

S&P Dow Jones Indices Equity Index Rebalancing Schedule Consultation

NEW YORK, DECEMBER 20, 2017: S&P Dow Jones Indices (“S&P DJI”) is conducting a consultation with members of the investment community on potential changes to the equity index rebalancing schedule for S&P and Dow Jones branded indices. The following proposals are under consideration:

Proposal	Description
September 2018 Rebalancing	<p>In anticipation of the Global Industry Classification Standard (GICS[®]) structure changes scheduled to become effective with the September 2018 rebalancing, S&P DJI is considering changes to the standard rebalancing schedule in order to better align the index rebalancing with the GICS structure changes.¹</p> <p>As a one-time event, indices that are typically rebalanced effective prior to the market open on Monday, September 24, 2018, would instead be rebalanced effective prior to the market open on Monday October 1, 2018 in order to align with the GICS Direct implementation schedule. For the September 2018 rebalancing, pro-forma files for all indices would be distributed after the market close on Friday, September 14, 2018 and would be delivered daily for the two-week period leading up to the rebalancing effective date. The September 2018 index rebalancings and GICS structure changes would be effective prior to the market open on Monday, October 1, 2018. The reference date for constituent selection and weighting would remain unchanged.</p>
Subsequent Rebalancings	<p>In addition to the above September 2018 Rebalancing proposal, S&P DJI is considering moving each subsequent rebalancing from the third Friday of the rebalancing month to the last business day of the rebalancing month in order to line index rebalancing up with the end of the period and to allow for an extended pro-forma period. If adopted, S&P DJI would also consider extending the share freeze period through month-end to coincide with the extended rebalancing window. Currently, S&P DJI implements a share freeze period during the rebalancing periods beginning after the market close on the Tuesday prior to the second Friday and ending on the Monday following the third Friday of the rebalancing month.</p>
Standard Quarterly Rebalancing Schedule	<p>S&P DJI is considering changing the standard quarterly rebalancing month set of March, June, September, and December to a different set of months (i.e. January, April, July, and October or February, May, August, and November) in order to avoid rebalancings falling on or around major holidays.</p>
Multi-Day Rebalancing	<p>As a longer-term initiative, S&P DJI is reviewing the implementation of index rebalancings over a multi-day period as opposed to a single day in order to facilitate improved index replication for indices subject to higher turnover or liquidity constraints.² An example would be implementing 20% (1/5th) of the target weight changes each day across a five day period. Multi-day rebalancings, if adopted, would be applicable only for indices subject to higher turnover or liquidity constraints as determined by S&P DJI.</p>

The table on the following page provides a summary of the proposed changes and a schedule for the 2018/2019 calendar years.

Please note that index methodologies that apply a dynamic rebalancing scheme and therefore do not follow a scheduled rebalancing calendar will not be impacted by these proposed changes, if adopted.

¹ The announcement of the structure changes can be found [here](#).

² Implementation over a multi-day period is a longer-term initiative for S&P DJI and is not currently offered as a standard methodology.

Month	Current		Proposed	
	Rebalancing Effective Date ³	Pro-forma Period Begins ⁴	Rebalancing Effective Date ³	Pro-forma Period Begins ⁴
September 2018	9/24/2018	9/7/2018 (FMC indices ⁵), 9/14/2018 (All other indices)	10/1/2018	9/14/2018
October 2018	10/22/2018	10/12/2018	11/1/2018	10/17/2018
November 2018	11/19/2018	11/9/2018	12/3/2018	11/16/2018
December 2018	12/24/2018	12/14/2018	1/2/2019	12/17/2018
January 2019	1/21/2019	1/11/2019	2/1/2019	1/17/2019
February 2019	2/18/2019	2/8/2019	3/1/2019	2/14/2019
March 2019	3/18/2019	3/8/2019	4/1/2019	3/15/2019
April 2019	4/22/2019	4/12/2019	5/1/2019	4/16/2019
May 2019	5/20/2019	5/10/2019	6/3/2019	5/17/2019
June 2019	6/24/2019	6/14/2019	7/1/2019	6/14/2019
July 2019	7/22/2019	7/12/2019	8/1/2019	7/17/2019
August 2019	8/19/2019	8/9/2019	9/2/2019	8/16/2019
September 2019	9/23/2019	9/6/2019 (FMC indices ⁵), 9/13/2019 (All other indices)	10/1/2019	9/16/2019
October 2019	10/21/2019	10/11/2019	11/1/2019	10/17/2019
November 2019	11/18/2019	11/8/2019	11/28/2019	11/13/2019
December 2019	12/23/2019	12/13/2019	1/2/2020	12/17/2019
Summary	Most S&P DJI indices are rebalanced effective prior to the market open on the Monday following the third Friday of each month. The major quarterly rebalances occur in March, June, September and December.	Distribution of pro-forma files begins after the market close on the Friday <u>one</u> week prior to the rebalancing effective date. Pro-forma files are delivered daily up to the day prior to the rebalancing effective date. In September, and for a few index families throughout the year, select float-adjusted market capitalization indices receive pro-forma files two weeks in advance of the rebalancing effective date.	S&P DJI indices will be rebalanced effective prior to the market open on the first business day following the end of the rebalancing month.	Distribution of pro-forma files will begin <u>two</u> weeks prior to the rebalancing effective date. Pro-forma files will be delivered daily up to the day prior to the rebalancing effective date.

A list of current 2018 rebalancing dates is available [here](#).

³ Prior to the market open.

⁴ After the market close.

⁵ Float-adjusted market capitalization weighted indices.

QUESTIONS

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

1. **Do you agree with the September 2018 rebalancing proposal to move the September 2018 rebalancing effective date from Monday, September 24, 2018 to Monday, October 1, 2018? If so, do you agree with the proposed two-week (10 business days) pro-forma file distribution period and keeping all reference dates unchanged?**
2. **Do you agree with the subsequent rebalancing proposal to move each subsequent rebalancing from the third Friday of the rebalancing month to the last business day of the rebalancing month? If so, do you agree with extending the share freeze period through month-end to coincide with the extended rebalancing window? Do you have any concerns with market liquidity around any of the proposed rebalancing dates?**
3. **Do you agree with the standard quarterly rebalancing schedule proposal to move the standard quarterly rebalancing schedule from the months of March, June, September, and December to a different set of months? If so, which set of months do you prefer?**
 - a. **January, April, July, and October**
 - b. **February, May, August, and November**
4. **As a longer-term initiative, do you agree with the concept of a multi-day rebalancing for certain indices, as determined by S&P DJI, as opposed to a single day? What are the key benefits and drawbacks you see in applying a multi-day rebalancing approach?**

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.⁶ 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 **January 31, 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 respond to S&P DJI 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.

⁶ 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.

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FOR MORE INFORMATION:

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