

S&P Dow Jones Indices Consultation on Changes to the Implementation Timing of Certain Non-Mandatory Corporate Actions

NEW YORK, MARCH 11, 2019: S&P Dow Jones Indices (“S&P DJI”) is conducting a consultation with members of the investment community on potential changes to certain S&P and Dow Jones indices.

S&P DJI is seeking market feedback on proposed changes to the implementation timing of certain non-mandatory corporate action events. The following proposals are under consideration:

- Modify the treatment of secondary offerings, Dutch auctions, and self-tenders in the S&P Composite 1500 in order to enhance opportunities for index trackers to take advantage of non-mandatory liquidity events and reduce turnover costs.
- Accelerate the implementation of secondary offerings, Dutch auctions, and self-tenders in all float-adjusted market capitalization (“FMC”) S&P and Dow Jones indices that currently implement such changes weekly.
- Decrease the implementation frequency of all other non-mandatory maintenance type events from weekly to monthly in order to reduce turnover costs.

Treatment of Secondary Offerings, Dutch Auctions, and Self-Tenders in the S&P Composite 1500

S&P DJI is considering modifying the criteria for implementing share changes resulting from large public offerings (also known as follow-on offerings or secondary offerings), Dutch auctions and self-tender offers that equal 5% or more of the total shares outstanding in the S&P Composite 1500. In addition to the current criteria in place for secondaries, S&P DJI is considering incorporating the following changes:

- To ensure only large public offerings are being implemented under the accelerated timeframe, an additional minimum FMC threshold would be introduced. This new threshold test may result in fewer secondary offerings being recognized at the accelerated rate in the S&P Composite 1500 than under current rules and would push out the implementation date by at least one additional business day.
- A review of a company’s Investable Weight Factor (“IWF”) would be limited to the offering and would not use the latest ownership information available. This is intended to ensure a closer alignment between shares offered and the index float-adjusted shares increased.
- Block trades and spot secondaries that equal 5% or more of the total shares outstanding would no longer qualify for fast track implementation because they are generally not widely available to most investors.
- Dutch auctions and self-tender offers that equal 5% or more of the total shares outstanding, which are currently implemented on a weekly basis, would be considered for accelerated implementation within two business days of a preliminary results announcement subject to the same thresholds outlined for secondary offerings.

For clarity, the table below summarizes the proposed changes.

Proposed Changes	Current	Methodology Proposed
<p>Treatment of Secondary Offerings, Dutch Auctions, and Self-Tenders in the S&P Composite 1500</p>	<p>5% Rule. S&P Composite 1500 constituent share changes resulting from public offerings (also known as follow-on offerings or secondary offerings) that equal 5% or more of the total shares outstanding are eligible for next day implementation if they satisfy the following conditions:</p> <ul style="list-style-type: none"> • Must be underwritten. • Must have a publicly available prospectus or prospectus summary filed with the SEC. • Must have a publicly available confirmation from an official source that the offering has been completed. <p>Block trades and spot secondaries must meet the above criteria in order to be eligible for next day implementation.</p> <p>Next day implementation will include a review of the company's IWF using the latest publicly available ownership data. Any change in the IWF of at least five percentage points resulting from the review is implemented with the share update.</p>	<p>5% Rule. S&P Composite 1500 constituent share changes resulting from public offerings (also known as follow-on offerings or secondary offerings) that equal 5% or more of the total shares outstanding are eligible for accelerated implementation if they satisfy the following conditions:</p> <ul style="list-style-type: none"> • Must be underwritten. • Must have a publicly available prospectus or prospectus summary filed with the SEC. • Must have a publicly available confirmation from an official source that the offering has been completed. • Must meet the new additional FMC threshold. <p>Block trades and spot secondaries will not be eligible for next day implementation.</p> <p>Fast Track implementation will include a review of the company's IWF based only on the offering, and would not fully consider the latest ownership information available not related to the offering.</p> <p>5% Dutch auctions and self-tender offers will be considered for implementation within two business days of a preliminary results announcement, subject to the same secondary public offerings thresholds.</p>

Please refer to Appendix A for secondary offering impact analysis under various threshold scenarios in U.S. indices.

Questions. Please answer the following questions and provide S&P DJI with the reasoning behind your answers. Please see Appendix A for additional information:

1. For the S&P Composite 1500, should S&P DJI set a minimum FMC threshold for fast tracking secondary offerings?

- Yes, set a minimum FMC threshold of US\$ 250 million
- Yes, set a minimum FMC threshold of US\$ 500 million
- Yes, set a minimum FMC threshold of US\$ 1 billion
- Yes, set a different minimum FMC threshold (please specify)
- No, an FMC threshold should not be applied

2. **Should block trades and spot secondaries that equal 5% or more of the total shares outstanding continue to qualify for fast track implementation in the S&P Composite 1500?**
 - Yes
 - No
3. **For the S&P Composite 1500, should Dutch auctions and self-tender offers that equal 5% or more of the total shares outstanding, which are currently treated as weekly events, be considered for implementation within 2-3 days of the preliminary results announcement?**
 - Yes, with a minimum FMC threshold for fast tracking set at US\$ 250 million
 - Yes, with a minimum FMC threshold for fast tracking set at US\$ 500 million
 - Yes, with a minimum FMC threshold for fast tracking set at US\$ 1 billion
 - Yes, with a different minimum FMC threshold for fast tracking set (please specify)
 - No
4. **Do you have any other comments or feedback regarding the proposed changes outlined above?**

Implementation of Secondary Offerings, Dutch Auctions, and Self-Tenders in All FMC S&P and Dow Jones Indices that Currently Implement Such Changes Weekly

In order to standardize S&P DJI's global policies and practices and allow all FMC index clients the opportunity to participate in additional liquidity events, S&P DJI is considering applying the implementation timing and rules currently used for S&P Composite 1500 constituents regarding secondary offerings, Dutch auctions, and self-tender offers to all global and U.S. S&P and Dow Jones FMC indices. This proposed change would impact all S&P and Dow Jones FMC indices currently recognizing shares outstanding and IWFs on a weekly basis as described in [S&P DJI's Equity Indices Policies & Practices Methodology](#). The minimum threshold for implementation would follow the same criteria as outlined in questions #1 and #3 above.

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

5. **Should S&P DJI expand the accelerated implementation of large public (secondary) offerings, Dutch auctions, and self-tender offers to all global and U.S. S&P and Dow Jones FMC Indices?**
 - Yes
 - No
6. **If public (secondary) offerings fast track implementation is expanded to the broader market, how much lead time should be provided to clients after S&P DJI's announcement?¹**
 - One business day lead time
 - Two business days lead time
 - Other (please specify)

¹ For example, if stock A is priced on Monday night and S&P DJI announces on Tuesday night that it is eligible for fast track implementation, one business days' notice would make the share change effective after the close on Wednesday night (open of trading on Thursday). This implementation schedule is one day later than the current next day S&P Composite 1500 implementation process. This proposed schedule would apply to the S&P Composite 1500 as well.

7. **Should Dutch auctions and self-tender offers that equal 5% or more of the total shares outstanding, which are currently treated as weekly events, be considered for implementation within 2-3 days of the preliminary results announcement?**
 - Yes
 - No
8. **Do you have any other comments or feedback regarding the proposed changes outlined above?**

Decrease in Implementation Frequency of Non-Mandatory Maintenance Type Shares Outstanding and IWF Changes that Follow the 5% Rule

S&P DJI is proposing to change the frequency of changes currently following the 5% rule from a weekly to a monthly basis. This will affect all indices that follow S&P DJI's standard weekly shares outstanding and IWF updates as described in [S&P DJI's Equity Indices Policies & Practices Methodology](#). The intention of this proposal is to:

- Reduce turnover and associated costs
- Minimize market impact on index constituents
- Encourage changes to carry a higher significance relative to the index
- Move implementation frequency to a relatively more liquid timing

S&P DJI's quarterly shares outstanding and annual IWF updates will continue to follow their respective rebalancing rules.

Questions. Please answer the following questions and provide S&P DJI with the reasoning behind your answers. Please refer to Appendix B for additional information on the 5% rule:

9. **Should S&P DJI revise the frequency of non-mandatory share and IWF maintenance type changes that follow the 5% Rule from their current weekly implementation schedule to a monthly implementation schedule coinciding with the third Friday of each month?**
 - Yes
 - No
10. **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 **April 9, 2019**. 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](#).

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

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.

APPENDIX A

The table below shows the total number of 2018 U.S. secondary offerings (“#”) and U.S. dollar FMC issued for the S&P Total Market Index (“S&P TMI”) and S&P Composite 1500 (“S&P 1500”).

U.S. Secondary Offerings (US\$)	#	FMC Issued			
Total offerings announced for 1500/TMI constituents	457	\$95.6 billion			
S&P TMI/1500 offerings >= \$250 million	100	\$68.9 billion			
S&P TMI/1500 offerings >= \$250 million + 5% of total shares	81	\$52.1 billion			
S&P TMI/1500 offerings >= \$500 million	47	\$50.4 billion			
S&P TMI/1500 offerings >= \$500 million + 5% of total shares	33	\$35.5 billion			
S&P TMI/1500 offerings >= \$1 billion	21	\$33.0 billion			
S&P TMI/1500 offerings >= \$1 billion + 5% of total shares	12	\$21.6 billion			
			S&P 500	S&P 400	S&P 600
Actual 2018 next day secondaries implemented under current rules in the S&P 1500	37	\$21.2 billion	6	10	21
If proposed new rule was in place for 2018:					
S&P 1500 offerings only >= \$250 million + 5% of total shares	18	\$18.2 billion	6	8	4
S&P 1500 offerings only >= \$500 million + 5% of total shares	9	\$15.3 billion	6	3	0
S&P 1500 offerings only >= \$1 billion + 5% of total shares	5	\$12.6 billion	5	0	0

The table below details characteristics of 2018 next day secondaries for the S&P Composite 1500 component indices.

2018	Next Day Secondaries Characteristics		
	S&P 500	S&P MidCap 400	S&P SmallCap 600
Aggregate Size	US\$ 13.5 billion	US\$ 3.9 billion	US\$ 3.7 billion
Number of Next Day Eligible Offerings	6	10	21
Average Size	US\$ 2.2 billion	US\$ 393 million	US\$ 176 million
Maximum Size	US\$ 4.3 billion	US\$ 659 million	US\$ 347 million
Minimum Size	US\$ 963 million	US\$ 229 million	US\$ 69 million
Other	1 offering < US\$ 1 billion	2 offerings <= US\$ 250 million	8 offerings <= US\$ 100 million

APPENDIX B

Certain mandatory events such as M&A driven share/IWF changes, stock splits, and mandatory distributions are not subject to a minimum threshold for implementation. Non-mandatory share/IWF changes follow the 5% rule below which is standard across most S&P Dow Jones' branded indices. This rule is intended to reduce unnecessary turnover by aggregating smaller share changes and implementing them with the next quarterly rebalancing. In certain instances, local market practices may relax these rules, so please refer to the respective individual index methodology for any deviations from this policy.

5% Rule. Confirmed share changes that are at least 5% of the total shares outstanding are implemented weekly. Total shares outstanding (not float-adjusted shares) are used to determine whether the share change meets this 5% threshold. The 5% rule applies to share changes only. IWF changes are only considered if a share change meets the 5% threshold. Share changes of 5% or greater resulting from aggregated smaller share change events are implemented when S&P DJI is able to validate the cumulative change.

Share changes are applied weekly and are announced after the market close on Fridays for implementation after the close of trading the following Friday (i.e. one week later). Examples of such changes include, but are not limited to, public offerings (also known as secondary offerings or follow-on offerings), tender offers, Dutch auctions, exchange offers, bought deal equity offerings, prospectus offerings, company stock repurchases, private placements, redemptions, exercise of options, warrants, conversion of derivative securities, at-the-market stock offerings, and acquisitions of private companies or non-index companies that do not trade on a major exchange. If an exchange holiday/closure falls on a Friday, the weekly share change announcement will be made the day before the exchange holiday/closure, and the implementation date will remain after the close of trading the following Friday (i.e. one week later).

If a change in total shares outstanding of at least 5% causes a company's IWF to change by at least five (5) percentage points, the IWF is updated at the same time as the share change. IWF changes resulting from partial tender offers are considered on a case-by- case basis.

The table below shows the average number of U.S. weekly share announcements for 2018.

U.S. Weekly Share Announcement Analysis		
Total Number of 5% changes announced in weeklies for 2018	1487	
Avg. number of changes per each weekly announcement	34	
Changes by Type:		
<i>Secondary offering</i>	483	32%
<i>Share issuance</i>	415	28%
<i>Conversion of shares/preferred/notes</i>	149	10%
<i>Other</i>	114	8%
<i>Acquisitions</i>	111	7%
<i>Share repurchase</i>	102	7%
<i>Private placements</i>	74	5%
<i>Exercise of warrants</i>	29	2%
<i>Dutch auctions</i>	10	1%

For further information on the 5% Rule and treatment of secondary offerings, please refer to the [S&P U.S. Indices Methodology](#) and [S&P DJI's Equity Indices Policies & Practices Methodology](#).

CONSULTATION

The table below shows the average number of Global BMI ex-U.S. weekly share announcements for 2018.

S&P Global BMI (ex- US exchanges) 5% Weekly Share Announcement Analysis		
Total Number of 5% changes announced in weeklies for 2018	871	
Avg. number of changes per each weekly announcement	20	
Changes by Type:		
<i>Share issuance</i>	256	29%
<i>Other</i>	213	24%
<i>Private placements</i>	190	22%
<i>Conversion of shares/preferred/notes</i>	140	16%
<i>Share repurchase</i>	30	3%
<i>Acquisitions</i>	17	2%
<i>Exercise of warrants</i>	13	1%
<i>Secondary offering</i>	12	1%

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 been innovating and developing indices across the spectrum of asset classes helping to 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.

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