

Dow Jones Global Indices Consultation on Liquidity Criteria

NEW YORK, APRIL 23, 2018: S&P Dow Jones Indices (“S&P DJI”) is conducting a consultation with members of the investment community on potential changes to the Dow Jones Global Indices.

S&P DJI is considering changing the liquidity requirement to a more robust measure than what is currently in place. The proposed change focuses on median liquidity values rather than days traded, which should be more representative of the actual liquidity characteristics of a stock. The proposed change replaces the current liquidity rule, and applies to all stocks at the annual reconstitution in September, as well as to IPOs that may potentially be added at each quarterly rebalancing. All other eligibility requirements would remain the same.

Currently, to be considered eligible for inclusion at the annual reconstitution, stocks must have fewer than 10 non-trading days over the previous quarter. The same rule applies to current constituents as well. At each quarterly rebalancing, IPOs screened for inclusion must have fewer than 10 non-trading days since its initial listing date to be considered eligible for inclusion.

The proposed change requires each stock to meet two separate liquidity criteria to be considered eligible for inclusion. First, a stock must meet a minimum 12 month median value traded ratio (MVTR). This ratio is calculated by taking the median daily value traded amount for each of the 12 months preceding the rebalancing reference date, multiplying the amount by the number of days that the stock traded during that month, and then dividing by its end-of-month float-adjusted market capitalization. The sum of the 12 monthly values is the MVTR for that stock. If a stock has traded for less than 12 months, the average of the available monthly values is taken and multiplied by 12.

For the second liquidity rule, each stock must meet a minimum median US\$ daily value traded (MDVT) threshold over the six months prior to the rebalancing reference date. If a stock has traded for less than six months, the median daily value traded amount is used for as long as the stock has been trading.

Both requirements will be different for emerging versus developed markets, with buffers in place to limit turnover for existing index constituents.

The proposed changes will align this index family with the eligibility criteria of the S&P Global BMI.

The following table displays the current and proposed liquidity criteria:

Dow Jones Global Index	Region	Maximum Non-trading days over previous quarter	12-month MVTR (%)	6-month MDVT (US\$M)
Current (buffer)	Emerging	9 (N/A)		
	Developed	9 (N/A)		
Proposed (buffer)	Emerging		10 (7)	0.1 (0.07)
	Developed		20 (14)	0.25 (0.175)

IMPACT ANALYSIS

Using data from the September 2017 index reconstitution, the hypothetical weight turnover and hypothetical stock counts that would have resulted if the proposed changes had been implemented at that time are shown in the tables below.

Index	Weight Turnover		Difference (Actual – Hypothetical)
	Hypothetical	Actual	
Dow Jones Global Index	3.35%	3.56%	0.21%
Dow Jones Developed Markets Index	2.94%	3.11%	0.18%
Dow Jones Emerging Markets Index	6.74%	6.96%	0.22%
Dow Jones U.S. Index	2.43%	2.43%	0.00%

Index	Stock Count					
	(A)	(B)	(C) = (B) – (A)	(D)	(E) = (D) – (A)	(F) = (C) – (E)
	Actual Pre- Rebalancing	Hypothetical post- rebalancing	Hypothetical difference	Actual Post- Rebalancing	Actual difference	Difference (Hypothetical – Actual)
Dow Jones Global Index	7,557	7,262	(295)	8,000	443	(738)
Dow Jones Developed Markets Index	4,629	4,533	(96)	4,771	142	(238)
Dow Jones Emerging Markets Index	2,928	2,729	(199)	3,229	301	(500)
Dow Jones U.S. Index	1,211	1,213	2	1,215	4	(2)

IMPLEMENTATION TIMING

The proposed changes, if adopted, would become effective with the September 2018 rebalancing.

QUESTIONS

Please answer the following questions and provide S&P DJI with the reasoning behind your answers:

1. Do you agree with the proposal to change the liquidity requirement for stock eligibility for the Dow Jones Global Indices?
2. Are the proposed requirements for both emerging and developed market stocks appropriate?
3. Do you have any other comments or feedback regarding the proposed changes outlined above?

Your participation in this consultation is important as we gather information from various market participants in order to properly evaluate your views and preferences. S&P DJI will make responses to consultations freely available upon request.¹ If you do not want your response to be made available, you must clearly state that in your response. Please respond to this survey by **May 22, 2018**. After this date, S&P DJI will no longer accept survey responses. Prior to the Index Committee's final review, S&P DJI will consider the issues and may request clarifications from respondents as part of that review. Alternative options to the proposed questions after the deadline require that the consultation be re-opened to the public.

¹ Individual and company names as well as contact details will be redacted.

CONSULTATION

To participate in this consultation, please visit the online survey available [here](#).

For further information about this consultation, please contact S&P Dow Jones Indices at index_services@spglobal.com.

Please be advised that all comments from this consultation will be reviewed and considered before a final decision is made; however, S&P DJI makes no guarantees or is under any obligation to comply with any of the responses. The survey may result in no changes or outcome of any kind. If S&P DJI decides to change the index methodology, an announcement will be posted on our website.

Thank you for taking the time to complete this survey.

For more information about S&P Dow Jones Indices, please visit www.spdji.com.

ABOUT S&P DOW JONES INDICES

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FOR MORE INFORMATION:

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