

S&P BSE Indices: Methodology Changes

S&P Dow Jones Indices (S&P DJI) is conducting a consultation with members of the investment community on potential methodology changes for S&P BSE Indices.

S&P BSE Broad Indices:

S&P BSE SENSEX:

Parameter	Current Methodology	Proposed Changes
Reference Period	<ul style="list-style-type: none"> Data collected for rebalance is based on a three month reference period 	<ul style="list-style-type: none"> Should the data collected for the rebalance be based on a six month reference period?
Listing History	<ul style="list-style-type: none"> IPO: An exception may be granted if the average float market capitalization of a newly listed company ranks in the top 10 of all companies listed at BSE. In such cases, the minimum listing history required is at least one month. 	<ul style="list-style-type: none"> IPO: A minimum listing history of at least three months should be considered for an IPO to be part of the eligible universe of S&P BSE SENSEX?
Liquidity Measure	<ul style="list-style-type: none"> Average Daily Traded Value is used to measure liquidity for eligible stocks. 	<ul style="list-style-type: none"> Should we consider IMPACT cost along with average daily traded value to measure the liquidity of eligible stocks?

S&P BSE 100:

Parameter	Current Methodology	Proposed Changes
Universe	<ul 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. 	<ul style="list-style-type: none"> Should the constituents of S&P BSE 200 be considered as the eligible universe for S&P BSE 100?
Reference Period	<ul style="list-style-type: none"> Data collected for rebalance is based on a three month reference period 	<ul style="list-style-type: none"> Should the data collected for the rebalance be based on a six month reference period?
Listing History	<ul style="list-style-type: none"> IPO: An exception may be granted if the average float market capitalization of a newly listed company ranks in the top 10 of all companies listed at BSE. In such cases, the minimum listing history required is at least one month. 	<ul style="list-style-type: none"> IPO: A minimum listing history of at least three months should be considered for an IPO to be part of the eligible universe of S&P BSE 100?
Liquidity Measure	<ul style="list-style-type: none"> Average Daily Traded Value and impact cost are used to measure liquidity for eligible stocks 	<ul style="list-style-type: none"> Should we continue to use impact cost as a liquidity measure? We propose to use only Average Daily Traded Value as a liquidity measure.

<p>Buffers</p>	<ul style="list-style-type: none"> Any existing constituent ranking beyond 200 based on final rank is excluded. A buffer of 100% is applicable on the current constituents for exclusion purposes. 	<ul style="list-style-type: none"> Should a two-way buffer of 20% be considered? The top 80 companies will be added to the index Current constituents in order of highest rank in between ranks 80-120 will be added to the index to reach the count of 100 companies. If the target count of 100 companies is still not met, non-constituents in order of highest rank in between ranks 80-120 will be added to the index to reach the count of 100 companies.
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S&P BSE 200:

Parameter	Current Methodology	Proposed Changes
<p>Universe</p>	<ul 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. 	<ul style="list-style-type: none"> Should the constituents of S&P BSE 500 be considered as the eligible universe for S&P BSE 200?
<p>Reference Period</p>	<ul style="list-style-type: none"> Data collected for rebalance is based on a three month reference period 	<ul style="list-style-type: none"> Should the data collected for the rebalance be based on a six month reference period?
<p>Index Construction</p>	<ul style="list-style-type: none"> Companies meeting the eligibility factors are ranked based on average three month total market capitalization, average three month float market capitalization, and average three month value traded. Rank Full is determined by assigning a 75% weight to the average three month total market capitalization rank and a 25% weight to the average three month value traded rank. Rank Free is determined by assigning a 75% weight to the average three month float market capitalization rank and a 25% weight to the average three month value traded rank. For all companies, Rank Full and Rank Free are added and a Combined Final Rank is determined based on this number 	<ul style="list-style-type: none"> S&P BSE 500 index constituents should be ranked by average float market capitalization and average value traded A final rank should be arrived giving a 50% weight to float market capitalization rank and 50% weight to average daily traded value rank
<p>Buffers</p>	<ul style="list-style-type: none"> If an existing constituent has Rank Full and Rank Free greater than 220, it is excluded from the index. A buffer of 10% is applicable on the current constituents for exclusion purposes. 	<ul style="list-style-type: none"> Should a two-way buffer of 20% be considered? The top 160 companies will be added to the index Current constituents in order of highest rank in between ranks 160-240 will be added to the index to reach the count of 200 companies. If the target count of 200 companies is still not met, non-constituents in order of highest rank in between ranks 160-240 will be added to the index to reach the count of 200 companies.

S&P BSE 500:

Parameter	Current Methodology	Proposed Changes
Reference Period	<ul style="list-style-type: none"> Data collected for rebalance is based on a three month reference period 	<ul style="list-style-type: none"> Should the data collected for the rebalance be based on a six month reference period?
Listing History	<ul style="list-style-type: none"> No IPO inclusion criteria 	<ul style="list-style-type: none"> IPO: A minimum listing history of at least one month should be considered for an IPO to be part of the eligible universe of S&P BSE 500?
Spin Offs Eligibility	<ul style="list-style-type: none"> A company undergoing demerger is eligible to be part of the initial universe 	<ul style="list-style-type: none"> A company undergoing demerger should be eligible to be part of the initial universe after six months?
Trading Frequency	<ul style="list-style-type: none"> The company must have traded for at least 75% of the trading days at BSE during the three month reference period. 	<ul style="list-style-type: none"> A company must have traded for at least 80% of the trading days at BSE during the six month reference period?
Index Construction	<ul style="list-style-type: none"> Companies meeting the eligibility factors are ranked based on average three month total market capitalization, average three month float market capitalization, and average three month value traded. Rank Full is determined by assigning a 75% weight to the average three month total market capitalization rank and a 25% weight to the average three month value traded rank. Rank Free is determined by assigning a 75% weight to the average three month float market capitalization rank and a 25% weight to the average three month value traded rank. For all companies, Rank Full and Rank Free are added and a Combined Final Rank is determined based on this number 	<ul style="list-style-type: none"> Eligible Companies should be ranked by average float market capitalization and average value traded A final rank should be arrived giving a 50% weight to float market capitalization rank and 50% weight to average daily traded value rank
Buffers	<ul style="list-style-type: none"> If an existing constituent has Rank Full and Rank Free greater than 550, it is excluded from the index. A buffer of 10% is applicable on the current constituents for exclusion purposes. 	<ul style="list-style-type: none"> Should a two-way buffer of 10% be considered? The top 450 companies will be added to the index Current constituents in order of highest rank in between ranks 450-550 will be added to the index to reach the count of 500 companies. If the target count of 500 companies is still not met, non-constituents in order of highest rank in between ranks 450-550 will be added to the index to reach the count of 500 companies

S&P BSE Strategy Indices:

S&P BSE IPO

Parameter	Current Methodology	Proposed Changes
Index Construction	<ul style="list-style-type: none"> Any IPO with a minimum float market capitalization of INR 1 billion on the first day of listing is included in the index on the third day of listing. A company is excluded from the index at the open of the Monday following the third Friday of the month after the completion of two years of listing 	<ul style="list-style-type: none"> Any IPO with a minimum float market capitalization of INR 1 billion on the first day of listing will be included in the index at the open of the Monday following the third Friday of the month with reference date as the second Friday of the month. IPO's listed after the second Friday of the month will be included in the next monthly rebalance A company is excluded from the index at the open of the Monday following the third Friday of the month after the completion of one year of listing.

S&P BSE SME IPO

Parameter	Current Methodology	Proposed Changes
Index Construction	<ul style="list-style-type: none"> Any IPO on the SME Platform of BSE is included in the index on the second day of its listing A company is excluded from the index at the open of the Monday following the third Friday of the month after completion of three years of listing on the BSE SME Platform A company that migrates from the BSE SME Platform to the BSE Mainboard Platform is removed from the index on the effective date of the migration, 	<ul style="list-style-type: none"> Any IPO on the SME Platform of BSE will be included in the index at the open of the Monday following the third Friday of the month with reference date as the second Friday of the month SME IPO's listed after the second Friday of the month will be included in the next monthly rebalance A company is excluded from the index at the open of the Monday following the third Friday of the month after the completion of one year of listing A company that migrates from the BSE SME Platform to the BSE Mainboard Platform is removed from the index on the effective date of the migration, in cases where the migration happens between reference and rebalance date, the drop will be accounted with the monthly rebalance

S&P BSE Dividend Stability

Parameter	Current Methodology	Proposed Changes
Constituent Weightings	<ul style="list-style-type: none"> Index constituents are weighted on float market capitalization 	<ul style="list-style-type: none"> Index constituents should be weighted on dividend yield?

S&P BSE Thematic Indices:

S&P BSE PSU:

Parameter	Current Methodology	Proposed Changes
Constituent Weightings	<ul style="list-style-type: none"> Index constituents are weighted on total market capitalization 	<ul style="list-style-type: none"> Index constituents should be weighted on float market capitalization?

For more details, please refer to the index methodology document on 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 **June 30, 2016**.

To participate in this consultation, please respond to S&P Dow Jones Indices' at index_services@spdji.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

Asia Index Pvt. Ltd is a 50-50 partnership between S&P Dow Jones Indices LLC, the world's largest provider of financial market indices, and BSE Ltd, Asia's oldest stock exchange and home to the iconic SENSEX index - a leading indicator of Indian equity market performance. Asia Index Pvt. Ltd, which combines the benchmarks, market intelligence, and insights of both parent companies, each established more than 115 years ago, aims to provide a full array of indices enabling global and domestic investors to participate in South Asia's vibrant economies. The Company is best known for calculating, publishing, and maintaining a diverse family of Asian indices under the umbrella brand, S&P BSE Indices.

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 200 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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