

Wilshire

Wilshire Indexes Equity Indexes Error Correction Policy

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Introduction

Wilshire OpCo UK Ltd ("Wilshire Indexes") is a Benchmark Administrator registered with the United Kingdom Financial Conduct Authority. This document describes the policy that Wilshire Indexes will seek to adhere to with respect to calculation errors that might occur in the determination of the equity benchmarks administered by Wilshire Indexes.

The purpose of this document is to:

- Describe the identified circumstances that might require correction of published Wilshire benchmarks
- Set out the usual treatment for the correction of various types of errors
- Provide a timetable in which Wilshire Indexes will act in each of these situations
- Provide maximum transparency for users of Wilshire Indexes equity benchmarks, and other market participants.

Index Correction Policy

The policy that Wilshire Indexes will seek to follow for the correction of various types of errors that can occur during the calculation of an index is set out below. Although Wilshire Indexes will adhere to this policy where circumstances allow, there may be specific situations that necessitate a different correction procedure. In these circumstances, Wilshire Indexes will publish a notice setting out the treatment that will be followed along with the rationale for departing from this policy.

Incorrect price

Wilshire Indexes has extensive processes in place to validate all prices used in benchmarks, including verification from multiple sources, and automated and manual checks. All input data is sourced from regulated exchanges that themselves have processes to ensure published price data is accurate.

However, there are occasions when a standard closing price may not be readily available, for example if an exchange shuts earlier than expected and a data vendor provides an interim price whilst the exchange determines the official close. Given that incorrect prices will normally self-correct the next day, Wilshire will generally only restate affected indices if the incorrect price was used in the index after the implementation of the most recent index reconstitution and:

- the incorrect price is detected within five business days, or
- the incorrect price occurred at the previous month, quarter or year end.

Incorrect corporate action treatment

Wilshire Indexes scrutinizes all supplied corporate action data using automated processes. However, errors may arise if incorrect data is received from Wilshire Indexes' suppliers of corporate action data, or where the corporate action is incorrectly applied, for example because the wrong terms were used, or the corporate action is applied on the wrong ex-date.

In these circumstances, provided the incorrect corporate action treatment was applied after the implementation of the most recent index reconstitution, Wilshire Indexes will restate the affected indices and reissue forward looking constituent files from the date prior to the event.

Incorrect dividend

In the event of a dividend being applied on an incorrect date, and either the incorrect date or the true ex-date has passed, Wilshire Indexes will restate the affected indexes from the date of the dividend error. If the amount of an applied dividend

was incorrect, Wilshire will generally apply a compensating adjustment for the next day provided that the dividend ex-date and the date of the compensatory adjustment fall in the same month; if not, the affected indexes will be restated.

Incorrect constituent weight

Examples of how an incorrect constituent weight might occur include the use of incorrect free-float weight data (for example because a particular shareholder should have been deemed restricted), incorrect foreign ownership limit or use of incorrect data in the weight calculation in a factor or style index.

Because the determination of index weights, particularly in alternatively (non-capitalisation) weighted indices can on occasion be subject to the exercise of expert judgement, Wilshire Indexes adheres to the published Wilshire Indexes Queries and Complaints Policy that provides for users and other stakeholders to query any aspect of an index's calculation. The Policy sets out how Wilshire Indexes will respond to such queries.

Should Wilshire Indexes agree that a constituent's index weight has been incorrectly determined, this will be corrected at the next quarterly index rebalance or semi-annual reconstitution and a notice will be published to that effect.

Very exceptionally Wilshire may apply a go-forward correction with notice if the resulting weight difference is sufficiently large that the integrity of the index might be called into question.

Incorrect inclusion or exclusion of a security

Examples of incorrect inclusion or exclusion include the incorrect application of the nationality assignment rule, or an error in the application of one of the index eligibility rules set out in the index methodology documentation, for example because incorrect information was supplied to Wilshire.

As with the calculation of a constituent's index weight, expert judgement must occasionally be deployed to determine a constituent's eligibility for an index. For example, the nationality of a constituent may not be clear cut, for example because it has no clear location for its headquarters, or the investable market capitalization of the constituent with respect to the index entry threshold depends on which of its shareholders are considered restricted. Accordingly, the Wilshire Indexes Queries and Complaints Policy that provides for users and other stakeholders to query any aspect of an index's calculation applies to potential instances of wrongful inclusion or exclusion too.

Should Wilshire Indexes agree that a constituent has been wrongfully included or excluded, this will be corrected at the next quarterly index rebalance or reconstitution and a notice will be published to that effect.

Very exceptionally Wilshire may apply a go-forward correction with notice if Wilshire considers that the wrongful inclusion or exclusion could cause the integrity of the index to be called into question.

Incorrect index constitution

If an index has been improperly reconstituted, that is the rules set out in the index methodology documentation were not properly adhered to, Wilshire Indexes will immediately notify clients and other users and vendors that an issue with the index has occurred and that they should be alert to subsequent notifications which will include details of the issue and the plan for remediating the issue.

If the affected index is known to be used by only a small number of users, Wilshire Indexes may consult the known users of the index on their preferred method of remediation. During these consultations, Wilshire Indexes will make no indication on whether a user's preferred remediation proposal will be implemented. Absent any specific feedback from index users, Wilshire Indexes will generally look to correct the index composition as soon as possible taking into account factors such as liquidity and transaction costs. If the next index reconstitution is imminent, Wilshire Indexes may decide to defer remediation to the reconstitution.

In all cases, the final decision on how and when an incorrect index composition will be remedied will be taken by the Wilshire Indexes Executive Committee. The decision will be notified to the market through the publication of a notice.

Real Time Index Correction Policy

If the real time calculation of an index is discovered to be using an incorrect price adjustment factor for a constituent, the correct price adjustment factor will be applied intra-day prior to the close of the index. If the incorrect price adjustment factor is discovered after the index close, the index close will be restated.

If the real time calculation of a total return index is discovered to be using an incorrect dividend, a compensation adjustment will be applied prior to the close of the index. If the incorrect dividend is discovered after the close of the total return index, the index close will be restated.

Policy Approval

This Error Correction Policy was approved by the Wilshire Indexes Executive Committee.

More information

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