

S&P BSE Private Banks Index Consultation

MUMBAI, APRIL 25, 2018: Asia Index Private Limited (“AIPL”) is conducting a consultation with members of the investment community on a potential change to the constituent weighting scheme of the S&P BSE Private Banks Index.

Current Methodology. Constituents are weighted by float-adjusted market capitalization (“FMC”) at each quarter effective at the open of the Monday following the third Friday of March, June, September and December. Weights are subject to the following constraints in the order detailed below:

- Single constituent weights are capped at 22.5%.
- All constituents that weigh less than or equal to 4.5% should cumulatively weigh at least 16.5%.

To adhere to these constraints, the weights of all stocks weighing between 4.5% and 22.5% (“Type 1”) are proportionally redistributed to the stocks weighing less than 4.5% (“Type 2”). However, no stock’s weight can be reduced or increased beyond 4.5% for Type 1 and Type 2 stocks, respectively.

In extreme cases, these capping constraints may not be achievable. In such instances, the individual stock weight cap of 22.5% is reduced by 0.5% until Type 2 stocks have a cumulative weight of at least 16.5%. If the capping constraints are still not achievable, the Committee will determine the appropriate modifications to the index weighting rules.

Proposed Methodology. On January 10, 2019, Securities and Exchange Board of India (“SEBI”) issued a circular¹ providing capping norms as listed below:

- For a sectoral/ thematic Index, no single stock shall have more than 35% weight in the index
- The weightage of the top three constituents of the index, cumulatively shall not be more than 65% of the Index.

In this regard, AIPL is proposing to change the constituent weighting scheme in order to align it with the SEBI capping norms. The table below details two options that are being considered.

Proposed Change	Description
Option 1	Constituents are weighted by FMC, subject to a single constituent weight cap of 20% applied at each quarter, effective at the open of the Monday following the third Friday of March, June, September and December.
Option 2	Constituents are weighted by FMC at each quarter effective at the open of the Monday following the third Friday of March, June, September and December. Weights are subject to the following constraints: <ol style="list-style-type: none"> 1. Single constituent weights are capped at 33%. 2. The aggregate weight of the top three index constituents shall not be more than 63% of the index. 3. If the above constraints are breached, any excess weight is proportionately redistributed to all uncapped stocks. As part of the redistribution, the ranking of stocks based on final weights will remain in line with their rankings based on FMC.

¹ For details on the SEBI norms, please refer to SEBI circular no: SEBI/HO/IMD/DF3/CIR/P/2019/011 available at www.sebi.gov.in/legal/circulars/jan-2019/portfolio-concentration-norms-for-equity-exchange-traded-funds-etfs-and-index-funds_41588.html.

IMPLEMENTATION TIMING

S&P DJI is proposing to implement the constituent weighting scheme change, if adopted, prior to the market open on Monday, June 24, 2019, in conjunction with the June rebalancing.

QUESTIONS

Please answer the following questions and provide AIPL with the reasoning behind your answers:

1. **Do you agree with the proposal to change the constituent weighting scheme in order to align it with the SEBI norms detailed previously?**
 - **Yes, implement option 1**
 - **Yes, implement option 2**
 - **Yes, implement a different weighting scheme (please specify)**
 - **No, do not change the index's weighting scheme**
2. **Should a change to the constituent weighting scheme be adopted, do you agree with the proposed implementation date?**
3. **Do you have any other comments or feedback regarding the proposed change 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. AIPL 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 **May 24, 2019**. After this date, AIPL will no longer accept survey responses. Prior to the Index Committee's final review, AIPL 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 AIPL 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, AIPL 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 AIPL 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 BSE Indices, please visit www.asiaindex.co.in.

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

About ASIA INDEX PRIVATE LIMITED

Asia Index Pvt. Ltd is a 50-50 partnership between S&P Dow Jones Indices LLC, the world's largest provider of financial market indices, and BSE Ltd, Asia's oldest stock exchange and home to the iconic SENSEX index – a leading indicator of Indian equity market performance. Asia Index Pvt. Ltd, which combines the benchmarks, market intelligence, and insights of both parent companies, each established more than 115 years ago, aims to provide a full array of indices enabling global and domestic investors to participate in South Asia's vibrant economies. The Company is best known for calculating, publishing, and maintaining a diverse family of Asian indices under the umbrella brand, S&P BSE Indices.

About BSE Ltd

BSE (formerly Bombay Stock Exchange) established in 1875, is Asia's first & now the world's fastest Stock Exchange with a speed of 6 microseconds. BSE is India's leading exchange group and has played a prominent role in developing the Indian capital market. BSE is a corporatized and demutualised entity, with a broad shareholder base that includes the leading global exchange- Deutsche Bourse, as a strategic partner. BSE provides an efficient and transparent market for trading in equity, debt instruments, equity derivatives, currency derivatives, interest rate derivatives, mutual funds and stock lending and borrowing. BSE also has a dedicated platform for trading in equities of small and medium enterprises (SMEs) that has been highly successful. BSE provides a host of other services to capital market participants including risk management, clearing, settlement, market data services and education. It has a global reach with customers around the world and a nation-wide presence. BSE's systems and processes are designed to safeguard market integrity, drive the growth of the Indian capital market and stimulate innovation and competition across all market segments. Indian Clearing Corporation Limited, a wholly owned subsidiary of BSE, acts as the central counterparty to all trades executed on the BSE trading platform and provides full novation, guaranteeing the settlement of all bonafide trades executed. BSE Institute Ltd, another fully owned subsidiary of BSE runs one of the most respected capital market educational institutes in the country. Central Depository Services Ltd. (CDSL), a subsidiary of BSE, is one of the two Depositories in India.

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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CONSULTATION