the sole discretion of the Index Manager / Index Sponsor? |  |
| What is the rebalancing frequency? Please explain the principles underlying the rebalancing frequency. |  |

1. **This table must be filled in order to explain how compliance with the following criteria[[3]](#footnote-3) is ensured.**

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| **Diversification** |
| The index (composed of assets referred to in Article 41 (1) of the L2010 or not) is not composed of a single component that has an impact on the overall index return exceeding the relevant diversification requirements i.e. 20%/35%, as laid down in Article 44 of the L2010. |  |
| 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, respects the same limits of 20%/35% as laid down in Article 44 of the L2010. |  |
| A UCITS should not invest in commodity indices that do not consist of different commodities. Sub-categories of the same commodity should be considered as being the same commodity for the calculation of the diversification limits[[4]](#footnote-4). |  |

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| **Benchmark** |
| The index measures the performance of a representative group of underlyings in a relevant and appropriate way. |  |
| The index has a clear, single objective to represent an adequate benchmark for the market to which it refers. |  |
| The universe of the index components and the basis on which these components are selected for the strategy are clear to investors and competent authorities. |  |
| 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. |  |
| The index has not 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. |  |
| The index is revised or rebalanced periodically, to ensure that it continues to reflect the markets to which it refers, following criteria which are publicly available. |  |
| The methodology for the selection and the rebalancing of the components is based on a set of pre-determined rules and objective criteria**.** |  |
| The rebalancing frequency does not prevent investors from being able to replicate the financial index. Indices which rebalance on an intra-day or daily basis do not satisfy this criterion. Technical adjustments made to an index should not be considered as rebalancing.[[5]](#footnote-5) |  |
| The underlyings are sufficiently liquid, which allows users to replicate the index, if necessary. |  |

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| **Publication** |
| The index publication process relies on sound procedures to collect prices and to calculate and to subsequently publish the index value, including pricing procedures for components where a market price is not available*.* |  |
| The full calculation methodology enabling inter alia investors to replicate the index is disclosed by the index provider. This includes providing detailed information on, among others, index constituents, index calculation (incl. effect of leverage within the index), re-balancing methodologies, index changes and information on any operational difficulties in providing timely or accurate information. |  |
| The information on the calculation methodology and the performance of the index is easily accessible and free of charge (e.g. via the internet). |  |
| The constituents together with their respective weightings are published. Weightings may be published after each rebalancing on a retrospective basis. This information covers the previous period since the last rebalancing and includes all levels of the index. |  |
| The information on the constituents together with their respective weightings is easily accessible and free of charge (e.g. via the internet). |  |

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| **Other eligibility criteria** |
| The UCITS carried out appropriate documented due diligence on the quality of the index covering, among others, the comprehensiveness of the index methodology and matters relating to the treatment of index components. In addition, the availability of information about the index should be assessed including:* whether there is a clear narrative description of the benchmark;
* whether there is an independent audit and the scope of such an audit;
* the frequency of index publication and whether this will affect the ability of the UCITS to calculate its net asset value.

If not all the criteria / factors (as laid down in box 6 of CESR/07-434 and paragraph 60 of ESMA/2012/832) are met by the index, the UCITS should explain why gaining exposure to the index is consistent with its investment objectives and risk profile. |  |
| The index provider does not accept payments from potential index components for the purpose of being included in the index. |  |
| The methodology of the index does not allow retrospective changes to previously published index values (“backfilling”). |  |
| The financial index is subject to independent valuation. |  |

1. **This table must be filled in order to provide information on the prospectus disclosure relating to the index.**

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| **Financial index & prospectus disclosure** |
| Does the UCITS’ prospectus provide for transparency as regards the description of the index (i.e. index methodology, etc.) and all the related (non-negligible) risks (including, if applicable, operational risks)? Please indicate the relevant page(s). |  |
| Does the UCITS’ prospectus provide for transparency as regards the costs / fees relating to the index (including the costs/fees accounted for at index level)? Please indicate the relevant page(s). |  |
| Does the UCITS’ prospectus disclose, in accordance with paragraph 53 of ESMA/2012/832, the rebalancing frequency of the index and its effects on the costs within the strategy? Please indicate the relevant page(s). |  |
| Does the prospectus of an index-tracking UCITS include the elements as required by paragraph 9 of ESMA/2012/832 (description of indices incl. information on underlying components, index tracking model and implications, anticipated level of tracking error, etc.)? Please indicate the relevant page(s). Is this information included in a summary form in the PRIIPS KID/KIID? |  |
| Does the prospectus of an index-tracking leveraged UCITS include the information as required by paragraph 13 of ESMA/2012/832 (e.g. leverage policy, cost of leverage, impact of reverse leverage, UCITS performance/index performance)? Please indicate the relevant page(s). Is this information included in a summary form in the PRIIPS KID/KIID? |  |
| Specific disclosure, including a description of the corresponding exceptional market conditions, should be in the prospectus when a UCITS intends to make use of the increased diversification limits, as laid down in Article 44 of the L2010. Please indicate the relevant page(s). |  |

1. By reference to Article 42(3) of the Law of 17 December 2010 on undertakings for collective investment. [↑](#footnote-ref-1)
2. CESR has published the level 3 guidelines “CESR's guidelines concerning eligible assets for investment by UCITS”, dated March 2007 and updated September 2008 (CESR/07-044b), which accompany the LGDR. [↑](#footnote-ref-2)
3. The criteria, included in the table hereafter and governing the eligibility of an index, are based on provisions as laid down in Article 44 of the Law of 17 December 2010, Articles 9 and 12 of the Grand-ducal Regulation of 8 February 2008; these provisions being further clarified by means of CESR documents CESR/07-044b and CESR/07-434 (as implemented by Circulars CSSF 08/339 and 08/380) and ESMA document ESMA/2012/832 (as implemented by Circular CSSF 13/559). For completeness purposes, please note that the ESMA Questions & Answers document ESMA/2012/314 provides additional clarification concerning the aforementioned document ESMA/2012/832. [↑](#footnote-ref-3)
4. Further information on this criterion can be found under paragraph 50 of ESMA/2012/832. [↑](#footnote-ref-4)
5. Further information on this criterion can be found under paragraph 54 of ESMA/2012/832 as well in the ESMA Questions & Answers document ESMA/2013/314. [↑](#footnote-ref-5)