

# **S&P/BNY Mellon DR Indices** *Methodology*

August 2020

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# Introduction

## Index Objective and Highlights

The S&P/BNY Mellon DR Indices measure the performance of U.S. exchange-listed Depositary Receipts (DR), New York Shares, Global Registered Shares, LSE-traded GDRs, and ADRs traded over-the-counter (OTC) that represent non-U.S. and non-Canadian equity securities and meet the criteria listed below for each index. Index constituents are weighted either by a float-adjusted market capitalization or capped market capitalization scheme, with the respective index weight caps defined in *Eligibility Criteria and Index Construction*.

## Index Family

The index family currently includes the following:

- **S&P/BNY Mellon ADR Index.** The index measures the float-adjusted market capitalization weighted performance of U.S. exchange-listed American Depositary Receipts (ADRs), New York Shares, and Global Registered Shares.
- **S&P/BNY Mellon Classic ADR Index.** The index measures the float-adjusted market capitalization weighted performance of U.S. exchange-listed ADRs, New York Shares, Global Registered Shares, and ADRs traded over-the-counter (OTC).
- **S&P/BNY Mellon DR Index.** The index measures the float-adjusted market capitalization weighted performance of London Stock Exchange (LSE) traded Global Depositary Receipts (GDRs), all U.S. exchange-listed ADRs, New York Shares, and Global Registered Shares.
- **S&P/BNY Mellon GDR Index (USD).** The index measures the float-adjusted market capitalization performance of LSE-traded GDRs.
- **S&P/BNY Mellon Composite Depositary Receipt Index.** The index measures the float-adjusted market capitalization weighted performance of LSE-traded GDRs, all U.S. exchange-listed ADRs, New York Shares, Global Registered Shares, and ADRs traded OTC in the U. S.
- **S&P/BNY Mellon Asia 50 ADR Index.** The index measures the capped market capitalization weighted performance of 50 of the largest and most liquid stocks in the S&P/BNY Mellon ADR Index domiciled in Asia.
- **S&P/BNY Mellon BRIC Select ADR Index.** The index measures the capped market capitalization weighted performance of the largest and most liquid stocks in the S&P/BNY Mellon ADR Index domiciled in Brazil, Russia, China, and India.
- **S&P/BNY Mellon BRIC Select DR Index.** The index measures the capped market capitalization weighted performance of the largest and most liquid stocks in the S&P/BNY Mellon DR Index domiciled in Brazil, Russia, China, and India.
- **S&P/BNY Mellon China Select ADR Index.** The index measures the capped market capitalization weighted performance of the largest and most liquid stocks in the S&P/BNY Mellon ADR Index domiciled in China.
- **S&P/BNY Mellon China Xia Yi Dai ADR Index.** The index measures the capped market capitalization weighted performance of the largest and most liquid stocks in the S&P/BNY Mellon ADR Index domiciled in China and listed in the U. S.
- **S&P/BNY Mellon Developed Markets 100 ADR Index.** The index measures the capped market capitalization weighted performance of 100 of the largest and most liquid stocks domiciled in developed markets in the S&P/BNY Mellon ADR Index.

- **S&P/BNY Mellon Emerging Asia Select Classic ADR Index.** The index measures the capped market capitalization weighted performance of the largest and most liquid stocks in the S&P/BNY Mellon Classic ADR Index domiciled in emerging market countries in Asia.
- **S&P/BNY Mellon Emerging 50 ADR Index.** The index measures the capped market capitalization weighted performance of 50 of the largest and most liquid stocks domiciled in emerging markets in the S&P/BNY Mellon ADR Index.
- **S&P/BNY Mellon Europe Select ADR Index.** The index measures the capped market capitalization weighted performance of the largest and most liquid stocks in the S&P/BNY Mellon ADR Index domiciled in Europe.
- **S&P/BNY Mellon India Select DR Index.** The index measures the capped market capitalization weighted performance of the largest and most liquid stocks in the S&P/BNY Mellon DR Index domiciled in India.
- **S&P/BNY Mellon International 100 ADR Index.** The index measures the capped market capitalization weighted performance of 100 of the largest and most stocks in the S&P/BNY Mellon ADR Index domiciled outside of the U. S.
- **S&P/BNY Mellon International Telecom Select DR Index.** The index measures the capped market capitalization weighted performance of the largest and most liquid stocks classified as part of the GICS Telecommunications industry group in the S&P/BNY Mellon DR Index domiciled outside of the U. S.
- **S&P/BNY Mellon Latin America 35 ADR Index.** The index measures the capped market capitalization weighted performance of 35 of the largest and most liquid stocks in the S&P/BNY Mellon ADR Index domiciled in Latin America.
- **S&P/BNY Mellon Russia Select DR Index.** The index measures the capped market capitalization weighted performance of the largest and most liquid stocks in the S&P/BNY Mellon DR Index domiciled in Russia.
- **S&P/BNY Mellon SmallCap Select ADR Index.** The index measures the capped market capitalization weighted performance of small-cap stocks in the S&P/BNY Mellon ADR Index.

## Supporting Documents

This methodology is meant to be read in conjunction with supporting documents providing greater detail with respect to the policies, procedures and calculations described herein. References throughout the methodology direct the reader to the relevant supporting document for further information on a specific topic. The list of the main supplemental documents for this methodology and the hyperlinks to those documents is as follows:

Supporting Document	URL
S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology	<a href="#">Equity Indices Policies &amp; Practices</a>
S&P Dow Jones Indices' Index Mathematics Methodology	<a href="#">Index Mathematics Methodology</a>
S&P Dow Jones Indices' Float Adjustment Methodology	<a href="#">Float Adjustment Methodology</a>
S&P Dow Jones Indices' Global Industry Classification Standard (GICS) Methodology	<a href="#">GICS Methodology</a>

This methodology was created by S&P Dow Jones Indices to achieve the aforementioned objective of measuring the underlying interest of each index governed by this methodology document. Any changes to or deviations from this methodology are made in the sole judgment and discretion of S&P Dow Jones Indices so that the index continues to achieve its objective.

# Eligibility Criteria and Index Construction

## **Approaches**

There are two steps in the creation of each index. The first is the selection of the companies based on specific criteria; the second is the weighting of the index constituents within their respective index.

## **Multiple Share Classes and Dual Listed Companies**

All publicly listed multiple share class lines are eligible for index inclusion, subject to meeting the eligibility criteria. For more information regarding the treatment of multiple share classes, please refer to Approach A within the Multiple Share Classes section of the S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.

## **Country Classifications**

South Korea and Taiwan are considered emerging by S&P/BNY Mellon Indices.

*For more information on country classifications, please refer to S&P Dow Jones Indices' Country Classification Methodology.*

## **Index Calculations**

Each index is calculated by means of the divisor methodology used in all S&P Dow Jones Indices equity indices.

*For more information on the index calculation methodology, please refer to the Market Capitalization Weighted Indices and Capped Market Capitalization Weighted Indices sections, respectively, of S&P Dow Jones Indices' Index Mathematics Methodology.*

### **S&P/BNY Mellon ADR Index**

**Eligibility Factors.** To be eligible for index inclusion, a company must have a level II or III ADR program, New York Shares or Global Registered Shares listed with the NYSE or NASDAQ. Additionally, stocks must have been continuously trading for at least three months to be eligible for inclusion in the index.

**Constituent Selection.** All stocks meeting the eligibility criteria are selected for index inclusion.

**Constituent Weightings.** Constituents are weighted by float-adjusted market capitalization (FMC).

### **S&P/BNY Mellon Classic ADR Index**

**Eligibility Factors.** To be eligible for index inclusion, a company must have a level II or III ADR program, New York Shares or Global Registered Shares listed with the NYSE or NASDAQ, or have a Level 1 ADR program traded OTC. Additionally, stocks must have been continuously trading for at least three months to be eligible for inclusion in the index.

**Constituent Selection.** All stocks meeting the eligibility criteria are selected for index inclusion.

**Constituent Weightings.** Constituents are weighted by FMC.

### **S&P/BNY Mellon DR Index**

**Eligibility Factors.** To be eligible for index inclusion, a company must have a level II or III ADR program, New York Shares or Global Registered Shares listed with the NYSE or NASDAQ, or an LSE-listed GDR program. Additionally, stocks must have been continuously trading for at least three months to be eligible for inclusion in the index.

**Constituent Selection.** All stocks meeting the eligibility criteria are selected for index inclusion.

**Constituent Weightings.** Constituents are weighted by FMC.

### **S&P/BNY Mellon GDR Index (USD)**

**Eligibility Factors.** To be eligible for index inclusion, a company must have an LSE-listed GDR program. Additionally, stocks must have been continuously trading for at least three months to be eligible for inclusion in the index.

**Constituent Selection.** All stocks meeting the eligibility criteria are selected for index inclusion.

**Constituent Weightings.** Constituents are weighted by FMC.

### **S&P/BNY Mellon Composite Depositary Receipt Index**

**Eligibility Factors.** To be eligible for index inclusion, a company must have a level II or III ADR program, New York Shares or Global Registered Shares listed with the NYSE or NASDAQ, a Level 1 ADR program traded OTC, or an LSE-listed GDR program. Additionally, stocks must have been continuously trading for at least three months to be eligible for inclusion in the index.

**Constituent Selection.** All stocks meeting the eligibility criteria are selected for index inclusion. If a company has both a GDR and an OTC-listed ADR, the GDR is selected for inclusion.

**Constituent Weightings.** Constituents are weighted by FMC.

## S&P/BNY Mellon Asia 50 ADR Index

### Eligibility Factors:

- **Index Universe.** To be eligible for index inclusion, companies must first be constituents of the S&P/BNY Mellon ADR Index.
- **Domicile.** Companies must be domiciled in Asia.
- **Market Capitalization.** As of each rebalancing reference date, companies must have an FMC of at least US\$ 250 million.
- **Liquidity.** As of each rebalancing reference date, companies must have a three-month average daily value traded (ADVT) on the primary exchange of the ADR of at least US\$ 100,000 and a three-month ADVT in the combined global market of at least US\$ 1 million.
- **Security Type.** PFICs are excluded on a best efforts basis.

**Constituent Selection.** At each rebalancing eligible securities are sorted by FMC. The top 50 securities are chosen, subject to the following buffer rule:

- Current constituents remain in the index provided that the FMC of the smallest current member is no more than 5% lower than that of the largest eligible non-member.
- If the smallest current member is 5% or more lower than the largest eligible non-member the smallest current member is replaced by the largest eligible non-member.
- The process continues with the second smallest current member compared to the second largest eligible non-member, and proceeds iteratively until the target count is reached.

If there are less than 50 eligible securities then all eligible securities are included in the index.

**Constituent Weightings.** At each rebalancing the index is capped market capitalization weighted. With prices reflected on the rebalancing reference date, and membership, shares outstanding, and Investable Weight Factors (IWFs) as of the rebalancing effective date, each company's initial FMC weight is modified as defined below:

1. If any company has a weight greater than 20% the weight is capped at 20%.
2. All excess weight is proportionally redistributed to all uncapped companies within the index.
3. The process repeats iteratively until no company breaches the 20% weight cap.
4. The sum of the companies with weights greater than 4.5% cannot exceed 45% of the total index weight.
5. If the rule in step 4 is breached, all companies are ranked in descending order by FMC weight. The first company that causes the 45% limit to be breached is reduced to 4.5%.
6. This excess weight is proportionally redistributed to all companies with weights below 4.5%. This is repeated iteratively until step 5 is satisfied.

## S&P/BNY Mellon BRIC Select ADR Index

### Eligibility Factors.

- **Index Universe.** To be eligible for index inclusion, companies must first be constituents of the S&P/BNY Mellon ADR Index.
- **Domicile.** Companies must be domiciled in Brazil, Russia, India or China.
- **Market Capitalization.** As of each rebalancing reference date, companies must have an FMC of at least US\$ 250 million.
- **Liquidity.** As of each rebalancing reference date, companies must have a three-month ADVT on the primary exchange of the ADR of at least US\$ 100,000 and a three-month average ADVT in the combined global market of at least US\$ 1 million.
- **Security Type.** PFICs are excluded on a best efforts basis.

**Constituent Selection.** All stocks meeting the eligibility criteria are selected for index inclusion.

**Constituent Weightings.** At each rebalancing the index is capped market capitalization weighted. With prices reflected on the rebalancing reference date, and membership, shares outstanding, and Investable Weight Factors (IWFs) as of the rebalancing effective date, each company's initial FMC weight is modified as defined below:

1. If any company has a weight greater than 20% the weight is capped at 20%.
2. All excess weight is proportionally redistributed to all uncapped companies within the index.
3. The process repeats iteratively until no company breaches the 20% weight cap.
4. The sum of the companies with weights greater than 4.5% cannot exceed 45% of the total index weight.
5. If the rule in step 4 is breached, all companies are ranked in descending order by FMC weight. The first company that causes the 45% limit to be breached is reduced to 4.5%.
6. This excess weight is proportionally redistributed to all companies with weights below 4.5%. This is repeated iteratively until step 5 is satisfied.

## S&P/BNY Mellon BRIC Select DR Index

### Eligibility Factors

- **Index Universe.** To be eligible for index inclusion, companies must first be constituents of the S&P/BNY Mellon DR Index.
- **Domicile.** Companies must be domiciled in Brazil, Russia, India, or China.
- **Market Capitalization.** As of each rebalancing reference date, companies must have an FMC of at least US\$ 250 million.
- **Liquidity.** As of each rebalancing reference date, companies must have a three-month ADVT on the primary exchange of the DR of at least US\$ 100,000 and a total three-month ADVT from the US composite market and LSE GDR of at least US\$ 1 million. Hong Kong local trading volume may be used to satisfy this requirement for DRs whose local market is Hong Kong. If Hong Kong trading volume is used to satisfy the volume inclusion screen, or if the DR USD volume is less than 10 basis points of the market capitalization at the time of the quarterly review, than the local Hong Kong Exchange listed security will be used in the index calculation in place of the DR.
- **Security Type.** PFICs are excluded on a best efforts basis.

**Constituent Selection.** All stocks meeting the eligibility criteria are selected for index inclusion.

**Constituent Weightings.** At each rebalancing, the index is capped market capitalization weighted. With prices reflected on the rebalancing reference date, and membership, shares outstanding, and IWFs as of the rebalancing effective date, each company's initial FMC weight is modified as defined below:

1. For any individual components whose float-adjusted market capitalization exceeds 1000x its average daily USD trading volume during the previous three months, its float-adjusted market capitalization is, for the purpose of weighting, set equal to 1000x the average daily USD trading volume.
2. If any company has a weight greater than 10% the weight is capped at 10%.
3. All excess weight is proportionally redistributed to all uncapped companies within the relevant index.
4. The process repeats iteratively until no company breaches the 10% weight cap.
5. The sum of the companies with weights greater than 5% cannot exceed 40% of the total index weight.
6. If the rule in step 4 is breached, all companies are ranked in descending order by FMC weight. The first company that causes the 40% limit to be breached has its weight reduced to 5%.
7. This excess weight is proportionally redistributed to all companies with weights below 5%. This is repeated iteratively until step 5 is satisfied.

## S&P/BNY Mellon China Select ADR Index

### Eligibility Factors

- **Index Universe.** To be eligible for index inclusion, companies must first be constituents of the S&P/BNY Mellon ADR Index.
- **Domicile.** Companies must be domiciled in China.
- **Market Capitalization.** As of each rebalancing reference date, companies must have an FMC of at least US\$ 250 million.
- **Liquidity.** As of each rebalancing reference date, companies must have a three-month ADVT on the primary exchange of the ADR of at least US\$ 100 thousand and a three-month ADVT in the combined global markets of at least US\$ 1 million.
- **Security Type.** PFICs are excluded on a best efforts basis.

**Constituent Selection.** All stocks meeting the eligibility criteria are selected for index inclusion.

**Constituent Weightings.** At each rebalancing, the index is capped market capitalization weighted. With prices reflected on the rebalancing reference date, and membership, shares outstanding, and IWFs as of the rebalancing effective date, each company's initial FMC weight is modified as defined below:

1. If any company has a weight greater than 20% the weight is capped at 20%.
2. All excess weight is proportionally redistributed to all uncapped companies within the relevant index.
3. The process repeats iteratively until no company breaches the 20% weight cap.
4. The sum of the companies with weights greater than 4.5% cannot exceed 45% of the total index weight.
5. If the rule in step 4 is breached, all companies are ranked in descending order by FMC weight. The first company that causes the 45% limit to be breached has its weight reduced to 4.5%.
6. This excess weight is proportionally redistributed to all companies with weights below 4.5%. This is repeated iteratively until step 5 is satisfied.

## S&P/BNY Mellon China Xia Yi Dai ADR Index

### Eligibility Factors

- **Index Universe.** To be eligible for index inclusion, companies must first be constituents of the S&P/BNY Mellon ADR Index.
- **Domicile.** Companies must be domiciled in China and the primary listing must be on a U.S. exchange.
- **Market Capitalization.** As of each rebalancing reference date, companies must have an FMC of at least US\$ 100 million.
- **Liquidity.** As of each rebalancing reference date, companies must have a three-month ADVT, on the primary exchange of the ADR, of at least US\$ 100,000 and a three-month ADVT in the combined global markets of at least US\$ 1 million.
- **Security Type.** PFICs are excluded on a best efforts basis.

**Constituent Selection.** All stocks meeting the eligibility criteria are selected for index inclusion.

**Constituent Weightings.** At each rebalancing, the index is capped market capitalization weighted. With prices reflected on the rebalancing reference date, and membership, shares outstanding, and IWFs as of the rebalancing effective date, each company's initial FMC weight is modified as defined below:

1. If any company has a weight greater than 10% the weight is capped at 10%.
2. All excess weight is proportionally redistributed to all uncapped companies within the relevant index.
3. The process repeats iteratively until no company breaches the 10% weight cap.
4. The sum of the companies with weights greater than 5% cannot exceed 40% of the total index weight.
5. If the rule in step 4 is breached, all companies are ranked in descending order by FMC weight. The first company that causes the 40% limit to be breached has its weight reduced to 5%.
6. This excess weight is proportionally redistributed to all companies with weights below 5%. This is repeated iteratively until step 5 is satisfied.

## S&P/BNY Mellon Developed Markets 100 ADR Index

### Eligibility Factors

- **Index Universe.** To be eligible for index inclusion, companies must first be constituents of the S&P/BNY Mellon ADR Index.
- **Domicile.** Companies must be domiciled in a developed market.
- **Market Capitalization.** As of each rebalancing reference date, companies must have an FMC of at least US\$ 250 million.
- **Liquidity.** As of each rebalancing reference date, companies must have a three-month ADVT, on the primary exchange of the ADR, of at least US\$ 100,000 and a three-month ADVT in the combined global markets of at least US\$ 1 million.
- **Security Type.** PFICs are excluded on a best efforts basis.

**Constituent Selection.** At each rebalancing eligible securities are sorted by FMC. The top 100 securities are chosen, subject to the following buffer rule:

- Current constituents remain in the index provided that the FMC of the smallest current member is no more than 5% lower than that of the largest eligible non-member.
- If the FMC of the smallest current member is 5% or more lower than the largest eligible non-member smallest current member is replaced by the largest eligible non-member.
- The process continues with the second smallest current member compared to the second largest eligible non-member, and proceeds iteratively until the target count is reached.

If there are less than 100 eligible securities then all eligible securities are included in the index.

**Constituent Weightings.** At each rebalancing the index is capped market capitalization weighted. With prices reflected on the rebalancing reference date, and membership, shares outstanding, and Investable Weight Factors (IWFs) as of the rebalancing effective date, each company's initial FMC weight is modified as defined below:

1. If any company has a weight greater than 20% the weight is capped at 20%.
2. All excess weight is proportionally redistributed to all uncapped companies within the index.
3. The process repeats iteratively until no company breaches the 20% weight cap.
4. The sum of the companies with weights greater than 4.5% cannot exceed 45% of the total index weight.
5. If the rule in step 4 is breached, all companies are ranked in descending order by FMC weight. The first company that causes the 45% limit to be breached is reduced to 4.5%.
6. This excess weight is proportionally redistributed to all companies with weights below 4.5%. This is repeated iteratively until step 5 is satisfied.

## S&P/BNY Mellon Emerging Asia Select Classic ADR Index

### Eligibility Factors

- **Index Universe.** To be eligible for index inclusion, companies must first be constituents of the S&P/BNY Mellon Classic ADR Index.
- **Domicile.** Companies must be domiciled in an emerging market in Asia.
- **Market Capitalization.** As of each rebalancing reference date, companies must have an FMC of at least US\$ 250 million.
- **Liquidity.** As of each rebalancing reference date, companies must have a total three-month ADVT on the primary exchange of the ADR and the local share of at least US\$ 500 thousand.
- **Security Type.** Passive Foreign Investment Companies (PFIC) are excluded on a best efforts basis.

**Constituent Selection.** All stocks meeting the eligibility criteria are selected for index inclusion.

**Constituent Weightings.** At each rebalancing, the index is capped market capitalization weighted. With prices reflected on the rebalancing reference date, and membership, shares outstanding, and IWFs as of the rebalancing effective date, each company's initial FMC weight is determined 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: the maximum weight of each security is 10%, the maximum aggregate weight of all securities with a weight of 5% or greater is 40%, and the maximum weight of any given country, as defined by a stock's country of domicile, is 50%.

## S&P/BNY Mellon Emerging 50 ADR Index

### Eligibility Factors

- **Index Universe.** To be eligible for index inclusion, companies must first be constituents of the S&P/BNY Mellon ADR Index.
- **Domicile.** Companies must be domiciled in an emerging market.
- **Market Capitalization.** As of each rebalancing reference date, companies must have an FMC of at least US\$ 250 million.
- **Liquidity.** As of each rebalancing reference date, companies must have a three-month ADVT on the primary exchange of the ADR of at least US\$ 100,000 and a three-month ADVT in the combined global markets of at least US\$ 1 million.
- **Security Type.** PFICs are excluded on a best efforts basis.

**Constituent Selection.** At each rebalancing eligible securities are sorted by FMC. The top 50 securities are chosen, subject to the following buffer rule:

- Current constituents remain in the index provided that the FMC of the smallest current member is no more than 5% lower than that of the largest eligible non-member.
- If the FMC of the smallest current member is 5% or more lower than the largest eligible non-member, the smallest current member is replaced by the largest eligible non-member.
- The process continues with the second smallest current member compared to the second largest eligible non-member, and proceeds iteratively until the target count is reached.

If there are less than 50 eligible securities then all eligible securities are included in the index.

**Constituent Weightings.** At each rebalancing the index is capped market capitalization weighted. With prices reflected on the rebalancing reference date, and membership, shares outstanding, and Investable Weight Factors (IWFs) as of the rebalancing effective date, each company's initial FMC weight is modified as defined below:

1. If any company has a weight greater than 20% the weight is capped at 20%.
2. All excess weight is proportionally redistributed to all uncapped companies within the index.
3. The process repeats iteratively until no company breaches the 20% weight cap.
4. The sum of the companies with weights greater than 4.5% cannot exceed 45% of the total index weight.
5. If the rule in step 4 is breached, all companies are ranked in descending order by FMC weight. The first company that causes the 45% limit to be breached is reduced to 4.5%.
6. This excess weight is proportionally redistributed to all companies with weights below 4.5%. This is repeated iteratively until step 5 is satisfied.

## S&P/BNY Mellon Europe Select ADR Index

### Eligibility Factors

- **Index Universe.** To be eligible for index inclusion, companies must first be constituents of the S&P/BNY Mellon ADR Index.
- **Domicile.** Companies must be domiciled in Europe.
- **Market Capitalization.** As of each rebalancing reference date, companies must have an FMC of at least US\$ 250 million.
- **Liquidity.** As of each rebalancing reference date, companies must have a three-month ADVT on the primary exchange of the ADR of at least US\$ 100 thousand and a three-month ADVT in the combined global markets of at least US\$ 1 million.
- **Security Type.** PFICs are excluded on a best efforts basis.

**Constituent Selection.** All stocks meeting the eligibility criteria are selected for index inclusion.

**Constituent Weightings.** The index is capped market capitalization weighted. With prices reflected on the rebalancing reference date, and membership, shares outstanding, and IWFs as of the rebalancing effective date, each company's initial FMC weight is modified as defined in the steps below:

1. If any company has a weight greater than 20% the weight is capped at 20%.
2. All excess weight is proportionally redistributed to all uncapped companies within the relevant index.
3. The process repeats iteratively until no company breaches the 20% weight cap.
4. The sum of the companies with weights greater than 4.5% cannot exceed 45% of the total index weight.
5. If the rule in step 4 is breached, all companies are ranked in descending order by FMC weight. The first company that causes the 45% limit to be breached has its weight reduced to 4.5%.
6. This excess weight is proportionally redistributed to all companies with weights below 4.5%. This is repeated iteratively until step 5 is satisfied.

## S&P/BNY Mellon India Select DR Index

### Eligibility Factors

- **Index Universe.** To be eligible for index inclusion, companies must first be constituents of the S&P/BNY Mellon DR Index.
- **Domicile.** Companies must be domiciled in India.
- **Market Capitalization.** As of each rebalancing reference date, companies must have an FMC of at least US\$ 100 million (US\$ 50 million for current constituents).
- **Liquidity.** As of each rebalancing reference date, companies must have a three-month ADVT on the primary exchange of the DR of at least US\$ 300,000 (US\$ 150,000 for current constituents) and a three-month ADVT in the combined global market of at least US\$ 1 million (US\$ 500,000 for current constituents).
- **Security Type.** PFICs are excluded on a best efforts basis.

**Constituent Selection.** All stocks meeting the eligibility criteria are selected for index inclusion. If there are less than 10 eligible stocks, the DR liquidity eligibility factor is relaxed to US\$ 100,000 for current constituents. If there are still less than 10 eligible stocks, stocks with the highest DR volume are selected until the index reaches a constituent count of 10.

**Constituent Weightings.** The index is capped market capitalization weighted. With prices reflected on the rebalancing reference date, and membership, shares outstanding, and IWFs as of the rebalancing effective date, each company's initial FMC weight is modified as defined in the steps below:

1. If any company has a weight greater than 15% the weight is capped at 15%.
2. All excess weight is proportionally redistributed to all uncapped companies within the relevant index.
3. The process repeats iteratively until no company breaches the 15% weight cap.
4. If there are less than 25 companies in the index the capping is complete at this point. If there are 25 companies or more than the sum of the companies with weights greater than 4.5% cannot exceed 45% of the total index weight.
5. If the rule in step 4 is breached, all companies are ranked in descending order by FMC weight. The first company that causes the 45% limit to be breached has its weight reduced to 4.5%
6. This excess weight is proportionally redistributed to all companies with weights below 4.5%. This is repeated iteratively until step 5 is satisfied.

## S&P/BNY Mellon International 100 ADR Index

### Eligibility Factors

- **Index Universe.** To be eligible for index inclusion, companies must first be constituents of the S&P/BNY Mellon ADR Index.
- **Domicile.** Companies must be domiciled in any country other than the United States.
- **Market Capitalization.** As of each rebalancing reference date, companies must have an FMC of at least US\$ 250 million.
- **Liquidity.** As of each rebalancing reference date, companies must have a three-month ADVT on the primary exchange of the ADR of at least US\$ 100,000 and a three-month ADVT in the combined global markets of at least US\$ 1 million.
- **Security Type.** PFICs are excluded on a best efforts basis.

**Constituent Selection.** At each rebalancing eligible securities are sorted by FMC. The top 100 securities are chosen, subject to the following buffer rule:

- Current constituents remain in the index provided that the FMC of the smallest current member is no more than 5% lower than that of the largest eligible non-member.
- If the FMC of the smallest current member is 5% or more lower than the largest eligible non-member the smallest current member is replaced by the largest eligible non-member.
- The process continues with the second smallest current member compared to the second largest eligible non-member, and proceeds iteratively until the target count is reached.

If there are less than 100 eligible securities then all eligible securities are included in the index.

**Constituent Weightings.** The index is capped market capitalization weighted. With prices reflected on the rebalancing reference date, and membership, shares outstanding, and IVFs as of the rebalancing effective date, each company's initial FMC weight is modified as defined in the steps below:

1. If any company has a weight greater than 20% the weight is capped at 20%.
2. All excess weight is proportionally redistributed to all uncapped companies within the relevant index.
3. The process repeats iteratively until no company breaches the 20% weight cap.
4. The sum of the companies with weights greater than 4.5% cannot exceed 45% of the total index weight.
5. If the rule in step 4 is breached, all companies are ranked in descending order by FMC weight. The first company that causes the 45% limit to be breached has its weight reduced to 4.5%.
6. This excess weight is proportionally redistributed to all companies with weights below 4.5%. This is repeated iteratively until step 5 is satisfied.

## S&P/BNY Mellon International Telecom Select DR Index

### Eligibility Factors

- **Index Universe.** To be eligible for index inclusion, companies must first be constituents of the S&P/BNY Mellon DR Index.
- **Sector.** Companies must be classified as part of the GICS Telecommunication Services Industry Group (Code: 5010).
- **Market Capitalization.** As of each rebalancing reference date, companies must have an FMC of at least US\$ 250 million.
- **Liquidity.** As of each rebalancing reference date, companies must have a three-month ADVT on the primary exchange of the DR of at least US\$ 100,000 and a three-month ADVT in the combined global markets of at least US\$ 1 million.
- **Security Type.** PFICs are excluded on a best efforts basis.

**Constituent Selection.** All stocks meeting the eligibility criteria are selected for index inclusion.

**Constituent Weightings.** At each rebalancing, the index is capped market capitalization weighted. With prices reflected on the rebalancing reference date, and membership, shares outstanding, and IWFs as of the rebalancing effective date, each company's initial FMC weight is modified as defined below:

1. If any company has a weight greater than 10% the weight is capped at 10%.
2. All excess weight is proportionally redistributed to all uncapped companies within the relevant index.
3. The process repeats iteratively until no company breaches the 10% weight cap.
4. The sum of the companies with weights greater than 5% cannot exceed 40% of the total index weight.
5. If the rule in step 4 is breached, all companies are ranked in descending order by FMC weight. The first company that causes the 40% limit to be breached has its weight reduced to 5%.
6. This excess weight is proportionally redistributed to all companies with weights below 5%. This is repeated iteratively until step 5 is satisfied.

In the circumstance where there are less than 25 companies eligible for inclusion in index for the capping rules to be adhered to the 10% rule described in Step1 will be relaxed to 15%.

## S&P/BNY Mellon Latin America 35 ADR Index

### Eligibility Factors

- **Index Universe.** To be eligible for index inclusion, companies must first be constituents of the S&P/BNY Mellon ADR Index.
- **Domicile.** Companies must be domiciled in Latin America.
- **Market Capitalization.** As of each rebalancing reference date, companies must have an FMC of at least US\$ 250 million.
- **Liquidity.** As of each rebalancing reference date, companies must have a three-month ADVT on the primary exchange of the ADR of at least US\$ 100,000 and a three-month ADVT in the combined global markets of at least US\$ 1 million.
- **Security Type.** PFICs are excluded on a best efforts basis.

**Constituent Selection.** At each rebalancing eligible securities are sorted by FMC. The top 35 securities are chosen, subject to the following buffer rule:

- Current constituents remain in the index provided that the FMC of the smallest current member is no more than 5% lower than that of the largest eligible non-member.
- If the FMC of the smallest current member is 5% or more lower than the largest eligible non-member the smallest current member is replaced by the largest eligible non-member.
- The process continues with the second smallest current member compared to the second largest eligible non-member, and proceeds iteratively until the target count is reached.

If there are less than 35 eligible securities then all eligible securities are included in the index.

**Constituent Weightings.** The index is capped market capitalization weighted. With prices reflected on the rebalancing reference date, and membership, shares outstanding, and IVFs as of the rebalancing effective date, each company's initial FMC weight is modified as defined in the steps below:

1. If any company has a weight greater than 20% the weight is capped at 20%.
2. All excess weight is proportionally redistributed to all uncapped companies within the relevant index.
3. The process repeats iteratively until no company breaches the 20% weight cap.
4. The sum of the companies with weights greater than 4.5% cannot exceed 45% of the total index weight.
5. If the rule in step 4 is breached, all companies are ranked in descending order by FMC weight. The first company that causes the 45% limit to be breached has its weight reduced to 4.5%.
6. This excess weight is proportionally redistributed to all companies with weights below 4.5%. This is repeated iteratively until step 5 is satisfied.

## S&P/BNY Mellon Russia Select DR Index

### Eligibility Factors

- **Index Universe.** To be eligible for index inclusion, companies must first be constituents of the S&P/BNY Mellon DR Index.
- **Domicile.** Companies must be domiciled in Russia.
- **Market Capitalization.** As of each rebalancing reference date, companies must have an FMC of at least US\$ 250 million.
- **Liquidity.** As of each rebalancing reference date, companies must have a three-month ADVT on the primary exchange of the DR of at least US\$ 100,000 and a three-month ADVT in the combined global markets of at least US\$ 1 million.
- **Security Type.** PFICs are excluded on a best efforts basis.

**Constituent Selection.** All stocks meeting the eligibility criteria are selected for index inclusion.

**Constituent Weightings.** At each rebalancing, the index is capped market capitalization weighted. With prices reflected on the rebalancing reference date, and membership, shares outstanding, and IWFs as of the rebalancing effective date, each company's initial FMC weight is modified as defined below:

1. If any company has a weight greater than 10% the weight is capped at 10%.
2. All excess weight is proportionally redistributed to all uncapped companies within the relevant index.
3. The process repeats iteratively until no company breaches the 10% weight cap.
4. The sum of the companies with weights greater than 5% cannot exceed 40% of the total index weight.
5. If the rule in step 4 is breached, all companies are ranked in descending order by FMC weight. The first company that causes the 40% limit to be breached has its weight reduced to 5%.
6. This excess weight is proportionally redistributed to all companies with weights below 5%. This is repeated iteratively until step 5 is satisfied.

## S&P/BNY Mellon SmallCap Select ADR Index

### Eligibility Factors

- **Index Universe.** To be eligible for index inclusion, companies must first be constituents of the S&P/BNY Mellon ADR Index.
- **Market Capitalization.** As of each rebalancing reference date, companies must have an FMC of at least US\$ 250 million (US\$ 200 million for current constituents) and cannot have a market cap above US \$2 billion (US\$ 3 billion for current constituents).
- **Liquidity.** As of each rebalancing reference date, companies must have a three-month ADVT on the primary exchange of the ADR of at least US\$ 100,000 and a three-month ADVT in the combined global markets of at least US\$ 1 million.
- **Security Type.** PFICs are excluded on a best efforts basis.

**Constituent Selection.** All stocks meeting the eligibility criteria are selected for index inclusion.

**Constituent Weightings.** The index is capped market capitalization weighted. With prices reflected on the rebalancing reference date, and membership, shares outstanding, and IWFs as of the rebalancing effective date, each company's initial FMC weight is modified as defined in the steps below:

1. If any company has a weight greater than 20% the weight is capped at 20%.
2. All excess weight is proportionally redistributed to all uncapped companies within the relevant index.
3. The process repeats iteratively until no company breaches the 20% weight cap.
4. The sum of the companies with weights greater than 4.5% cannot exceed 45% of the total index weight.
5. If the rule in step 4 is breached, all companies are ranked in descending order by FMC weight. The first company that causes the 45% limit to be breached has its weight reduced to 4.5%.
6. This excess weight is proportionally redistributed to all companies with weights below 4.5%. This is repeated iteratively until step 5 is satisfied.

# Index Maintenance

## Rebalancing

The indices are rebalanced quarterly, after the close on the third Friday of March, June, September, and December. The reference date for each rebalancing is after the close of trading five weeks prior to the rebalancing effective date.

For indices using a capped market capitalization methodology, constituents' index shares are calculated using closing prices on the Wednesday prior to the second Friday of the rebalancing month as the reference price. Index shares are calculated and assigned to each stock to arrive at the weights determined on the reference date. Since index shares are assigned in advance, the actual weight of each stock at the rebalancing differs from these weights due to market movements.

**Additions.** Stocks are generally added to the indices only at quarterly rebalancings except in the following scenarios:

- Mergers - A new eligible security that is acquiring another Index constituent and establishing an ADR program the day after the target ADR stops trading, will ordinarily be included in the Index immediately as a stock replacement.
- Spinoffs - If an existing constituent spins off a part of its business, issues new equity to the existing shareholders, and establishes a new Depositary Receipt program for the new company, then the new company will be eligible for inclusion in the Index.

**Deletions.** Deletions can occur if the stock is delisted due to acquisitions, mergers, spin-offs, bankruptcies or cancellation of the ADR program. A company may also be deleted from the index due to a long-term suspension of its stock.

*For a detailed explanation of the treatment of Stock Suspensions please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.*

## Corporate Actions

For information on Corporate Actions, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.

## Currency of Calculation and Additional Index Return Series

The indices are calculated in U.S. dollars, Canadian dollars, and Indian rupees.

WM/Reuters foreign exchange rates are taken daily at 4:00 PM London Time and used in the calculation of the indices. These mid-market fixings are calculated by The WM Company based on Reuters data and appear on Reuters pages WMRA.

In addition to the indices detailed in this methodology, additional return series versions of the indices may be available, including, but not limited to: currency, currency hedged, decrement, fair value, inverse, leveraged, and risk control versions. For a list of available indices, please refer to [S&P DJI's All Indices by Methodology Report](#).

*For information on the calculation of different types of indices, please refer to S&P Dow Jones Indices' Index Mathematics Methodology.*

For the inputs necessary to calculate certain types of indices, including decrement, dynamic hedged, fair value, and risk control indices, please refer to the Parameters documents available at [www.spdji.com](http://www.spdji.com).

### Base Dates and History Availability

Index history availability, base dates, and base values are shown in the table below.

Index	Launch Date	First Value Date	Base Date	Base Value
S&P/BNY Mellon ADR Index	12/07/2001	12/07/2001	04/12/2013	137.47
S&P/BNY Mellon Classic ADR Index	02/17/2009	12/31/2001	12/31/2001	937.02
S&P/BNY Mellon DR Index	10/03/2008	12/31/2001	04/12/2013	1042.88
S&P/BNY Mellon GDR Index	10/08/2008	12/31/2001	04/12/2013	1223.07
S&P/BNY Mellon Composite Depositary Receipt Index	07/01/2009	01/01/2002	01/01/2002	1000
S&P/BNY Mellon Asia 50 ADR Index	12/07/2001	12/07/2001	04/12/2013	1303.60
S&P/BNY Mellon BRIC Select ADR Index	06/06/2006	12/31/2001	04/12/2013	4075.18
S&P/BNY Mellon BRIC Select DR Index	10/28/2013	12/31/2001	04/12/2013	4373.90
S&P/BNY Mellon China Select ADR Index	11/20/2007	12/31/2001	04/12/2013	3305.16
S&P/BNY Mellon China Xia Yi Dai ADR Index	10/18/2010	12/31/2005	04/12/2013	1383.14
S&P/BNY Mellon Developed Markets 100 ADR Index	12/07/2001	12/07/2001	04/12/2013	1036.22
S&P/BNY Mellon Emerging Asia Select Classic ADR Index	07/25/2014	12/31/2010	04/12/2013	919.36
S&P/BNY Mellon Emerging 50 ADR Index	12/07/2001	12/07/2001	04/12/2013	2403.81
S&P/BNY Mellon Europe Select ADR Index	12/07/2001	12/07/2001	04/12/2013	1026.88
S&P/BNY Mellon India Select DR Index	02/04/2010	12/31/2001	04/12/2013	5084.15
S&P/BNY Mellon International 100 ADR Index	12/07/2001	12/07/2001	04/12/2013	1061.07
S&P/BNY Mellon International Telecom Select DR Index	12/07/2001	12/07/2001	04/12/2013	973.86
S&P/BNY Mellon Latin America 35 ADR Index	12/07/2001	12/07/2001	04/12/2013	4116.14
S&P/BNY Mellon Russia Select DR Index	07/17/2008	01/01/2006	04/12/2013	1191.72
S&P/BNY Mellon SmallCap Select ADR Index	02/25/2008	12/31/2001	04/12/2013	3019.45

# Index Data

## Calculation Return Types

S&P Dow Jones Indices calculates multiple return types which vary based on the treatment of regular cash dividends. The classification of regular cash dividends is determined by S&P Dow Jones Indices.

- Price Return (PR) versions are calculated without adjustments for regular cash dividends.
- Gross Total Return (TR) versions reinvest regular cash dividends at the close on the ex-date without consideration for withholding taxes.
- Net Total Return (NTR) versions, if available, reinvest regular cash dividends at the close on the ex-date after the deduction of applicable withholding taxes.

In the event there are no regular cash dividends on the ex-date, the daily performance of all three indices will be identical.

For a complete list of indices available, please refer to the daily index levels file (“.SDL”).

*For more information on the classification of regular versus special cash dividends as well as the tax rates used in the calculation of net return, please refer to S&P Dow Jones Indices’ Equity Indices Policies & Practices Methodology.*

*For more information on the calculation of return types, please refer to S&P Dow Jones Indices’ Index Mathematics Methodology.*

# Index Governance

## **Index Committee**

The indices are maintained by an Index Committee. The Index Committee meets regularly. At each meeting, the Index Committee may review pending corporate actions that may affect index constituents, statistics comparing the composition of the indices to the market, companies that are being considered as candidates for addition to an index, and any significant market events. In addition, the Index Committee may revise index policy covering rules for selecting companies, treatment of dividends, share counts or other matters.

S&P Dow Jones Indices considers information about changes to its indices and related matters to be potentially market moving and material. Therefore, all Index Committee discussions are confidential.

S&P Dow Jones Indices' Index Committees reserve the right to make exceptions when applying the methodology if the need arises. In any scenario where the treatment differs from the general rules stated in this document or supplemental documents, clients will receive sufficient notice, whenever possible.

In addition to the daily governance of indices and maintenance of index methodologies, at least once within any 12-month period, the Index Committee reviews the methodology to ensure the indices continue to achieve the stated objectives, and that the data and methodology remain effective. In certain instances, S&P Dow Jones Indices may publish a consultation inviting comments from external parties.

*For information on Quality Assurance and Internal Reviews of Methodology, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.*

# Index Policy

## Announcements

All index constituents are evaluated daily for data needed to calculate index levels and returns. All events affecting the daily index calculation are typically announced in advance via the Index Corporate Events report (.SDE), delivered daily to all clients. Any unusual treatment of a corporate action or short notice of an event may be communicated via email to clients.

*For more information, please refer to the Announcements section of S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.*

## Pro-forma Files

In addition to the corporate events file (.SDE), S&P Dow Jones Indices provides constituent pro-forma files each time the indices rebalance. The pro-forma file is typically provided in advance of the rebalancing date and contains all constituents and their corresponding weights and index shares effective for the upcoming rebalancing.

*Please visit [www.spdji.com](http://www.spdji.com) for a complete schedule of rebalancing timelines and pro-forma delivery times.*

## Holiday Schedule

The indices are calculated daily, throughout the calendar year. The only days an index is not calculated or files are not distributed are on days when all exchanges where an index's constituents are listed are officially closed.

*A complete holiday schedule for the year is available on S&P Dow Jones Indices' Web site at [www.spdji.com](http://www.spdji.com).*

## Rebalancing

The Index Committee may change the date of a given rebalancing for reasons including market holidays occurring on or around the scheduled rebalancing date. Any such change will be announced with proper advance notice where possible.

## Unexpected Exchange Closures

For information on Unexpected Exchange Closures, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.

## Recalculation Policy

For information on the recalculation policy, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.

*For information on Calculations and Pricing Disruptions, Expert Judgment and Data Hierarchy, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.*

**Contact Information**

For questions regarding an index, please contact: [index\\_services@spglobal.com](mailto:index_services@spglobal.com).

# Index Dissemination

Index levels are available through S&P Dow Jones Indices' Web site at [www.spdji.com](http://www.spdji.com), major quote vendors (see codes below), numerous investment-oriented Web sites, and various print and electronic media.

## Tickers

The table below lists headline indices covered by this document. All versions of the below indices that may exist are also covered by this document. Please refer to [S&P DJI's All Indices by Methodology Report](#) for a complete list of indices covered by this document.

Index	Return Type	Bloomberg	RIC
S&P/BNY Mellon ADR Index (USD)	Price Return	BKADR	.BKADR
	Total Return	--	--
	Net Total Return	BKADRT	.BKADRT
S&P/BNY Mellon Classic ADR Index (USD)	Price Return	BKCAX	.BKCAX
	Total Return	--	--
	Net Total Return	BKCAXT	.BKCAXT
S&P/BNY Mellon DR Index (USD)	Price Return	BKDRX	.BKDRX
	Total Return	--	--
	Net Total Return	--	--
S&P/BNY Mellon GDR Index (USD)	Price Return	BKGDR	.BKGDR
	Total Return	--	--
	Net Total Return	--	--
S&P/BNY Mellon Composite Depository Receipt Index (USD)	Price Return	BKCDRI	.BKCDRI
	Total Return	--	--
	Net Total Return	BKCDRIT	.BKCDRIT
S&P/BNY Mellon Asia 50 ADR Index (USD)	Price Return	BKTAS	.BKTAS
	Total Return	--	--
	Net Total Return	BKTAST	.BKTAST
S&P/BNY Mellon BRIC Select ADR Index (USD)	Price Return	BKBRIC	.BKBRIC
	Total Return	--	--
	Net Total Return	BKBRICT	.BKBRICT
S&P/BNY Mellon BRIC Select DR Index (USD)	Price Return	DRBRIC	.DRBRIC
	Total Return	--	--
	Net Total Return	DRBRICT	--
S&P/BNY Mellon China Select ADR Index (USD)	Price Return	BKTCN	.BKTCN
	Total Return	--	--
	Net Total Return	BKTCNT	.BKTCNT
S&P/BNY Mellon China Xia Yi Dai ADR Index (USD)	Price Return	BKXYD	.BKXYD
	Total Return	--	--
	Net Total Return	BKXYDTR	.BKXYDTR
S&P/BNY Mellon Developed Markets 100 ADR Index (USD)	Price Return	BKTDM	.BKTDM
	Total Return	--	--
	Net Total Return	BKTDMT	.BKTDMT
S&P/BNY Mellon Emerging Asia Select Classic ADR Index (USD)	Price Return	BKCEA	.BKCEA
	Total Return	--	--
	Net Total Return	BKCEAT	.BKCEAT
S&P/BNY Mellon Emerging 50 ADR Index (USD)	Price Return	BKTEM	.BKTEM
	Total Return	--	--
	Net Total Return	.BKTEMT	BKTEMT

Index	Return Type	Bloomberg	RIC
S&P/BNY Mellon Europe Select ADR Index (USD)	Price Return	BKTEUR	.BKTEUR
	Total Return	--	--
	Net Total Return	BKTEURT	.BKTEURT
S&P/BNY Mellon India Select DR Index (USD)	Price Return	BKINX	.BKINX
	Total Return	--	--
	Net Total Return	BKINXTR	.BKINXTR
S&P/BNY Mellon International 100 ADR Index (USD)	Price Return	BKTADR	.BKTADR
	Total Return	--	--
	Net Total Return	BKTADRT	.BKTADRT
S&P/BNY Mellon International Telecom Select DR Index (USD)	Price Return	BKTTL	.BKTTL
	Total Return	--	--
	New Total Return	BKTTLT	.BKTTLT
S&P/BNY Mellon Latin America 35 ADR Index (USD)	Price Return	BKTLA	.BKTLA
	Total Return	--	--
	Net Total Return	BKTLAT	.BKTLAT
S&P/BNY Mellon Russia Select DR Index (USD)	Price Return	BKRUS	.BKRUS
	Total Return	--	--
	Net Total Return	BKRUST	.BKRUST
S&P/BNY Mellon SmallCap Select ADR Index (USD)	Price Return	BKSCP	.BKSCP
	Total Return	--	--
	Net Total Return	BKSCPT	.BKSCPT

## Index Data

Daily constituent and index level data are available via subscription.

For product information, please contact S&P Dow Jones Indices, [www.spdji.com/contact-us](http://www.spdji.com/contact-us).

## Web site

For further information, please refer to S&P Dow Jones Indices' Web site at [www.spdji.com](http://www.spdji.com).

## SPICE

S&P Dow Jones Indices delivers daily comprehensive index data via SPICE. SPICE is a Web-based portal that provides daily prices, index returns, historic index levels, fundamental data, constituent level data and other information for these indices, depending on the client's access level.

For more information about SPICE, please refer to the SPICE product page at [www.spdji.com/services/spice/](http://www.spdji.com/services/spice/).

Please contact Client Services directly at [index\\_services@spglobal.com](mailto:index_services@spglobal.com) for access to SPICE, data requests or other questions.

# Appendix A – Currency Hedge Calculation

## S&P/BNY Currency and Currency Hedged Indices

A currency-hedged index is designed to represent returns for those global index investment strategies that involve hedging currency risk, but not the underlying constituent risk.<sup>1</sup>

Investors employing a currency-hedged strategy seek to eliminate the risk of currency fluctuations and are willing to sacrifice potential currency gains. By selling foreign exchange forward contracts, global investors are able to lock in current exchange forward rates and manage their currency risk. Profits (losses) from the forward contracts are offset by losses (profits) in the value of the currency, thereby negating exposure to the currency.

### Return Definitions

S&P/BNY Mellon ADR currency hedged indices are calculated by hedging beginning-of-period balances using rolling one-month forward contracts. The amount hedged is adjusted on a monthly basis.

Returns are defined as follows:

$$\text{Currency Return} = \left( \frac{\text{End Spot Rate}}{\text{Beginning Spot Rate}} \right) - 1$$

$$\text{Unhedged Return} = (1 + \text{Local Total Return}) * (1 + \text{Currency Return}) - 1$$

$$\text{Currency Return on Unhedged Local Total Return} = (\text{Currency Return}) * (1 + \text{Local Total Return})$$

$$\text{Forward Return} = \left( \frac{\text{Beginning one - month Forward Rate}}{\text{Beginning Spot Rate}} \right) - 1$$

$$\text{Hedge Return} = \text{HedgeRatio} * (\text{Forward Return} - \text{Currency Return})$$

$$\text{Hedged Index Return} = \text{Local Total Return} + \text{Currency Return on Unhedged Local Total Return} + \text{Hedge Return}$$

$$\text{Hedged Index Level} = \text{Beginning Hedged Index Level} * (1 + \text{Hedged Index Return})$$

To facilitate index replication, S&P Dow Jones Indices determines the amount of foreign exchange forward contracts sold using an index rebalance date.<sup>2</sup> On the index rebalance date, which occurs on the last business day of the month, the rebalance forward amounts and currency weights are determined.

Details of the formulae used in computing S&P/BNY Mellon ADR currency-hedged indices are below.

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<sup>1</sup> By currency risk, S&P Dow Jones means the risk attributable to the security trading in a currency different from the investor's home currency. This definition does not incorporate risks that exchange rate changes can have on an underlying security's price performance.

<sup>2</sup> Prior to March 1, 2015, S&P Dow Jones Indices' Currency-Hedged Indices utilized the month-end for both index reference and rebalancing date.

## The Hedge Ratio

The hedge ratio is simply the proportion of the portfolio's currency exposure that is hedged.

- **Standard Currency-Hedged Index.** In a standard currency-hedged index the intent is to eliminate the currency risk of the portfolio, thus the hedge ratio used is 100%.
- **No Hedging.** An investor who expects upside potential for the local currency of the index portfolio versus the home currency, or does not wish to eliminate the currency risk of the portfolio, employs an unhedged index. In this case, the hedge ratio is 0, and the index simply becomes the standard index calculated in the investor's home currency. Such indices are available in major currencies as standard indices for many of S&P Dow Jones Indices' indices.

In contrast to a 100% currency-hedged standard index, which seeks to eliminate currency risk and has passive equity exposure, over- or under-hedged portfolios seek to take active currency risks to varying degrees based on the portfolio manager's view of future currency movements.

- **Over Hedging.** An investor who expects significant upside potential for the home currency versus the local currency of the index portfolio can elect to double the currency exposure. In this case, the hedge ratio will be 200%.
- **Under Hedging.** An investor who expects some upside potential for the local currency of the index portfolio versus the home currency, but wishes to eliminate some of the currency risk, can elect to have half the currency exposure hedged, using a 50% hedge ratio.
- **Optimal Hedging.** In order to minimize variability and, therefore, risk in the value of the currency-hedged portfolio, standard variance minimization suggests the following hedge ratio:

$$\text{Hedge Ratio} = \text{COV}(\text{Portfolio Return to Forward Return})/\text{VAR}(\text{Forward Return})$$

Unless otherwise specified, the hedge ratio is assumed to be 100%.

## Index Specific Rules

S&P/BNY Mellon ADR indices follow specific currency hedge rules, based on index construction:

- With the exception of the S&P/BNY Mellon BRIC index, indices are hedged to the currency of the underlying domicile country rather than the currency of the country of listing. For example, ADRs traded in the U.S., but domiciled in China, would be hedged against movements in CNY and not against USD.
- The S&P/BNY Mellon BRIC index is hedged against movements in USD.
- The currency hedge calculations for the S&P/BNY Mellon ADR indices are almost identical to the standard S&P Dow Jones indices currency hedge method but for one divergence. The standard S&P Dow Jones indices use a reference date in addition to a rebalancing date to calculate currency hedging. The S&P/BNY Mellon ADR indices employ only a rebalancing date.

For more information on currency hedging, please refer to *S&P Dow Jones Indices' Index Mathematics Methodology*.

## Calculating a Currency-Hedged Index

Using the returns definitions on prior pages, the Hedged Index Return can be expressed as:

$$\text{Hedged Index Return} = \text{Local Total Return} + \text{Currency Return} * (1 + \text{Local Total Return}) + \text{Hedge Return}$$

Rearranging yields:

$$\text{Hedged Index Return} = (1 + \text{Local Return}) * (1 + \text{Currency Return}) - 1 + \text{Hedge Return}$$

Again, using the returns definitions on prior pages with a hedge ratio of 1 (100%), the expression yields:

$$\text{Hedged Index Return} = \text{Unhedged Index Return} + \text{Hedge Return}$$

$$\text{Hedged Index Return} = \text{Unhedged Index Return} + \text{Forward Return} - \text{Currency Return}$$

This equation is more intuitive since when you do a 100% currency hedge of a portfolio, the investor sacrifices the gains (or losses) on currency in return for gains (or losses) in a forward contract.

From the equation above, we can see that the volatility of the hedged index is a function of the volatility of the unhedged index return, the forward return, and the currency return, and their pair-wise correlation.

These variables determine whether the hedged index return series' volatility is greater than, equal to, or less than the volatility of the unhedged index return series.

### Currency Hedging Outcomes

The results of a currency-hedged index strategy versus that of an unhedged strategy vary depending upon the movement of the exchange rate between the local currency and home currency of the investor.

S&P/BNY Mellon ADR Indices standard currency hedging process involves eliminating currency exposure using a hedge ratio of 1 (100%).

1. The currency-hedged index does not necessarily give a return exactly equal to the return of the index available to local market investor. This is because there are two additional returns – currency return on the local total return and hedge return. These two variables usually add to a non-zero value because the monthly rolling of forward contracts does not result in a perfect hedge. Further, the local total return between two readjustment periods remains unhedged. However, hedging does ensure that these two returns remain fairly close.
2. The results of a currency-hedged index strategy versus that of an unhedged strategy varies depending upon the movement of the exchange rate between the local currency and home currency of the investor. For example, a depreciating euro in 1999 resulted in an unhedged S&P 500 return of 40.0% for European investors, while those European investors who hedged their U.S. dollar exposure experienced a return of 17.3%. Conversely, in 2003 an appreciating euro in 2003 resulted in an unhedged S&P 500 return of 5.1% for European investors, while those European investors who hedged their U.S. dollar exposure experienced a return of 27.3%.

### Index Computation

#### Monthly Return Series (For Monthly Currency Hedged Indices)

$M$  = The month in the calculation, represented as 0, 1, 2, etc..

$SPI_{EH_m}$  = The S&P/BNY Mellon ADR Indices' Currency-Hedged Index level at the end of month  $m$

$SPI_{EH_{m-1}}$  = The S&P/BNY Mellon ADR Indices' Currency-Hedged Index level at the end of the prior month

$SPI_{E_m}$  = The S&P/BNY Mellon ADR Indices Index level, in foreign currency, at the end of month  $m$

$SPI_{E_{m-1}}$  = The S&P/BNY Mellon ADR Indices Index level, in foreign currency, at the end of the prior month

$SPI_{EL_{m-1}}$  = The S&P/BNY Mellon ADR Indices' Index level, in local currency, at the end of the prior month,  $m-1$

$HR_m$  = The hedge return (%) over month  $m$

$S_m$  = The spot rate in foreign currency per local currency ( $FC/LC$ ), at the end of month  $m$

$F_m$  = The forward rate in foreign currency per local currency (FC/LC), at the end of month  $m$

For the end of month  $m = 1$ ,

$$SPI\_EH_1 = SPI\_EH_0 * \left( \frac{SPI\_E_1}{SPI\_E_0} + HR_1 \right)$$

For the end of month  $m$ ,

$$SPI\_EH_m = SPI\_EH_{m-1} * \left( \frac{SPI\_E_m}{SPI\_E_{m-1}} + HR_m \right)$$

The hedge return for monthly currency hedged indices is:

$$HR_m = \left( \frac{F_m - 1}{S_m - 1} - \frac{S_m}{S_m - 1} \right)$$

### Daily Return Series (For Monthly Currency Hedged Indices and Daily Currency Hedged Indices)

The daily return series are computed by interpolating between the spot price and the forward price.

For each month  $m$ , there are  $d = 1, 2, 3 \dots D$  calendar days.

$md$  is day  $d$  for month  $m$ ,  $m0$  is the last business day of the month  $m-1$

$F\_I_{md}$  = The interpolated forward rate as of day  $d$  of month  $m$

$AF_{md}$  = The adjustment factor for daily hedged indices as of day  $d$  of month  $m$

$$F\_I_{md} = S_{md} + \left( \frac{D-d}{D} \right) * (F_{md} - S_{md})$$

$$AF_{md} = \frac{SPI\_EL_{md-1}}{SPI\_EL_{m0}}$$

For the day  $d$  of month  $m$ ,

$$SPI\_EH_{md} = SPI\_EH_{m0} * \left( \frac{SPI\_E_{md}}{SPI\_E_{m0}} + HR_{md} \right)$$

The hedge return for monthly currency hedged indices is:

$$HR_{md} = \left( \frac{F_{m0}}{S_{m0}} - \frac{F\_I_{md}}{S_{m0}} \right)$$

## Appendix B – Methodology Changes

Methodology changes since January 1, 2015 are as follows:

Change	Effective Date (After Close)	Methodology	
		Previous	Updated
Liquidity Eligibility Factor:  S&P/BNY Mellon India Select DR Index	08/31/2020	As of each rebalancing reference date, companies must have a three-month ADVT on the primary exchange of the DR of at least US\$ 100,000 and a total three-month ADVT from the US composite market and LSE GDR of at least US\$ 1 million.	As of each rebalancing reference date, companies must have a three-month ADVT on the primary exchange of the DR of at least US\$ 300,000 (US\$ 150,000 for current constituents) and a three-month ADVT in the combined global market of at least US\$ 1 million (US\$ 500,000 for current constituents).
Market Capitalization Eligibility Factor:  S&P/BNY Mellon India Select DR Index	08/31/2020	As of each rebalancing reference date, companies must have an FMC of at least US\$ 100 million.	As of each rebalancing reference date, companies must have an FMC of at least US\$ 100 million (US\$ 50 million for current constituents).
Constituent Selection:  S&P/BNY Mellon India Select DR Index	08/31/2020	All stocks meeting the eligibility criteria are selected for index inclusion.	All stocks meeting the eligibility criteria are selected for index inclusion. If there are less than 10 eligible stocks, the DR liquidity eligibility factor is relaxed to US\$ 100,000 for current constituents. If there are still less than 10 eligible stocks, stocks with the highest DR volume are selected until the index reaches a constituent count of 10.
Rebalancing Reference Date	02/14/2020	The rebalancing reference dates are the last trading dates of February, May, August and November.	The reference date for each rebalancing is after the close of trading five weeks prior to the rebalancing effective date.

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