

S&P Preferred Stock Indices Consultation on Constituent Weighting

NEW YORK, AUGUST 15, 2018: S&P Dow Jones Indices (“S&P DJI”) is conducting a consultation with members of the investment community on potential changes to the S&P Preferred Stock Indices.

Under the U.S. Securities and Exchange Commission (“SEC”) continuous listing standards, component stocks (excluding Exchange Traded Derivative Securities and Linked Securities) that in the aggregate account for at least 70% of the equity weight of the Index (excluding Exchange Traded Derivative Securities and Linked Securities) each shall have a minimum monthly trading volume of 250,000 shares, or minimum notional volume traded per month of US\$ 25 million, averaged over the previous six months.¹

In order to establish a buffer for adherence to the SEC’s continuous listing standards, S&P DJI is considering changes to the indices’ constituent weighting scheme by applying an additional weight limit for preferred stocks with low liquidity. The proposed changes are outlined in the table below.

Index	Current Constituent Weighting	Proposed Constituent Weighting
S&P U.S. Preferred Stock Index	Capped market capitalization weighted with 10% issuer cap. No weight limit for preferred stocks with low liquidity.	In addition to current weighting rules, the proposal limits the weight of preferred stocks with trading volumes of less than 250,000 shares per month on average over the previous six months to 20% of the index.
S&P International Preferred Stock Index	Capped market capitalization weighted with 10% issuer and 4% issue caps. No weight limit for preferred stocks with low liquidity.	

For more information on the index methodologies, please refer to www.spdji.com.

IMPACT ANALYSIS

Based on index composition as of July 31, 2018, the table below shows the hypothetical one-way turnover of the proposed 20% weight limit for preferred stocks with trading volumes of less than 250,000 shares per month on average over the previous six months. For comparative purposes, the hypothetical one-way turnovers using alternative weight limits of 15% and 25% are also shown.

Scenario	Hypothetical One-Way Turnover	
	S&P U.S. Preferred Stock Index	S&P International Preferred Stock Index
25% Cap	0%	0.53%
20% Cap	0%	5.53%
15% Cap	0%	10.53%

¹ Please visit www.sec.gov/rules/sro/nasdaq/2016/34-78918.pdf for more information on the continuous listing standards.

IMPLEMENTATION TIMING

The proposed change, if adopted, would be implemented with the next quarterly rebalancing, effective prior to the market open on Monday, October 22, 2018.

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 limit the index weight of preferred stocks with trading volume of less than 250,000 shares per month on average over the previous six months?**
2. **If you agreed with the proposal in question 1, which weight limit do you prefer?**
 - **The proposed weight limit of 20%**
 - **The alternative weight limit of 15%**
 - **The alternative weight limit of 25%**
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.² 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 **September 14, 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.

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.

² Individual and company names as well as contact details will be redacted.

ABOUT S&P DOW JONES INDICES

S&P Dow Jones Indices is the largest global resource for essential index-based concepts, data and research, and home to iconic financial market indicators, such as the S&P 500[®] and the Dow Jones Industrial Average[®]. More assets are invested in products based on our indices than products based on indices from any other provider in the world. Since Charles Dow invented the first index in 1884, S&P DJI has become home to over 1,000,000 indices across the spectrum of asset classes that have helped define the way investors measure and trade the markets.

S&P Dow Jones Indices is a division of S&P Global (NYSE: SPGI), which provides essential intelligence for individuals, companies and governments to make decisions with confidence. For more information, visit www.spdji.com.

FOR MORE INFORMATION:

S&P Dow Jones Indices
index_services@spglobal.com