

S&P Sri Lanka 20 Consultation on Eligibility Criteria Results

MUMBAI, JANUARY 31, 2020: S&P Dow Jones Indices (“S&P DJI”) has conducted a consultation with members of the investment community on potential changes to the S&P Sri Lanka 20.

In order to take advantage of more readily available financial data and ensure a sufficient number of eligible stocks for the index given the declining liquidity in the Sri Lankan equity market, S&P DJI considered amending the index’s liquidity and financial viability criteria.

After a review of available financial data, S&P DJI will not make any changes to the financial viability criterion, as the current rule is considered appropriate.

S&P DJI will modify the index’s liquidity criterion in order to ensure a sufficient number of eligible stocks for the index, considering the declining liquidity in the Sri Lankan equity market. The table below summarizes the change.

		Methodology	
Change	Previous	Updated	
Liquidity	<p>To ensure investability, stocks must have a minimum six-month median daily value traded (“MDVT”) of LKR 500,000 as of the reconstitution reference date. Current constituents’ require a MDVT of at least LKR 350,000 to remain eligible. Liquidity is measured independently for voting and non-voting share classes.</p> <p>If there are less than 20 eligible companies after applying all the eligibility criteria, the liquidity requirement is relaxed by 10% for both constituent and non-constituent stocks. If there are still less than 20 eligible companies after the 10% relaxation, the liquidity requirement is further relaxed by 5% incrementally for both constituent and non-constituent stocks until there are at least 20 eligible companies.</p>	<p>Stock fulfilling all other eligibility criteria are ranked based on their six-month median daily value traded (“MDVT”) with the 40 most liquid stocks comprising the selection universe from which index composition is derived.</p>	

This change will be implemented in conjunction with the June rebalancing, which takes effect prior to the market open on Monday, June 22, 2020.

Please note that the Index Methodology on S&P DJI’s website is being updated to reflect this change.

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

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