

S&P Dow Jones Indices' Consultation on the Market Classification of Lebanon and the Removal of Lebanon-Domiciled Constituents from the S&P Frontier BMI and S&P Pan Arab Indices

AMSTERDAM, APRIL 30, 2021: S&P Dow Jones Indices ("S&P DJI") is conducting a consultation with market participants on the possible reclassification of Lebanon from a frontier market to a standalone market. In addition, S&P DJI is considering excluding Lebanon-domiciled stocks from the S&P Frontier BMI and related sub-indices, as well as the S&P Pan Arab Indices.

As previously [announced](#) on March 3, 2021, S&P DJI has taken measures to address ongoing market accessibility issues in Lebanon caused by the imposition of capital controls. S&P DJI continues to monitor the situation, but substantive progress does not appear to have been made to address the accessibility issues caused by these controls.

Given the situation in the country regarding foreign currency shortages and fund repatriation concerns, S&P DJI is proposing to remove index constituents domiciled in Lebanon from the S&P Pan Arab Indices. Additionally, S&P DJI is proposing to reclassify Lebanon from a frontier market to a standalone market, and consequently remove all constituents from the S&P Frontier BMI and related sub-indices. Lebanese stocks would instead only be included in a separate S&P Lebanon BMI standalone index.¹ Under these proposals, S&P DJI would remove Lebanon-domiciled constituents from the indices at a zero price given the distortion between the parallel and official exchange rates for the Lebanese Pound and in order to facilitate index replicability.

IMPACT ANALYSIS

Using data as of April 20, 2021, the table below shows the indices potentially impacted by these proposals, as well as the number of stocks that would be dropped and their associated index weights, if the changes had been applied at that date.

Index	Actual Weight	Stock Drops
S&P Frontier BMI (USD)	2.2%	5
S&P Frontier BMI Shariah (US Dollar)	3.3%	2
S&P Frontier Ex-GCC BMI (USD)	2.3%	5
S&P Frontier BMI ex-GCC Shariah (US Dollar)	3.3%	2
S&P Extended Frontier 150	1.9%	1
S&P Emerging Frontier Super Composite BMI (US Dollar)	0.1%	5
S&P Emerging and Frontier ME and Africa BMI Index (Custom)	0.6%	5
S&P ME and Africa BMI Index (Custom)	0.6%	5
S&P Pan Arab Investable	1.1%	5
S&P Pan Arab Composite	1.0%	5
S&P Pan Arab Composite Ex Saudi Arabia (US Dollar)	2.3%	5
S&P Pan Arab Composite with Saudi capped at 40%	1.4%	5

¹ Please refer to the appendix of this document for the hypothetical composition of the S&P Lebanon BMI standalone index based on data as of April 20, 2021.

Index	Actual Weight	Stock Drops
S&P Pan Arab Composite with Saudi capped at 30%	1.6%	5
S&P Pan Arab Large Mid with KSA 40%	1.5%	3
S&P Pan Arab Large Mid with KSA 30%	1.8%	3
S&P Pan Arab Composite LargeMidCap Capped 10/40 Index (USD)	1.1%	3
S&P Pan Arab LargeMid Cap ex Kuwait	1.2%	3
S&P Pan Arab Composite LargeMid Ex Kuwait Index	1.2%	3
S&P Pan Arab Ex-Kuwait Composite LargeMidCap Ex-Saudi Aramco (USD) (Custom)	1.2%	3
S&P AFE 40	1.0%	1
S&P/OIC COMCEC 50 Shariah	1.4%	1
Dow Jones MENA Index (USD)	0.9%	2
Dow Jones MENA ex-Saudi Index (USD)	1.7%	2

IMPLEMENTATION TIMING

S&P DJI is proposing to implement the previously described changes, if adopted, in conjunction with the upcoming rebalancing, which takes effect prior to the market open on Monday, June 21, 2021. If adopted, the changes will first be visible to clients in pro-forma files beginning on Friday, June 11, 2021.

QUESTIONS

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

- 1. Do you agree with the proposal to remove all Lebanon-domiciled constituents from the S&P Pan Arab Indices and make these stocks ineligible for index inclusion?**
- 2. Do you agree with the proposal to reclassify Lebanon to standalone market status and the consequent ineligibility/removal of all Lebanon-domiciled constituents from the S&P Frontier BMI and related sub-indices?**
- 3. If S&P DJI adopts the proposals described in questions 1 and 2, do you agree with removing Lebanon-domiciled constituents from the indices at a zero price (if no, then please specify what price you would apply and why in question 5 below)?**
- 4. Should the proposed changes be adopted, do you agree with the suggested implementation date?**
- 5. 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. Please respond to this survey by **May 14, 2021**. After this date, S&P DJI will no longer accept survey responses. Prior to the Index Committee's final review, S&P DJI may request clarifications from respondents as part of that review.

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.

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.

CONSULTATION

APPENDIX

The table below shows the hypothetical composition of the S&P Lebanon BMI standalone index based on data as of April 20, 2021.

Stock Name	Index weight	Float-Adjusted Market Cap (USD)
Solidere A-A	45.1%	2,449,000,000
Solidere B-B	29.0%	1,577,550,000
Bank Audi S.A.L.	17.6%	956,374,250
Blom Bank	4.3%	235,141,137
Byblos Bank	4.0%	216,720,000

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.

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FOR MORE INFORMATION:

S&P Dow Jones Indices
index_services@spglobal.com