

S&P Dow Jones Indices Consultation on Commodity Index Capping Results

NEW YORK, SEPTEMBER 20, 2019: S&P Dow Jones Indices (“S&P DJI”) has conducted a consultation with members of the investment community on potential changes to the capped indices within the S&P GSCI, S&P WCI, and Dow Jones Commodity Index families.

On December 18, 2012, the European Securities and Market Authority (“ESMA”) published guidelines on ETFs and other UCITS issues. Those guidelines applied beginning February 18, 2013 and were subsequently revised and updated by ESMA and published on August 1, 2014 – ESMA/2014/937 (the “Guidelines”). The Guidelines apply to competent authorities, UCITS management companies and UCITS taking the form of self-managed investment companies. Guideline No. 50 includes a diversification recommendation in relation to components of financial indices. Please note that the Guidelines do not apply to S&P DJI.

S&P DJI will modify the capping frequency and capped weighting scheme of all capped indices following the S&P GSCI Capped Indices Methodology, S&P WCI Index Methodology, and Dow Jones Commodity Index Methodology. Increasing the capping frequency and lowering the capping level will not guarantee that these indices are consistent with the Guidelines. However, minimizing the length of time between capping, simplifying the capping level methodology, and reducing the capping levels should reduce the likelihood of the daily commodity weights drifting too far away from the capped weights.

METHODOLOGY CHANGES

S&P DJI will modify the capping frequency and capped weighting scheme of all capped indices following the S&P GSCI Capped Indices Methodology, S&P WCI Index Methodology, and Dow Jones Commodity Index Methodology as follows:

- **Capping Frequency.** Under the current methodology, capping is performed on a quarterly basis in January, April, July, and October on the business day prior to the designated roll periods (1st to 5th business days for Enhanced Capped indices and 5th to 9th business days for all other capped indices). S&P DJI will modify the capping frequency so that capping is performed on a monthly basis, with implementation continuing to take place during the same designated roll periods.
- **Capped Weighting Scheme.** Under the current methodology, multiple capping rules exist (e.g. capping with buffers and capping without buffers using the 35/20 rule). S&P DJI will eliminate all capping buffer rules and the indices will be capped according to the following rules:
 - **Rule 1:** The largest component’s weight cannot exceed 32%. If the component’s weight exceeds 32%, it is capped at 32% and any excess weight is distributed proportionately among the remaining components.
 - **Rule 2:** No remaining component’s weight can exceed 17%. Once Rule 1 is implemented, if any remaining component’s weight exceeds 17%, it is capped at 17%

and the excess weight is distributed proportionately among the remaining components. This process is repeated iteratively until all the capping rules are met.

For details on the current capping rules, please refer to [S&P GSCI Capped Indices](#), [S&P WCI Index](#), and [Dow Jones Commodity Index](#) methodology documents.

For clarity, the table below summarizes the changes.

Change	Methodology	
	Previous	Updated
Capping Frequency	Quarterly capping in January, April, July, and October on the business day prior to the designated roll periods.	Monthly capping on the business day prior to the designated roll periods.
Capped Weighting Scheme	Multiple capping rules exist (e.g. capping with buffers and capping without buffers using the 35/20 rule).	Elimination of all capping buffer rules and all indices capped based on the 32/17 rule detailed in Rules 1 and 2 of the Capped Weighting Scheme section above.

These changes will become effective prior to the market open on **Wednesday, January 8, 2020**, in conjunction with the S&P GSCI annual reconstitution and roll period.

Please note the index methodologies on S&P DJI's website are being updated to reflect these changes.

For more information about S&P DJI, please visit www.spdji.com.

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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