

Consultation on the Construction of S&P Global BMI Size Benchmark Indices

NEW YORK, JULY 07, 2021: S&P Dow Jones Indices (“S&P DJI”) is conducting a consultation with members of the investment community on potential changes to the methodology used to construct S&P Global BMI size benchmark indices.

Currently, S&P Global BMI size benchmark indices are constructed purely at the country level. To better balance global size integrity and relative sizing within countries, S&P DJI is proposing to assign company size based on a composite ranking of size measured both at the country and regional level. While company size will still be primarily determined at the country level, a company’s size within the region will also influence the final size assignment. The tables below summarize the proposed changes.

Changes	Methodology	
	Current	Proposed
Subdividing into Size Benchmarks	<p>For each country, S&P Dow Jones Indices calculates size benchmark indices. The indices consist of three basic components: LargeCap, MidCap, and SmallCap.</p> <p>The splits are based on the cumulative market capitalization of each country. The companies are ranked by total company market capitalization, which is considered to be a better reflection of the economic significance of the company in the economy; then float-adjusted market capitalization is accumulated to 70% for large cap, the next 15% for mid cap and the final 15% for small cap indices. Where a company has multiple share classes (listed and unlisted), the share classes are combined to measure the company’s total market capitalization. The divisions are within countries; there are no restrictions on the break-points or the number of companies in each category.</p>	<p>For each country, S&P Dow Jones Indices calculates size benchmark indices. The indices consist of three basic components: LargeCap, MidCap, and SmallCap.</p> <p>All companies within a country are ranked by total market capitalization, which is considered to be a better reflection of the economic significance of the company to the economy; then float-adjusted market capitalization is accumulated to 70% for large cap, the next 15% for mid cap and the final 15% for small cap indices. Where a company has multiple share classes (listed and unlisted), the share classes are combined to measure the company’s total market capitalization.</p> <p>The same process is then repeated at the regional level (see <i>Figure 1</i> below).</p> <p>Each company’s country and regional weights are combined to determine a composite score, with a 70% weight given to the country score and a 30% weight given to the regional score. There are no restrictions on the break-points or the number of companies in each category.</p>

Changes	Methodology	
	Current	Proposed
Buffer Rule Size Categorization	A three-percentage point buffer is maintained between the three size ranges (Large, Mid, Small) to minimize turnover. If a stock moves in its ranking within the three percentage point range where a size-split occurs, then that stock does not change its classification. The evaluation is done during the annual reconstitution.	To reduce turnover, a security will remain within its existing size range provided that its composite size score remains within 3% of the Large/Mid breakpoint or within 2% of the Mid/Small breakpoint. The same buffer will apply if a company is migrating from SmallCap to LargeCap or from LargeCap to SmallCap for consistency. The buffer rule will not apply if it prevents a change for a second consecutive rebalance.

For more information on the S&P Global BMI, please refer to the S&P Global BMI, S&P/IFCI Indices Methodology available [here](#).

The proposed regional definitions for size categorization are defined below, with a particular focus on fully retaining country level sizing for relatively large equity markets to retain historical continuity and minimize turnover.

Figure 1

Country	Proposed Region	Country	Proposed Region	Country	Proposed Region
Canada	Canada	Norway	Developed Europe ex-UK	Turkey	Emerging Europe
China	China	Portugal	Developed Europe ex-UK	Japan	Japan
Australia	Developed Asia-Pacific ex-Japan	Spain	Developed Europe ex-UK	Brazil	Latin America
Hong Kong	Developed Asia-Pacific ex-Japan	Sweden	Developed Europe ex-UK	Chile	Latin America
New Zealand	Developed Asia-Pacific ex-Japan	Switzerland	Developed Europe ex-UK	Colombia	Latin America
Singapore	Developed Asia-Pacific ex-Japan	India	Emerging Asia-Pacific ex-China	Mexico	Latin America
South Korea	Developed Asia-Pacific ex-Japan	Indonesia	Emerging Asia-Pacific ex-China	Peru	Latin America
Austria	Developed Europe ex-UK	Malaysia	Emerging Asia-Pacific ex-China	Egypt	Middle-East & Africa
Belgium	Developed Europe ex-UK	Pakistan	Emerging Asia-Pacific ex-China	Kuwait	Middle-East & Africa
Denmark	Developed Europe ex-UK	Philippines	Emerging Asia-Pacific ex-China	Qatar	Middle-East & Africa
Finland	Developed Europe ex-UK	Taiwan	Emerging Asia-Pacific ex-China	Saudi Arabia	Middle-East & Africa
France	Developed Europe ex-UK	Thailand	Emerging Asia-Pacific ex-China	South Africa	Middle-East & Africa
Germany	Developed Europe ex-UK	Czech Republic	Emerging Europe	UAE	Middle-East & Africa
Ireland	Developed Europe ex-UK	Greece	Emerging Europe	Israel	Middle-East & Africa
Italy	Developed Europe ex-UK	Hungary	Emerging Europe	U.K.	Developed
Luxembourg	Developed Europe ex-UK	Poland	Emerging Europe	U.S.	U.K.
Netherlands	Developed Europe ex-UK	Russia	Emerging Europe		U.S.

IMPACT ANALYSIS

Using data from the September 2020 rebalancing, estimated changes by count and weight for developed and emerging markets are detailed below. See *Appendices I and II* for the estimated country level changes by weight and count.

Classification	Count			
	From L to M	From M to L	From M to S	From S to M
Developed	73	37	166	94
Emerging	48	49	119	92

Classification	Weight			
	From L to M	From M to L	From M to S	From S to M
Developed	1.22%	1.26%	1.41%	1.15%
Emerging	1.08%	1.74%	1.05%	1.20%

CONSULTATION

Using data from the September 2020 rebalancing, the below table illustrates the changes in the estimated distribution of weights between size ranges. The projected weights remained in-line with the targeted 70/15/15 splits.

Total Weight by Size	Float-Adjusted Market Capitalization (FMC)		Total Co. Market Capitalization (TMC)	
	Current	Proposed	Current	Proposed
LargeCap	70.45%	70.56%	70.52%	70.79%
MidCap	15.10%	14.77%	15.05%	14.69%
SmallCap	14.45%	14.67%	14.44%	14.53%

Finally, the below table illustrates the estimated change in certain size characteristics of select indices using data from the September 2020 rebalancing. Please note the significant decrease in weighted average market capitalization for various small-cap indices.

FMC Statistics	Average	Minimum	Maximum	Weighted Avg
Current Developed Ex-US SmallCap	786,480,669	66,144,153	13,076,353,058	2,500,649,891
Proposed Developed Ex-US SmallCap	754,759,196	66,144,153	10,513,456,472	2,065,961,526
Current Global ex-US SmallCap	580,338,958	21,758,335	13,076,353,058	2,090,305,173
Proposed Global ex-US SmallCap	559,550,606	21,758,335	10,513,456,472	1,733,911,656
Current Global LargeMidCap	15,350,058,154	45,603,950	1,867,769,842,407	249,547,741,042
Proposed Global LargeMidCap	15,772,305,878	45,603,950	1,867,769,842,407	250,178,900,730
Current Developed LargeMidCap	25,431,791,939	96,054,279	1,867,769,842,407	271,450,867,525
Proposed Developed LargeMidCap	26,407,709,396	96,054,279	1,867,769,842,407	272,293,115,869
Current Europe SmallCap	1,347,786,705	66,542,029	13,076,353,058	3,663,681,960
Proposed Europe SmallCap	1,255,789,336	66,542,029	10,513,456,472	2,968,407,149
Current Europe LargeMidCap	19,023,856,271	144,532,214	358,373,881,873	70,738,334,333
Proposed Europe LargeMidCap	19,623,514,289	144,532,214	358,373,881,873	70,103,200,831
Current Emerging LargeMidCap	3,881,688,429	45,603,950	468,759,701,414	86,306,886,294
Proposed Emerging LargeMidCap	3,955,949,338	45,603,950	468,759,701,414	86,164,811,812
Current Developed SmallCap	1,250,480,196	63,434,959	15,394,910,160	4,151,189,077
Proposed Developed SmallCap	1,258,581,234	63,434,959	12,656,228,970	4,076,052,657
Current Global SmallCap	951,400,398	21,758,335	15,394,910,160	3,799,099,090
Proposed Global SmallCap	955,331,656	21,758,335	12,656,228,970	3,734,373,433
Current Emerging SmallCap	304,589,123	21,758,335	4,780,573,724	672,972,180
Proposed Emerging SmallCap	298,102,250	21,758,335	3,422,352,085	607,924,427

TMC Statistics	Average	Minimum	Maximum	Weighted Avg
Current Developed Ex-US SmallCap	1,135,861,442	66,542,029	20,818,312,469	3,193,532,177
Proposed Developed Ex-US SmallCap	1,093,088,216	66,542,029	11,155,095,406	2,663,037,549
Current Global ex-US SmallCap	1,136,559,435	66,542,029	20,818,312,469	2,828,361,997
Proposed Global ex-US SmallCap	1,098,383,507	66,542,029	11,155,095,406	2,380,282,123
Current Global LargeMidCap	23,244,153,396	427,634,000	1,986,989,194,050	284,449,648,248
Proposed Global LargeMidCap	23,917,930,036	438,673,125	1,986,989,194,050	285,173,725,342
Current Developed LargeMidCap	30,919,529,962	942,095,727	1,986,989,194,050	302,712,701,783
Proposed Developed LargeMidCap	32,119,670,422	1,090,887,250	1,986,989,194,050	303,655,661,594
Current Europe SmallCap	1,980,550,935	66,542,029	20,818,312,469	4,690,282,421
Proposed Europe SmallCap	1,868,071,789	66,542,029	11,155,095,406	3,861,526,972
Current Europe LargeMidCap	26,795,027,505	1,203,765,586	358,373,881,873	82,742,944,470
Proposed Europe LargeMidCap	27,591,968,679	1,931,363,773	358,373,881,873	82,007,251,559
Current Emerging LargeMidCap	14,513,109,894	427,634,000	1,786,380,845,731	148,337,734,199
Proposed Emerging LargeMidCap	14,805,470,082	438,673,125	1,786,380,845,731	148,099,091,818
Current Developed SmallCap	1,578,019,279	66,542,029	20,818,312,469	4,661,504,832
Proposed Developed SmallCap	1,583,521,961	66,542,029	12,656,228,970	4,556,030,561
Current Global SmallCap	1,438,730,012	66,542,029	20,818,312,469	4,348,263,212
Proposed Global SmallCap	1,432,589,616	66,542,029	12,656,228,970	4,247,212,702
Current Emerging SmallCap	1,137,493,122	80,719,566	6,460,234,763	1,567,062,113
Proposed Emerging SmallCap	1,105,475,640	80,719,566	4,926,674,520	1,421,453,265

IMPLEMENTATION TIMING

S&P DJI is proposing to implement the previously described methodology changes, if adopted, in conjunction with the next rebalancing, which takes effect prior to the market open on Monday, September 20, 2021.

CONSULTATION

QUESTIONS

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

1. Do you agree with the proposed changes to the construction of S&P Global BMI size benchmark indices?
2. Do you agree with the proposed changes to the buffer rule used in assigning company sizes?
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.¹ 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 **August 06, 2021**. 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.

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.

Appendix I

Country	Proposed Region	Count			
		From L to M	From M to L	From M to S	From S to M
Canada	Canada	3	-	8	8
China	China	10	27	44	42
Australia	Developed Asia-Pacific ex-Japan	4	1	2	9
Hong Kong	Developed Asia-Pacific ex-Japan	-	2	-	5
New Zealand	Developed Asia-Pacific ex-Japan	2	-	3	-
Singapore	Developed Asia-Pacific ex-Japan	1	-	4	2
South Korea	Developed Asia-Pacific ex-Japan	11	-	25	3
Austria	Developed Europe ex-UK	3	-	3	-
Belgium	Developed Europe ex-UK	2	-	1	-
Denmark	Developed Europe ex-UK	1	-	3	1
Finland	Developed Europe ex-UK	1	-	2	-
France	Developed Europe ex-UK	-	2	1	5
Germany	Developed Europe ex-UK	-	3	3	7
Ireland	Developed Europe ex-UK	-	-	1	-
Italy	Developed Europe ex-UK	2	-	4	-
Luxembourg	Developed Europe ex-UK	1	-	-	-
Netherlands	Developed Europe ex-UK	-	1	-	2
Norway	Developed Europe ex-UK	5	-	5	-
Portugal	Developed Europe ex-UK	-	-	2	-
Spain	Developed Europe ex-UK	1	1	1	-
Sweden	Developed Europe ex-UK	5	-	5	1
Switzerland	Developed Europe ex-UK	-	3	-	6

¹ Individual and company names as well as contact details will be redacted.

Country	Proposed Region	Count			
		From L to M	From M to L	From M to S	From S to M
India	Emerging Asia-Pacific ex-China	1	10	5	23
Indonesia	Emerging Asia-Pacific ex-China	1	1	2	2
Malaysia	Emerging Asia-Pacific ex-China	5	-	8	2
Pakistan	Emerging Asia-Pacific ex-China	2	-	1	-
Philippines	Emerging Asia-Pacific ex-China	-	-	1	-
Taiwan	Emerging Asia-Pacific ex-China	5	2	31	8
Thailand	Emerging Asia-Pacific ex-China	4	1	4	3
Greece	Emerging Europe	3	-	2	-
Poland	Emerging Europe	1	-	2	-
Russia	Emerging Europe	-	4	-	4
Turkey	Emerging Europe	5	-	3	-
Japan	Japan	17	7	31	13
Brazil	Latin America	1	3	2	4
Chile	Latin America	1	-	2	-
Colombia	Latin America	1	-	-	-
Mexico	Latin America	3	1	-	-
Peru	Latin America	-	-	-	2
Egypt	Middle-East & Africa	1	-	2	-
Kuwait	Middle-East & Africa	-	-	2	-
Qatar	Middle-East & Africa	1	-	-	-
Saudi Arabia	Middle-East & Africa	-	-	3	1
South Africa	Middle-East & Africa	3	-	5	1
Israel	Middle-East & Africa Developed	-	1	3	4
U.K.	United Kingdom	1	5	4	4
U.S.	United States	13	11	55	24

Appendix II

Country	Proposed Region	Weight			
		From L to M	From M to L	From M to S	From S to M
Canada	Canada	0.64%	-	1.52%	1.86%
China	China	0.36%	1.64%	0.74%	1.10%
Australia	Developed Asia-Pacific ex-Japan	2.36%	0.54%	0.46%	2.68%
Hong Kong	Developed Asia-Pacific ex-Japan	-	1.11%	-	1.56%
New Zealand	Developed Asia-Pacific ex-Japan	8.22%	-	4.38%	-
Singapore	Developed Asia-Pacific ex-Japan	1.11%	-	2.43%	2.14%
South Korea	Developed Asia-Pacific ex-Japan	2.62%	-	1.77%	0.26%
Austria	Developed Europe ex-UK	11.90%	-	6.83%	-
Belgium	Developed Europe ex-UK	7.95%	-	0.52%	-
Denmark	Developed Europe ex-UK	3.17%	-	2.10%	1.54%
Finland	Developed Europe ex-UK	3.67%	-	3.75%	-
France	Developed Europe ex-UK	-	1.88%	0.17%	2.77%
Germany	Developed Europe ex-UK	-	3.95%	1.24%	3.00%
Ireland	Developed Europe ex-UK	-	-	6.33%	-
Italy	Developed Europe ex-UK	3.11%	-	2.15%	-
Luxembourg	Developed Europe ex-UK	10.24%	-	-	-
Netherlands	Developed Europe ex-UK	-	4.12%	-	3.04%
Norway	Developed Europe ex-UK	7.89%	-	3.86%	-
Portugal	Developed Europe ex-UK	-	-	5.26%	-
Spain	Developed Europe ex-UK	1.72%	3.50%	1.79%	-
Sweden	Developed Europe ex-UK	5.55%	-	1.41%	0.05%
Switzerland	Developed Europe ex-UK	-	5.28%	-	3.84%
India	Emerging Asia-Pacific ex-China	0.33%	3.55%	0.61%	3.05%
Indonesia	Emerging Asia-Pacific ex-China	1.98%	1.37%	1.09%	0.77%
Malaysia	Emerging Asia-Pacific ex-China	4.09%	-	2.40%	1.20%
Pakistan	Emerging Asia-Pacific ex-China	6.72%	-	5.17%	-
Philippines	Emerging Asia-Pacific ex-China	-	-	1.21%	-
Taiwan	Emerging Asia-Pacific ex-China	1.68%	0.77%	2.09%	0.84%
Thailand	Emerging Asia-Pacific ex-China	3.55%	0.91%	1.33%	0.97%
Greece	Emerging Europe	11.87%	-	3.99%	-
Poland	Emerging Europe	2.53%	-	1.36%	-
Russia	Emerging Europe	-	13.24%	-	3.90%
Turkey	Emerging Europe	5.69%	-	2.09%	-
Japan	Japan	1.86%	0.78%	1.22%	0.59%
Brazil	Latin America	1.48%	3.30%	0.73%	1.12%
Chile	Latin America	0.44%	-	2.32%	-
Colombia	Latin America	4.09%	-	-	-
Mexico	Latin America	2.40%	2.14%	-	-
Peru	Latin America	-	-	-	20.19%
Egypt	Middle-East & Africa	2.57%	-	6.04%	-

Country	Proposed Region	Weight			
		From L to M	From M to L	From M to S	From S to M
Kuwait	Middle-East & Africa	-	-	3.88%	-
Qatar	Middle-East & Africa	4.31%	-	-	-
Saudi Arabia	Middle-East & Africa	-	-	1.80%	0.75%
South Africa	Middle-East & Africa	3.66%	-	3.20%	0.53%
Israel	Middle-East & Africa Developed	-	1.53%	1.22%	1.91%
U.K.	United Kingdom	0.43%	1.93%	0.70%	0.94%
U.S.	United States	1.10%	1.08%	1.60%	0.90%

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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