

S&P BSE 100 Methodology Change Consultation

S&P Dow Jones Indices is conducting a consultation with members of the investment community on potential methodology changes for the S&P BSE 100 Index. The changes under consideration are outlined below:

Change	Current Methodology	Proposed Methodology
Universe	All common equities listed on the BSE	S&P BSE LargeMidCap Index
Liquidity Data Points	<ul style="list-style-type: none"> Average Daily Value Traded Impact Cost Trading Frequency 	<ul style="list-style-type: none"> Annualized Traded Value Turnover Ratio Trading Days
Index Construction	<ol style="list-style-type: none"> All common equities listed at BSE Ltd. (excluding companies classified in Z group, suspended companies, companies objected by the Surveillance Department of BSE Ltd. and those that are traded under a permitted category and on the SME platform) are considered eligible. All companies meeting the eligibility factors above are ranked based on their average three month float market capitalization, average three month value traded, and average three month impact cost. The liquidity rank is computed by assigning a 75% weight to the average value traded rank and a 25% weight to the average impact cost rank. The final rank is determined by assigning a 75% weight to the average float market capitalization rank and a 25% weight to the liquidity rank. These companies are then sorted based on final rank. Any existing constituent ranking beyond 200 based on final rank is excluded. 	<ol style="list-style-type: none"> At each semi-annual rebalancing, eligible stocks must satisfy all of the following in order to be considered for index inclusion: <ol style="list-style-type: none"> Have an annualized traded value greater than or equal to INR 10 billion. Current index constituents with an annualized traded value of at least INR 8 billion remain eligible for index inclusion provided they meet the other eligibility criteria. Have a turnover ratio greater than or equal to 20%. Current index constituents with a turnover ratio of at least 16% remain eligible for index inclusion provided they meet the other eligibility criteria. Have no more than five non-trading days in the past six months, as of the rebalancing reference date The remaining companies after step 1 are then ranked based on average daily float-adjusted market capitalization. The top 80 companies (whether a current constituent or not) are selected for index inclusion. Existing constituents ranked 81 – 120 are selected in order of highest rank until the target constituent count of 100 is reached. If, after this step, the target constituent count is not achieved, non-constituents ranked 81 – 120 are selected in order of highest rank until the target constituent count is reached.
Differential Voting Right Shares (DVRs)	DVRs are eligible provided that the ordinary share class is part of the index and the DVR shares outstanding are greater than 10% of the ordinary shares outstanding. Additionally, the DVR must meet the rules specified in the index construction section above	DVRs are eligible provided that the ordinary share class is part of the index and the DVR security must pass the liquidity criteria for the index as defined in the index construction section above.

Impact Analysis

If the proposed changes had been incorporated into the June 2016 rebalance, there would have been an additional one-way turnover of approximately 2%.

Comparison of sector weights (as of 20th June 2016):

Sector	Current Methodology	Proposed Methodology
Basic Materials	5.09%	5.46%
CDGS (Consumer Discretionary Goods & Services)	10.70%	10.70%
Energy	8.65%	8.92%
Finance	29.29%	28.70%
FMCG (Fast Moving Consumer Goods)	11.11%	11.14%
Healthcare	6.62%	6.80%
Industrials	8.95%	8.95%
Information Technology	13.96%	13.97%
Telecom	2.44%	2.41%
Utilities	3.19%	2.96%

Index liquidity: The table below shows the difference in the number of days it takes to sell a basket of INR 20 billion (prices as of 28th October):

Methodology	Day 1	Day 2	Day 3	Day 4	Day 5	Day 6	Day 7	Day 8
Current	48.95%	77.46%	91.47%	95.45%	97.07%	97.97%	98.80%	99.58%
Proposed	49.06%	77.98%	91.75%	95.61%	97.16%	98.08%	98.91%	99.70%

Please respond to the following questions:

1. Are you in favor of changing the eligible universe to the S&P BSE LargeMidCap Index?
2. Are you in favor of changing the index construction to the proposal outlined above?
3. Are you in favor of changing the liquidity data points to the proposal outlined above?
4. Do you agree with the change to the DVR eligibility?

For more details, please refer to the index methodology document at www.asiaindex.co.in

Your participation in this consultation is important as we gather information on your views and preferences. Your responses will be kept confidential. Please respond to this survey by **Nov 14, 2016**. 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 respond to S&P Dow Jones Indices' at index_services@spglobal.com.

Please be advised that all comments will be reviewed and considered before a final decision is made; however S&P Dow Jones Indices 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 Dow Jones Indices decides to change the index methodology, an announcement will be posted on our Web site.

Thank you for taking the time to complete this survey.

Asia Index Private Limited

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About BSE Ltd

BSE (formerly Bombay Stock Exchange Ltd.) – Established in 1875, BSE Ltd. (formerly known as Bombay Stock Exchange Ltd.), is Asia's first & fastest Stock Exchange with the response time of 3 microseconds and one of India's leading exchange groups and has played a prominent role in developing the Indian capital market. BSE is a corporatized and demutualised entity, with a broad shareholder-base which includes two leading global exchanges, Deutsche Bourse and Singapore Exchange as strategic partners. BSE provides an efficient and transparent market for trading in equity, debt instruments, equity derivatives, currency derivatives, interest rate derivatives, mutual funds and stock lending and borrowing. BSE also has a dedicated platform for trading in equities of small-and-medium enterprises (SME). BSE provides a host of other services to capital market participants including risk management, clearing, settlement, market data services and education. It has a global reach with customers around the world and a nation-wide presence. BSE systems and processes are designed to safeguard market integrity, drive the growth of the Indian capital market and stimulate innovation and competition across all market segments. Indian Clearing Corporation Limited, the wholly owned subsidiary of BSE, acts as the central counterparty to all trades executed on BSE platform and provides full novation guaranteeing the settlement of all bonafide trades executed on the BSE Platform. BSE Institute Ltd, a fully owned subsidiary of BSE, runs one of the most respected capital market educational institutes in the country. Central Depository Services Ltd. (CDSL), a subsidiary of is one of the two central depository services in India.

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 based on any other provider in the world. With over 1,000,000 indices and more than 120 years of experience constructing innovative and transparent solutions, S&P Dow Jones Indices defines the way investors measure and trade the markets.

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