

Compliance statement for non-significant benchmark exemptions (Based on Template in COMMISSION IMPLEMENTING REGULATION (EU) 2018/1106)

A. General Information

1. Date of Creation: 2019/11/25, Last updated 2019/11/25, formal revision 2020/03/31
 2. Name of the Administrator: Nikkei Inc.

B. Nikkei Inc. chooses not to apply the following provisions of Regulation (EU) 2016/1011 in respect of the non-significant benchmarks identified below.

- 1: Regulated-data benchmarks
 2: Nikkei 225 Dividend Point Index
 3: Nikkei Asia300 Investable Index
 4: Nikkei 225 USD Hedged Index as well as Nikkei 225 EUR Hedged Index, Nikkei Stock Average Volatility Index, Nikkei 225 Risk Control Index.

		1. Regulated-data benchmarks		2. Nikkei 225 Dividend Point Index		3. Nikkei Asia300 Investable Index		4. Nikkei 225 USD Hedged Index; Nikkei 225 EUR Hedged Index; Nikkei Stock Average Volatility Index; Nikkei 225 Risk Control Index	
		"Y" for application for exemption		"Y" for application for exemption		"Y" for application for exemption		"Y" for application for exemption	
Provisions		Y/N	Reasons	Y/N	Reason	Y/N	Reason	Y/N	Reason
Article 4 Governance and conflict of interest requirements									
Article 4(2)	The provision of a benchmark shall be operationally separated from any part of an administrator's business that may create an actual or potential conflict of interest.	N		N		N		N	
Article 4(7) Administrators shall ensure that their employees and any other natural persons whose services are placed at their disposal or under their control and who are directly involved in the provision of a benchmark:									
Article 4(7)(c)	(c) do not have any interests or business connections that compromise the activities of the administrator concerned;	N		N		N		N	
Article 4(7)(d)	(d) are prohibited from contributing to a benchmark determination by way of engaging in bids, offers and trades on a personal basis or on behalf of market participants, except where such way of contribution is explicitly required as part of the benchmark methodology and is subject to specific rules therein;	N		N		N		N	

Article 4(7)(e)	(e) are subject to effective procedures to control the exchange of information with other employees involved in activities that may create a risk of conflicts of interest or with third parties, where that information may affect the benchmark.	N		N		N		N	
Article 4(8)									
Article 4(8)	8. An administrator shall establish specific internal control procedures to ensure the integrity and reliability of the employee or person determining the benchmark, including at least internal sign-off by management before the dissemination of the benchmark.	N		N		N		N	
Article 5 Oversight function requirements									
Article 5(2)	2. Administrators shall develop and maintain robust procedures regarding their oversight function, which shall be made available to the relevant competent authorities.	N		N		N		N	
Article 5(3) The oversight function shall operate with integrity and shall have the following responsibilities, which shall be adjusted by the administrator based on the complexity, use and vulnerability of the benchmark:									
Article 5(3)(a)	(a) reviewing the benchmark's definition and methodology at least annually	N		N		N		N	
Article 5(3)(b)	(b) overseeing any changes to the benchmark methodology and being able to request the administrator to consult on such changes	N		N		N		N	
Article 5(3)(c)	(c) overseeing the administrator's control framework, the management and operation of the benchmark, and, where the benchmark is based on input data from contributors, the code of conduct referred to in Article 15	N		N		N		N	
Article 5(3)(d)	(d) reviewing and approving procedures for cessation of the benchmark, including any consultation about a cessation	N		N		N		N	
Article 5(3)(e)	(e) overseeing any third party involved in the provision of the benchmark, including calculation or dissemination agents	N		N		N		N	

Article 5(3)(f)	(f) assessing internal and external audits or reviews, and monitoring the implementation of identified remedial actions	N		N		N		N	
Article 5(3)(g)	(g) where the benchmark is based on input data from contributors, monitoring the input data and contributors and the actions of the administrator in challenging or validating contributions of input data	N	Input data is not from contributors.	N	Same as the left	N	Same as the left	N	Same as the left
Article 5(3)(h)	(h) where the benchmark is based on input data from contributors, taking effective measures in respect of any breaches of the code of conduct referred to in Article 15	N	Input data is not from contributors	N	Same as the left	N	Same as the left	N	Same as the left
Article 5(3)(i)	(i) reporting to the relevant competent authorities any misconduct by contributors, where the benchmark is based on input data from contributors, or administrators, of which the oversight function becomes aware, and any anomalous or suspicious input data.	N	Input data is not from contributors.	N	Same as the left	N	Same as the left	N	Same as the left
Article 5(4)	4.The oversight function shall be carried out by a separate committee or by means of another appropriate governance arrangement.	N		N		N		N	
Article 6 Control framework requirements									
Article 6(1)	1.Administrators shall have in place a control framework that ensures that their benchmarks are provided and published or made available in accordance with this Regulation.	N		N		N		N	
Article 6(3) The control framework shall include:									
Article 6(3)(a)	(a) management of operational risk;	N		N		N		N	
Article 6(3)(b)	(b) adequate and effective business continuity and disaster recovery plans;	N		N		N		N	
Article 6(3)(c)	(c) contingency procedures that are in place in the event of a disruption to the process of the provision of the benchmark.	N		N		N		N	
Article 6(5)	5.The control framework shall be documented, reviewed and updated as appropriate and made available to the relevant competent authority and, upon request, to users.	Y	The control framework at Nikkei is documented, reviewed and updated as appropriate and made available to the relevant competent authority. Exemption is applied for	Y	Same as the left	Y	Same as the left	Y	Same as the left

			only concerning availability to users upon request. The reason is to avoid parallel procedures: The control framework is published in the IOSCO Compliance Report and a separate submission procedure upon request of users needs to be avoided.						
Article 7 Accountability framework requirements									
Article 7(2)	2.An administrator shall designate an internal function with the necessary capability to review and report on the administrator's compliance with the benchmark methodology and this Regulation.	Y	Instead of internal function to review, Nikkei conducts a review by third-party auditor to assure compliance with the IOSCO Principles.	Y	Same as the left	Y	Same as the left	Y	Same as the left
Article 11 Input data									
Article 11(1)(b)	1.The provision of a benchmark shall be governed by the following requirements in respect of its input data: (b) the input data referred to in point (a) shall be verifiable;	Y	Benchmarks of Nikkei are based on the prices from regulated exchanges. They are generally accepted as accurate but not verifiable;	N	Dividends can be verified by publicly available sources such as corporate announcements	Y	Nikkei Asia300 Investable Index is based on the prices from regulated exchanges. They are generally accepted as accurate but not verifiable;	Y	Nikkei 225 USD Hedged Index and Nikkei 225 EUR Hedged Index are based on FX rates provided by WM/Reuters London (4pm Closing Rates). The rates are administered by Refinitiv Benchmark Services (UK) Limited which is authorized under Article 34 of Regulation (EU)

								<p>2016/1011. The rates are commercially available, and Nikkei obtains them directly from Refinitiv under a service level agreement.</p> <p>Nikkei Stock Average Volatility Index is based on options prices and the interest rate LIBOR. Strike prices of options are chosen using the futures prices. The futures/options prices are from the Osaka Exchange which is EU equivalent (BMR Article 3(1)(24)(i)). LIBOR euro-yen rate (1 and 2 months) plays a small role in the calculation of the index. LIBOR is provided by ICE Benchmark Administration ("IBA"), an independent subsidiary of Intercontinental Exchange ("ICE") Group. IBA is authorized under</p>
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									<p>Article 34 of Regulation (EU) 2016/1011. LIBOR is commercially available and QUICK receives LIBOR directly from IBA under a service level agreement and provides it to the Osaka Exchange.</p> <p>Nikkei 225 Risk Control Index is based on the closing value of the Nikkei 225 and the largest closing value of the Nikkei Stock Average volatility Index (VI) in the past 20 business days. The Nikkei 225 is a regulated data benchmark. VI is as described above.</p>
Article 11 (2) Administrators shall ensure that their controls in respect of input data include:									
Article 11(2)(b)	(b) a process for evaluating a contributor's input data and for stopping the contributor from providing further input data, or applying other penalties for non-compliance against the contributor, where appropriate;	Y	Article 11(2) exempted as regulated data benchmark	N	Input data is not from contributors.	N	Same as the left	N	Same as the left
Article 11(2)(c)	(c) a process for validating input data, including against other indicators or data, to ensure its integrity and accuracy.			Y	Nikkei's dividends are collected from the publicly available sources and provided commercially to its clients after verifications.	Y	Nikkei Asia300 Investable Index is based on the prices from regulated exchanges. They are generally accepted as	Y	Nikkei 225 USD Hedged Index and Nikkei 225 EUR Hedged Index are based on FX rates provided by WM/Reuters London (4pm Closing Rates).

							accurate but cannot be validated.		<p>The rates are administered by Refinitiv Benchmark Services (UK) Limited which is authorized under Article 34 of Regulation (EU) 2016/1011. The rates are commercially available, and Nikkei obtains them directly from Refinitiv under a service level agreement.</p> <p>For the Nikkei Stock Average Volatility Index please refer to line <i>Article 11(1)(b)</i>, above, right column. For the Nikkei 225 Risk Control Index please refer to line <i>Article 11(1)(b)</i>, above, right column.</p>
Article 11 (3) Where the input data of a benchmark is contributed from a front office function, meaning any department, division, group, or personnel of contributors or any of its affiliates that performs any pricing, trading, sales, marketing, advertising, solicitation, structuring, or brokerage activities, the administrator shall:									
Article 11(3)(a)	(a) obtain data from other sources that corroborate that input data	Y	Article 11(3) exempted as regulated data benchmark	N	Dividends are not obtained from a front office function.	N	Input data is not from contributors	N	Input data is not from contributors
Article 11(3)(b)	(b) ensure that contributors have in place adequate internal oversight and verification procedures.			N	Input data is not from contributors	N	Input data is not from contributors	N	Input data is not from contributors
Article 13(1)(c) the procedures for consulting on any proposed material change in the administrator’s methodology and the rationale for such changes, including a definition of what constitutes a material change and the circumstances in which the administrator is to notify users of any such changes.									
Article 13(2) The procedures required under point (c) of paragraph 1 shall provide for:									

Article 13(2)(a)	(a) Advance notice, with a clear time frame, that gives the opportunity to analyse and comment upon the impact of such proposed material changes; and	Y	There will be a procedure with a reasonable announcement period and no separate consultation procedure is required due to the scope of the benchmarks and the rareness of amendments.	Y	Same as the left	Y	Same as the left	Y	Same as the left
Article 13(2)(b)	(b) the comments referred to in point (a) of this paragraph, and the administrator's response to those comments, to be made accessible after any consultation, except where confidentiality has been requested by the originator of the comments	Y	Same as the above.	Y	Same as the above	Y	Same as the above	Y	Same as the above.
Article 14 Reporting of infringements									
Article 14(2)	2. An administrator shall monitor input data and contributors in order to be able to notify the competent authority and provide all relevant information where the administrator suspects that, in relation to a benchmark, any conduct has taken place that may involve manipulation or attempted manipulation of the benchmark, under Regulation (EU) No 596/2014, including collusion to do so.	Y	Article 14(2) exempted as regulated data benchmark	N	Input data is not from contributors. Dividend information is Nikkei's in-house data and Nikkei's code of conduct applies including reporting infringements.	N	Input data is not from contributors. Input data is stock prices from locally regulated exchanges. Since exchanges report infringements, Nikkei can notify the competent authority if such infringement is reported.	Y	Input data is not from contributors. For Nikkei 225 USD Hedged Index and Nikkei 225 EUR Hedged Index, FX rates are provided by WM/Reuters London (4pm Closing Rates) and administered by Refinitiv Benchmark Services (UK) Limited which is authorized under Article 34 of Regulation (EU) 2016/1011. Refinitiv is therefore subject to monitoring requirements concerning the relevant data. On a risk based approach,

									<p>formalized monitoring procedures by Nikkei are thus not deemed necessary. Furthermore, the relevant rates are commercially available, and Nikkei obtains them directly from Refinitiv under a service level agreement.</p> <p>For the Nikkei Stock Average Volatility Index please refer to line <i>Article 11(1)(b)</i>, above, right column.</p> <p>For the Nikkei 225 Risk Control Index please refer to line <i>Article 11(1)(b)</i>, above, right column.</p>
Article 15 (2) The code of conduct shall include at least the following elements:									
Article 15(2)(a)	(a) a clear description of the input data to be provided and the requirements necessary to ensure that input data is provided in accordance with Articles 11 and 14;	Y	Article 15 exempted as regulated data benchmark	Y	Since the input data is not from contributors, Article 15 does not apply.	Y	Same as the left	Y	Same as the left
Article 15(2)(b)	(b) identification of the persons that may contribute input data to the administrator and procedures to verify the identity of a contributor and any submitters, as well as authorisation of any submitters that contribute input data on behalf of a contributor;			Y	Same as the above.	Y	Same as the left	Y	Same as the left
Article 15(2)(c)	(c) policies to ensure that a contributor provides all relevant input data;			Y	Same as the above	Y	Same as the left	Y	Same as the left

Article 15(2)(d)	(d) the systems and controls that a contributor is required to establish, including: (i) procedures for contributing input data, including requirements for the contributor to specify whether input data is transaction data and whether input data conforms to the administrator's requirements; (ii) policies on the use of discretion in contributing input data; (iii) any requirement for the validation of input data before it is provided to the administrator; (iv) record-keeping policies; (v) reporting requirements concerning suspicious input data; (vi) requirements concerning the management of conflicts of interest.			Y	Same as the above	Y	Same as the left	Y	Same as the left
Article 16 Governance and control requirements for supervised contributors									
Article 16(2)	2. A supervised contributor shall have in place effective systems and controls to ensure the integrity and reliability of all contributions of input data to the administrator, including: (a) controls regarding who may submit input data to an administrator including, where proportionate, a process for sign-off by a natural person holding a position senior to that of the submitter; (b) appropriate training for submitters, covering at least this Regulation and Regulation (EU) No 596/2014; (c) measures for the management of conflicts of interest, including organizational separation of employees where appropriate and consideration of how to remove incentives, created by remuneration policies, to manipulate a benchmark; (d) record-keeping, for an appropriate period of time, of communications in relation to provision of input data, of all information used to enable the contributor to make each submission, and of all existing or potential conflicts of interest including, but not limited to, the contributor's exposure to financial instruments which use a benchmark as a reference; (e) record-keeping of internal and external audits.	Y	Article 16 exempted as regulated data benchmark	Y	Input data is not from contributors.	Y	Same as the left	Y	Same as the left
Article 16(3)	3. Where input data relies on expert judgement, supervised contributors shall establish, in addition to the systems and controls referred to in paragraph 2, policies guiding any use of judgement or exercise of discretion and shall retain records of the rationale for any such judgement			Y	Same as the above	Y	Same as the left	Y	Same as the left

	or discretion. Where proportionate, supervised contributors shall take into account the nature of the benchmark and its input data.								
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