

> CFI.co Meets the CEO of STOXX: Hartmut Graf

As CEO, Hartmut Graf identifies and executes strategic business initiatives, while driving a culture of client orientation and innovation at STOXX Limited. Dr Graf has extensive experience with index products, portfolio and risk-management, portfolio theory as well as investment and derivative strategies.

Prior to joining STOXX in 2010, Dr Graf spent more than five years at Deutsche Börse Group, where he most recently held the position of head of Issuer Data & Analytics. In this role he was responsible for the index business of Deutsche Börse, overseeing the development, maintenance, and marketing of their global index series.

Previously, Dr Graf spent four years with Roland Berger, consulting clients from the financial services industry. He started his career in product management and research in the fixed income department at the investment banking division of Commerzbank. Dr Graf holds a PhD in Theoretical Physics and an Executive MBA from Stanford University.

STOXX Ltd. is an established and leading index specialist with a European heritage. Since 2010, STOXX has extended its index universe with a broad range of global indices. Its most recent innovative index launch is the STOXX TRU™ index family.

"In today's interconnected world, having a portfolio that invests in a US, European, and Asian market-cap benchmark leads to unintended regional overlaps of economic exposures, leaving investors with allegedly diversified portfolios that could have highly correlated returns," explains Dr Graf.

"Our STOXX TRU Indices help investors create an asset allocation based on truly separated geographic buckets. These buckets are significantly less correlated amongst each other compared to standard equity indices, resulting in an improved risk profile. The STOXX TRU Indices are based on a sophisticated and innovative model to identify a company's economic exposure to a country or region, when a such a breakdown is not available explicitly."

The recent Libor and Euribor rate-rigging scandals have resulted in new legislation being proposed at EU level to compel benchmark administrators such as STOXX to comply with a range of provisions regarding the source of their data.

While welcoming all initiatives that benefit



CEO: Hartmut Graf

the end-investor, Dr Graf emphasised that the regulatory principles enforced by the International Organization of Securities Commissions (IOSCO) that are adopted by all major index providers are already delivering the legislation's desired effect without any of the potential harm.

"All major benchmark providers – including STOXX, MSCI, FTSE Russell and S&P – are currently fully compliant with IOSCO's Principles for Financial Benchmarks."

Dr Graf explained that the compliance process involves independent auditing and, where necessary, changes to practices: "At STOXX we began the process of compliance with the IOSCO

principles in late 2013. This required us to make some small adjustments to our controls and governance. Overall, most of our processes were already in line with what the principles required. This was followed by a full audit conducted by PwC at the end of 2014. In other words, the compliance with the IOSCO principles sets rigorous standards that are fully enforced through the compliance process."

STOXX welcomes regulation that promotes transparency and protects investors. In Dr Graf's view, the IOSCO principles provide a level playing field globally in benchmark regulation: "National as well as regional initiatives such as the European Commission's should be based on these." ❖