

## S&P/BNY Mellon New Frontier Index Consultation

**NEW YORK, JANUARY 23, 2020:** 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/BNY Mellon New Frontier Index.

In order to enhance index liquidity and concentration, S&P DJI is considering modifying the index’s liquidity screen and constituent weighting scheme. The table below summarizes the proposed changes.

Changes	Methodology	
	Current	Proposed
Liquidity	As of each rebalancing reference date, companies must have a three-month average daily value traded (ADVT) of at least US\$ 500,000.	As of each rebalancing reference date, companies must have a three-month median daily value traded (MDVT) of at least US\$ 300,000 (US\$ 250,000 for current index constituents).
Constituent Weighting	<p>For a given rebalancing date, all the securities eligible for inclusion are weighted by their float-adjusted market capitalization subject to security and country constraints. This is done using an optimization procedure that chooses final weights in such a way as to minimize the sum of the squared differences of capped weight and uncapped weight, divided by uncapped weight for each stock, subject to the following constraints:</p> <ul style="list-style-type: none"> <li>The maximum weight of each country is 10% (15% for Argentina and Nigeria).</li> <li>The maximum weight of each security is 10%.</li> <li>The aggregate weight of companies in the index with a weight greater than 4.5% cannot exceed 45%.</li> </ul>	<p>For a given rebalancing date, all the securities eligible for inclusion are weighted by their float-adjusted market capitalization subject to security and country constraints. This is done using an optimization procedure that chooses final weights in such a way as to minimize the sum of the squared differences of capped weight and uncapped weight, divided by uncapped weight for each stock, subject to the following constraints:</p> <ul style="list-style-type: none"> <li>The maximum weight of each country is 10% (15% for Argentina, Nigeria, and Vietnam).</li> <li>The maximum weight of each security is 10%.</li> <li>The aggregate weight of companies in the index with a weight greater than 4.5% cannot exceed 45%.</li> </ul>

For more information on the S&P/BNY Mellon New Frontier Index, please refer to the S&P/BNY Mellon New Frontier Index Methodology available [here](#).

### IMPACT ANALYSIS

Using data from the January 2020 rebalancing, the tables below and on the following page show the actual one-way turnover, constituent count by country, and country weight, as well as the hypothetical results that would have resulted had the previously described proposed changes been implemented at that time.

Index	One-Way Turnover	
	Actual	Hypothetical
S&P/BNY New Frontier Index	15.94%	22.67%

Country	Constituent Count		Country Weight	
	Actual	Hypothetical	Actual	Hypothetical
Argentina	13	13	15.00%	15.00%
Bahrain	2	2	10.00%	10.00%
Kenya	3	3	10.00%	10.00%
Kazakhstan	1	1	4.89%	3.81%
Morocco	8	5	10.00%	10.00%
Nigeria	7	6	15.00%	15.00%
Oman	2	1	5.11%	3.31%
Panama	2	2	10.00%	7.89%
Romania	4	3	10.00%	9.99%
Vietnam	15	15	10.00%	15.00%
<b>Total</b>	<b>57</b>	<b>51</b>	<b>100.00%</b>	<b>100.00%</b>

## IMPLEMENTATION TIMING

S&P DJI is proposing to implement the previously described methodology changes, if adopted, in conjunction with the next quarterly rebalancing which takes effect prior to the market open on Monday, April 20, 2020.

## QUESTIONS

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

1. Do you agree with the proposed change to the index's liquidity screen?
2. Do you agree with the proposed change to the index's constituent weighting scheme?
3. If any of the proposed changes are adopted, do you agree with the proposed implementation date?
4. 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 externally available upon request.<sup>1</sup> 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 **February 24, 2020**. 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](mailto: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.*

<sup>1</sup> Individual and company names as well as contact details will be redacted.

## CONSULTATION

Thank you for taking the time to complete this survey.

For more information about S&P Dow Jones Indices, please visit [www.spdji.com](http://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](http://www.spdji.com).

### FOR MORE INFORMATION:

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