

Benchmark Statement

Ref	Regulatory requirement	Numis Securities Limited's Response
1. General information		
1.1 Date of publication and last update RTS(1)(1)(a)	The benchmark statement shall state the date of its publication and the date of its last update.	<p>Date of publication First published October 2018</p> <p>Date of last update October 2018</p>
1.2 Review of benchmark statement BMR27(1)	The administrator shall review and, where necessary, update the benchmark statement for each benchmark or family of benchmarks in the event of any changes to the information to be provided under this Article and at least every two years.	Numis Securities Limited is the administrator of the Numis indexes. Numis Securities Limited will review this benchmark statement regularly (at least once every two years) or whenever there are material changes to the information provided.
1.3 Use of ISIN RTS(1)(1)(b)	The benchmark statement shall include, where available, the ISIN of the benchmark or, when the benchmark statement refers to a family of benchmarks, a reference to a location where the ISINs of the benchmarks within the family of benchmarks are publicly accessible free of charge.	Numis Securities Limited does not currently assign ISINs to the indexes for which it is the administrator.
1.4 Contributions of input data RTS(1)(1)(c)	The benchmark statement shall state whether the benchmark or at least one benchmark in the family of benchmarks is determined using contributions of input data.	The Numis Indexes do not use contributions of input data. Refer to 2.7 for further detail on input data.
1.5 Significant and non-significant benchmarks disclosure RTS(1)(6)&(7)	Certain disclosure requirements for significant and non-significant benchmarks do not apply.	The Numis Indexes include only non-significant benchmarks according to point 27 of Article 3(1) of Regulation (EU) 2016/1011.
1.6 Qualification under Title III of BMR RTS(1)(1)(d)	State whether the benchmark or any benchmark in the family of benchmarks qualifies as one of the types of benchmarks listed under Title III of Regulation (EU) 2016/1011, including the specific provision by virtue of which the benchmark qualifies as that type.	The Numis index family does not qualify as one of the types of benchmark under Title III of Regulation (EU) 2016/1011. Constituent prices are sourced from venues other than those specified in Article 3(24)(a) point 1.

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2. Content		
2.1 Market reality BMR27(1)(a)	The benchmark statement shall clearly and unambiguously define the market or economic reality measured by the benchmark and the circumstances in which such measurement may become unreliable.	<p>The Numis Index family contains benchmarks that are intended to represent the share price performance of certain segments of UK listed companies.</p> <ul style="list-style-type: none"> • The Numis Smaller Companies index represents the performance of the bottom 10% by market capitalisation of the UK fully listed market. • The Numis Extended Smaller Companies index is a legacy index that now measures exactly the same performance as the Numis Smaller Companies index, except the back history contains stocks listed on the (now long defunct) Unlisted Securities Market (USM). • The Numis Smaller Companies + AIM index represents the performance of the bottom 10% by market capitalisation of the UK fully listed market plus all AIM-listed stocks that match this market capitalisation range • The Numis 1000 index represents the performance of the bottom 2% of the UK market, measured on an excluding Investment Companies basis. • The Numis UK Mid Cap index represents the performance UK fully listed companies in the cumulative market cap range of 5-20% of the UK fully listed market • The Numis sub-£1bn index represents the performance of UK main market and AIM listed companies capitalised at under £1bn at the start of each calendar year. • The Numis Alternative Markets index represents the performance of all companies listed on qualifying UK Alternative Markets (currently only the AIM market qualifies). <p>The Numis Index Family uses as input data official closing prices sourced via vendors from the eligible stock exchanges. The measurement of the underlying economic reality might become unreliable if one or more of the eligible stock exchanges ceased to operate but the constituent securities continued to trade elsewhere, either over-the-counter or on other venues.</p>
2.2 Use of discretion BMR27(1)(b)	The benchmark statement shall lay down technical specifications that clearly and unambiguously identify the elements of the calculation of the benchmark in relation to which discretion may be exercised, the criteria applicable to the exercise of such discretion and the position of the persons that can exercise discretion, and how such discretion may be subsequently evaluated.	<p>The Numis index family consists solely of non-significant benchmarks, There are just three areas where expert judgment is required:</p> <ol style="list-style-type: none"> 1. At the annual rebalancing date, judgement is sometimes required on a stock's nationality. Nationality is then determined by consultation between Professor Marsh and Scott Evans, the Calculation agents. 2. Judgement may be required as to whether a company has become valueless. This judgement is made by the Calculation Agent or individuals working for them, in which case it will be reviewed by either Professor Marsh or Scott Evans. 3. After a large or liquidation dividend, the London Stock Exchange may occasionally record an unchanged, "stale" price which, although marked "xd", does not reflect the dividend payment, and an adjustment is then needed to compensate for this. This judgement is made by the Calculation Agent or individuals working for them, in which case it will be reviewed by either Professor Marsh or Scott Evans.
2.3 External factors BMR27(1)(c)	The benchmark statement shall provide notice of the possibility that factors, including external factors beyond the control of the administrator, may necessitate changes to, or the cessation of, the benchmark.	Numis Securities Limited hereby provides notice to users of the Numis Index Family that it is possible that circumstances, including external events beyond the control of Numis Securities Limited, may necessitate changes to, or cessation of, the index series family.

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2.4 Changes to/ cessation of benchmark BMR27(1)(d)	The benchmark statement shall advise users that changes to, or the cessation of, the benchmark may have an impact upon the financial contracts and financial instruments that reference the benchmark or the measurement of the performance of investment funds.	Any financial contracts or other financial instruments that reference the index series family or investment funds which use the Numis Index Family to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index series family.
2.5 Definitions of key terms BMR27(2)(a) RTS(1)(2)	A benchmark statement shall contain at least the definitions for all key terms relating to the benchmark. In defining the market or economic reality, the benchmark statement shall include at least the following information: <ul style="list-style-type: none"> (a) a general description of the market or economic reality. (b) the geographical boundaries, if any, of the market or economic reality; (c) any other information that the administrator reasonably considers to be relevant or useful to help users or potential users of the benchmark to understand the relevant features of the market or economic reality, including at least the following elements insofar as reliable data on these elements is available: <ul style="list-style-type: none"> (i) information on actual or potential participants in the market; (ii) an indication of the size of the market or economic reality. 	Definitions of key terms are provided throughout this Benchmark Statement, where Numis Securities Limited believes that additional clarity is required. <ul style="list-style-type: none"> (a) Description of market or economic reality. Refer to 2.1 (b) Geographical boundaries. The Numis Index Family measures the performance of UK listed company share prices, as determined by the Numis Index Nationality criteria. Companies are automatically deemed to be UK companies if they are legally incorporated in the UK and have their sole listing in the UK. But companies may also qualify for inclusion depending on the country in which the company is domiciled for tax purposes, the location of its headquarters, the location of company meetings, the composition of its shareholder base, the membership of its board of directors, the currency denomination of the company's shares, the investor protection regulations present in the country of incorporation, the relative liquidity of trading in those countries where the company's shares trade, and the perception of investors. No nationality test is applied to AIM stocks. (c) Any other relevant information. Not applicable to this index series family (non-significant benchmark).
2.6 Benchmark methodology BMR27(2)(b) Changes & cessation to benchmark methodology RTS(1)(5)	A benchmark statement shall contain at least the rationale for adopting the benchmark methodology and procedures for the review and approval of the methodology. In specifying the procedures for review of the methodology, the benchmark statement shall at least outline the procedures for public consultation on any material changes to the methodology.	The Numis Indices Methodology reflects the economic reality the Numis Index Family was intended to measure as set out in response 2.1 above. If a material change to the methodology of the index was proposed, then Numis would seek comments from index subscribers before making such changes to the benchmark methodology. These comments would be sought by email, and would allow at least a one month period for consideration. Summary comments would be made accessible to all subscribers after the consultation period.
2.7 Input data BMR27(2)(c)	A benchmark statement shall contain at least the criteria and procedures used to determine the benchmark, including a description of the input data, the priority given to different types of input data, the minimum data needed to determine a benchmark, the use of any models or methods of extrapolation and any procedure for rebalancing the constituents of a benchmark's index.	Input data for the index series family consists of official closing prices sourced via vendors from UK stock exchanges. Numis Securities Limited considers this to be readily available data. The Numis indices are rebalanced annually, at year end, based on the definition of each index as described in 2.1. IPOs and other newly eligible stocks enter the indices at the next rebalancing date. No securities enter the indices between rebalancing dates.
2.8 Controls over exercise of judgement/ discretion BMR27(2)(d) RTS(1)(4)	A benchmark statement shall contain at least the controls and rules that govern any exercise of judgement or discretion by the administrator or any contributors, to ensure consistency in the use of such judgement or discretion. In specifying the controls and rules that govern any exercise of judgement or discretion by the administrator or any contributors in calculating the benchmark or benchmarks, the benchmark statement shall include an outline of each step of the process for any ex post evaluation of the use of discretion, together with a clear indication of the position of any person(s) responsible for carrying out the evaluations.	The circumstances in which judgement and/or discretion may be exercised and reviewed are set out in response 2.2 above.

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2.9 Determination of the benchmark in stress periods BMR27(2)(e)	A benchmark statement shall contain at least the procedures which govern the determination of the benchmark in periods of stress or periods where transaction data sources may be insufficient, inaccurate or unreliable and the potential limitations of the benchmark in such periods.	If the London Stock Exchange (LSE) is closed, or unable to disseminate prices, index calculation will be suspended until trading and price dissemination resumes. If the Exchange remains open, but the Calculation Agent's data sources experience disruption and are unable to provide prices, then prices would be input manually from the LSE's public website. This would delay daily index publication by a few hours.
2.10 Errors in input data BMR27(2)(f)	A benchmark statement shall contain at least the procedures for dealing with errors in input data or in the determination of the benchmark, including when a re-determination of the benchmark is required.	If an error has had a material impact, defined as a deviation of more than 0.1% from the correct index level for an index, then a corrected back-history of index values will be computed and distributed to clients. If any error in the index is discovered or reported and subsequently confirmed, whether material (as defined above) or not, it is recorded in the error log, and immediately corrected in ongoing index values.
2.11 Potential limitations BMR27(2)(g) RTS(1)(3)	<p>A benchmark statement shall contain at least the identification of potential limitations of the benchmark, including its operation in illiquid or fragmented markets and the possible concentration of inputs.</p> <p>In defining the potential limitations of the benchmark and the circumstances in which the measurement of the market or economic reality may become unreliable, the benchmark statement shall include at least:</p> <ul style="list-style-type: none"> (a) a description of the circumstances in which the administrator would lack sufficient input data to determine the benchmark in accordance with the methodology; (b) where relevant, a description of instances when the accuracy and reliability of the methodology used for determining the benchmark can no longer be ensured, such as when the administrator deems the liquidity in the underlying market as insufficient; (c) any other information that the administrator reasonably considers to be relevant or useful to help users and potential users to understand the circumstances in which the measurement of the market or economic reality may become unreliable, including a description of what might constitute an exceptional market event. 	<p>As with all indices, there are some potential limitations. Many of the smallest companies in the Numis index series trade infrequently, and in cases where no trading has taken place for several days, quoted prices will be less reliable than for frequently traded stocks. Similarly, even where prices reflect recent trades, liquidity in some of these stocks may be low, making it difficult for investors to track the performance of this segment of the index. However, such stocks account for only a very small proportion of the indices' total weight, and the indices as a whole are dominated by the larger, quite liquid companies.</p> <ul style="list-style-type: none"> (a) Response 2.9 describes circumstances in which there may not be sufficient data to determine the benchmark according to the methodology; (b) Numis does not exclude stocks from indexes due to illiquidity, as this may introduce bias into the measurement of overall returns, so these circumstances are not relevant; (c) Numis does not consider any other information to be relevant, beyond that given elsewhere in this statement.
3. Review and update of benchmark statements		
3.1 Review and update of benchmark statement RTS(6)	<p>An update of the benchmark statement shall be required whenever the information contained in the statement ceases to be correct or sufficiently precise, and including in any event in the following cases:</p> <ul style="list-style-type: none"> (a) whenever there is a change in the type of the benchmark; (b) whenever there is a material change in the methodology used for determining the benchmark or, if the benchmark statement is for a family of benchmarks, in the methodology used for determining any benchmark within the family of benchmarks. 	This benchmark statement is subject to regular review, at least once every two years, or whenever there is a change in the type of benchmark, or whenever there are material changes to the methodology, by Numis Securities Limited. This is to ensure that the benchmark statement is correct and sufficiently precise and continues to meet the current and future requirements of investors and other index users.

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4.	Specific disclosures requirements	
4.1	Regulated-data benchmark disclosures RTS(2)	Not applicable to the Numis Index family
	There are specific disclosure requirements for regulated data benchmarks, interest rate benchmarks, commodity benchmarks, and critical benchmarks	
	Interest rate benchmarks disclosure RTS(3)	
	Commodity benchmarks disclosure RTS(4)	
	Critical Benchmarks disclosure RTS(5)	

Source: Numis Securities Research

Throughout this document

- BMR27 refers to Regulation (EU) 2016/1011 published on 8.6.2016, in which Article 27 lays out requirements for Benchmark Statements
- RTS refers to Regulatory Technical Standards document C(2018) 4439 published by the European Commission on 13.7.2018

This Benchmark Statement should be read in conjunction with information provided at [Numis Indices - NSCI - The smaller companies index](#)