

## Introduction: Compliance Statement

The Board of the International Organization of Securities Commissions (“IOSCO”) published a report - ‘Principles for Financial Benchmarks’ in July 2013. The objective of the Report is to create a framework of principles for benchmarks used in financial markets. The European Securities Market Authority (“ESMA”) and the European Banking Authority (“EBA”) also published ‘Principles for Benchmark-Setting Processes in the EU’ in June 2013.

The definition of benchmark used in the above documents is broad, and would include the proprietary indices created and administered by Commerzbank AG. Commerzbank AG, as Administrator of the Commerzbank AG Indices, has an obligation to publicly disclose the extent of its compliance with the IOSCO Principles and the ESMA EBA Principles. This Compliance Statement has been published to meet this obligation.

## Context

Proprietary Indices have been provided by the Equities Markets And Commodities Unit of Commerzbank AG. Commerzbank AG owns the intellectual property involved in the creation and maintenance of these indices. Each of these indices has a documented methodology and can be used in products issued by Commerzbank AG or in derivative transactions. The index methodology details an objective for the respective index.

The Equities Markets And Commodities Unit (“EMC”) of Commerzbank AG has implemented a framework for the administration of indices that takes into account the IOSCO Principles for Financial Benchmarks and the ESMA EBA Principles for Benchmark-Setting Processes in the EU.

Commerzbank AG in respect of indices administered by the Equities Markets and Commodities Unit (“EMC”) of Commerzbank AG has therefore implemented a framework for the administration of indices that is proportionally compliant with the IOSCO Principles for Financial Benchmarks and the ESMA EBA Principles for Benchmark-Setting Processes in the EU.

It should be noted that most of the proprietary indices offered by EMC are bespoke and are not widely used in financial instruments offered by other market participants but are used in financial instruments offered by Commerzbank AG to its clients.

The table below provides a high level summary of the regulatory principles described above and how Commerzbank AG in respect of indices administered by the Equities Markets and Commodities seeks to ensure compliance with such regulatory principles.

**ESMA-EBA Principles for Benchmark-Setting Processes in the EU**
**IOSCO Principles for Financial Benchmarks**
**Commerzbank AG Compliance Statement on behalf of Equities Markets and Commodities Unit of Commerzbank AG**

June 2013

July 2013

Topic and General Requirement (High Level Excerpts Only)

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Governance - A Benchmark Administrator should have governance and compliance functions and processes to enable it to operate effectively and ensure the quality of the Benchmark.

Governance - Administrators will have appropriate governance arrangements in place in order to protect the integrity of the Benchmark determination process

An Index Committee has been established by EMC in order to provide governance and oversight of EMC's index administration activities. Where activities relating to index administration are undertaken by third parties, e.g. Calculation Agent, oversight of such parties is maintained.

An inventory of Indices is maintained and reviewed on a periodic basis by the Index Committee.

The Index Committee includes representatives from functions such as Compliance and Legal.

Index Methodology - A Benchmark Administrator should ensure the existence of robust methodologies for the calculation of the Benchmark

Index Methodology – Information should be made available so that Stakeholders may understand and make their own judgments concerning the overall credibility of a Benchmark

Users of indices administered by EMC are able to obtain upon request the methodology for the relevant index. The index methodology allows index users to assess how the index operates and is calculated. It also allows users to assess whether the index is appropriate to be used as a reference for financial instruments

**ESMA-EBA Principles for Benchmark-Setting Processes in the EU**

Control Framework - A Benchmark Administrator should establish, implement and maintain adequate internal control mechanisms on the data contributed.

**IOSCO Principles for Financial Benchmarks**

An Administrator should implement an appropriate control framework for the process of determining and distributing the Benchmark

**Commerzbank AG Compliance Statement on behalf of Equities Markets and Commodities Unit of Commerzbank AG**

EMC seeks as far as possible for market data to feed automatically into index calculation systems. Market Data is reviewed accordingly. Index level calculations are reviewed on a daily basis. Verification procedures may be performed prior to the publication of the index level or after publication. The aim is to address any errors in a timely manner.

EMC has a policy to use regulated market data for the calculation of index levels and if this is not available to use internal data that is reviewed against external data.

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**ESMA-EBA Principles for Benchmark-Setting Processes in the EU**

Conflicts of Interest – need to identify, with reference to the activities related to Benchmark data, conflicts of interest that may arise, along with the procedures to be followed and measures to be adopted, in order to manage such conflicts.

Training – need for internal policies to cover training.

**IOSCO Principles for Financial Benchmarks**

Conflicts of Interest - A Benchmark administrator should have appropriate arrangements in place to protect the integrity of the Benchmark and to address conflicts of interests.

Training – Control Framework should address staff training.

**Commerzbank AG Compliance Statement on behalf of Equities Markets and Commodities Unit of Commerzbank AG**

Commerzbank AG structures and sells index linked financial products to its clients and may act as a market maker in respect of an index or its underlying constituents. This gives rise to potential conflicts of interest. Commerzbank AG has policies in place in order to ensure that conflicts of interest are managed appropriately. A compliance manual detailing the requirement to manage conflicts of interest appropriately applies to all Commerzbank AG personnel involved in Index Administration and personnel are required to confirm their adherence to the compliance manual on an annual basis. Moreover EMC has developed a Conflict of Interests policy specifically for Indices that apply to all personnel involved in EMC. The Index Committee considers conflicts of interest when reviewing relevant indices.

EMC personnel involved in Index Administration are required to attend training sessions on an annual basis to ensure that they are aware of regulatory requirements relating to Index Administration tasks.

<b>ESMA-EBA Principles for Benchmark-Setting Processes in the EU</b>	<b>IOSCO Principles for Financial Benchmarks</b>	<b>Commerzbank AG Compliance Statement on behalf of Equities Markets and Commodities Unit of Commerzbank AG</b>
Audit – need for internal policies to cover audit requirements.	Audit - independent internal or external auditor with appropriate experience and capability to periodically review operations.	EMC's Index Administration activities are subject to internal audit and compliance review and records of such reviews are maintained.
Complaints - need for internal policies to cover complaints.	Complaints – Arrangements to ensure that complaints mechanisms are effective.	Complaints received relating to an Index are escalated to the Index Committee.
Whistleblowing - Benchmark Calculation Agent should establish an effective whistleblowing mechanism in order to facilitate early awareness of any misconduct or other irregularities that may arise	Whistleblowing - Administrators should establish an effective whistleblowing mechanism to facilitate early awareness of any potential misconduct or irregularities that may arise.	All EMC personnel are encouraged to whistle blow in accordance with the relevant policy should they have any concerns regarding the manner in which an index is being administered.
Audit Trail - A Benchmark Calculation Agent should keep audit records of all data used in the process of calculating the Benchmark. Historical records should include the data relating to the historical composition, past performances and Methodology of a Benchmark.	Audit Trail - Written records should be retained by the Administrator for five years in relation to data inputs and methodologies.	Records are maintained such that an audit trail exists for index methodologies, calculations and publications of index levels.

**ESMA-EBA Principles for Benchmark-Setting Processes in the EU**

Cooperation with Regulatory Authorities - Benchmark Administrator should comply with any query from its Supervisory Authority

**IOSCO Principles for Financial Benchmarks**

Cooperation with Regulatory Authorities - Relevant documents, Audit Trails and other documents shall be made readily available by the relevant parties to the relevant Regulatory Authorities in carrying out their regulatory or supervisory duties and handed over promptly upon request.

**Commerzbank AG Compliance Statement on behalf of Equities Markets and Commodities Unit of Commerzbank AG**

A cooperative relationship with Regulatory Authorities is always important to Commerzbank AG. In this regard, Commerzbank AG will support Regulatory Authorities in carrying out their regulatory or supervisory duties as far as possible.

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## Important Disclosure

### Transparency and Proportionality

The IOSCO Principles and the ESMA EBA Principles require transparency in various aspects of an index e.g. input data used in calculations of index levels. The vast majority of indices use only regulated market data. Moreover the indices are often used only by a small number of clients. Therefore such data is made available to clients upon request rather than automatically.

**For the avoidance of doubt, this Statement of Compliance is not intended to cover benchmarks owned and calculated by other business areas of Commerzbank AG. It only covers indices administered by the Equities Markets and Commodities (“EMC”) Unit of Commerzbank AG.**