

Section 871(m)

STOXX is providing the following information regarding the STOXX [index / indices] listed in Exhibit I below to assist our clients in determining whether such indices may be considered a “Qualified Index” under Section 871(m) of the United States Internal Revenue Code and relevant Treasury Regulations.

Generally, the United States (U.S.) Treasury imposes a 30% withholding tax on U.S. source investment income earned by non-U.S. residents. This withholding tax is imposed on a broad range of earnings, including dividends. Section 871(m) and the related regulations treat certain “dividend equivalent” amounts paid (or deemed paid) under certain types of contracts as U.S. source dividends that are subject to this withholding requirement.

Qualified Index Test

The Section 871(m) regulations also provide that, in certain instances, a non-U.S. resident may be exempt from withholding tax on dividend equivalent payments if such payments are made with respect to a “Qualified Index.” To be considered a Qualified Index, an index must be a passive index based on a diverse basket of publicly traded securities that are widely used by numerous market participants.

In addition, a Qualified Index is an index that:

1. references 25 or more component securities (whether or not these securities are U.S. securities);
2. references only long positions in these component securities;
3. does not contain an individual U.S. equity position that represents more than 15% of the weighting of the index;
4. does not have a group of five or fewer U.S. equities that combined represent more than 40% of its weighting;
5. is modified or rebalanced only according to publicly stated, predefined criteria;
6. in the immediately preceding calendar year, had a dividend yield from the U.S. equities in the index that did not exceed 150% of the annual dividend yield reported on the S&P 500 index for that same year; and
7. is traded through futures or options contracts on a U.S. securities exchange that is registered with the SEC, a U.S. board of trade designated as a contract market by the CFTC, or, under certain circumstances, other qualified foreign exchanges or boards of trade.

In lieu of meeting the seven criteria listed above, an index can also be a Qualified Index if it is widely traded, U.S. equities represent 10% or less of the weighting of the index, and the index was not created with the principal purpose of avoiding U.S. withholding tax.

The determination if an index is a Qualified Index is done on an annual basis, on the first business day of the calendar year. For indices created after the first business day of the calendar year, the requirements above are tested on the first business day the index is created and the dividend yield is determined by using the dividend yield that the index would have had in the prior year if it had the same securities throughout that year that it has on the day it is created.

Treatment of Transactions that Reference a Qualified Index

When a financial contract that references a Qualified Index is created, any resulting dividend equivalent payments to non-U.S. investors generally will not be subject to withholding taxes for the duration of the contract. In the absence of certain significant modifications to a financial contract, the exemption from withholding would remain in place regardless of whether the index being referenced is no longer a Qualified Index in subsequent years. Similarly, should a financial contract be created that references an index that is not a Qualified Index, the dividend equivalent payments would be subject to withholding taxes for the duration of the contract, regardless of whether the index being referenced becomes a Qualified Index in subsequent years.

If a STOXX index is not listed in Exhibit I below, it does not mean that the index is not eligible to be a “Qualified Index” under the rules outlined above. Additional STOXX indices may be added to this document based on client demand and as STOXX management sees fit. STOXX intends to update this document on an annual basis or more frequently should STOXX management deem it necessary to do so.

Please note that this information and this document are provided for informational purposes only. Nothing contained herein constitutes (i) legal advice, (ii) any recommendation to use any STOXX indices, or (iii) any guarantees with respect to any STOXX indices or any eligibility requirements for “Qualified Indices”.

EXHIBIT I

Stoxx Index	# of Component Securities	Index References Short Positions?	Weighting of Largest U.S. Equity Held	Aggregate Weighting of Top 5 U.S. Equities	Modification or Rebalancing Criteria (2)	Annual Dividend Yield (3) (4)	Futures or Options Contracts Listings	Aggregate Weighting of All U.S. Securities

- 1 Observation date is [February X], 2020, the first day the index was created.
- 2 STOXX index methodology guide can be found at: https://www.stoxx.com/document/Indices/Common/Indexguide/stoxx_index_guide.pdf
- 3 Annual dividend yield reflects the dividend yield of the U.S. equity components of the index.
- 4 Determined using the dividend yield the index would have had in 2019 if it had the same components throughout 2019 that it had on [X], the day it was created.