

S&P BSE SENSEX Consultation on Derivative Market Linkage

MUMBAI, OCTOBER 7, 2022: Asia Index Private Limited (“AIPL”) is conducting a consultation with market participants on a potential change to the S&P BSE SENSEX. The following proposed change is under consideration:

Under the current index methodology, the S&P BSE SENSEX derives its derivative linkage rule from the universe index, the S&P BSE 100, ensuring at least 90% derivative linkage (meaning the aggregate float weight of the index constituents not linked to derivatives trading does not exceed 10%). In order to mitigate replication issues due to stocks not having derivative contracts, AIPL is proposing to increase the derivative linkage factor to 100% so that all stocks would be required to have a derivative contract¹ in order to be eligible for the index selection.

The table below provides a summary of the change.

Parameter	Methodology	
	Current	Proposed
Index Eligibility	The S&P BSE SENSEX derives its derivative linkage rule from the universe index, the S&P BSE 100, ensuring at least 90% derivative linkage	All stocks must have a derivative contract.

Please note, if the 100% derivatives linkage factor is adopted, there will be an impact on fast-tracked initial public offerings (“IPOs”). Fast-tracked IPOs are defined as significantly sized IPOs that are among the top 10 companies based on the index construction ranking criteria. Under the current index methodology, fast-tracked IPOs with a minimum listing history of one month are eligible for index inclusion by providing five days’ notice to clients. If a fast-tracked IPO is added to an index, then the smallest company, by the index construction ranking criteria, is removed. Using the 100% derivatives linkage rule, fast-tracked IPOs will not be eligible for index inclusion until the stock has a derivative contract.

For more information on this index, including the full eligibility and selection criteria, please refer to [S&P BSE Indices Methodology](#).

IMPACT ANALYSIS

There is no impact caused by the proposed eligible universe change for June 2022 rebalance for S&P BSE SENSEX.

IMPLEMENTATION TIMING

AIPL is proposing to implement these methodology changes, if adopted, in conjunction with the December 2022 reconstitution, which takes effect prior to the market open on **Monday, December 19,**

¹ For more details on list of stocks which have derivative contracts, please refer to <https://www.bseindia.com/markets/Derivatives/DeriReports/folist.aspx>

2022. If adopted, the change will first be visible to clients in pro-forma files beginning on **Friday, December 02, 2022.**

QUESTIONS

Please answer the following questions and provide AIPL with the reasoning behind your answers:

- 1. Do you agree with the proposal of increasing the derivative linkage to 100% for S&P BSE SENSEX?**
- 2. Should this change be adopted, do you agree with the proposed implementation date?**
- 3. Do you have any other comments or feedback regarding the proposed changes outlined above?**

Your participation in this consultation is important as we gather information from various market participants in order to properly evaluate your views and preferences. Please respond to this survey by **November 4, 2022.** After this date, AIPL will no longer accept survey responses. Prior to the Index Committee's final review, AIPL may request clarifications from respondents as part of that review.

To participate in this consultation, please visit the online survey available [here](#).

For further information about this consultation, please contact AIPL at SPDJI_Index_Governance@spglobal.com.

Please be advised that all comments from this consultation will be reviewed and considered before a final decision is made; however, AIPL 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 AIPL decides to change the index methodology, an announcement will be posted on our website.

Thank you for taking the time to complete this survey.

For more information about S&P BSE Indices, please visit www.asiaindex.co.in.

ABOUT 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) established in 1875, is Asia's first & now the world's fastest Stock Exchange with a speed of 6 microseconds. BSE is India's leading exchange group and has played a prominent role in developing the Indian capital market. BSE is a corporatized and demutualised entity, with a broad shareholder base that includes the leading global exchange - Deutsche Bourse, as a strategic partner. BSE provides an efficient and transparent market for trading in equity, debt instruments, equity derivatives, currency derivatives, commodity 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 (SMEs) that has been highly successful. BSE also has a dedicated MF distribution platform BSE Star MF which is India Largest Mutual Funds Distribution Infrastructure. BSE launched commodity derivatives trading in Gold, Silver, Copper, Oman Crude Oil Guar Gum, Guar Seeds & Turmeric.

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's 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, a wholly owned subsidiary of BSE, acts as the central counterparty to all trades executed on the BSE trading platform and provides full novation, guaranteeing the settlement of all bonafide trades executed. BSE Institute Ltd, another fully owned subsidiary of BSE runs one of the most respected capital market educational institutes in the country. Central Depository Services Ltd. (CDSL), associate company of BSE, is one of the two Depositories in India.

BSE has set up an Investor Protection Fund (IPF) on July 10, 1986 to meet the claims of investors against defaulter Members, in accordance with the Guidelines issued by the Ministry of Finance, Government of India. BSE Investor Protection Fund is responsible for creating Capital markets related awareness among the investor community 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 products based on indices from any other provider in the world. Since Charles Dow invented the first index in 1884, S&P DJI has been innovating and developing indices across the spectrum of asset classes helping to define the way investors measure and trade the markets.

CONSULTATION

S&P Dow Jones Indices is a division of S&P Global (NYSE: SPGI), which provides essential intelligence for individuals, companies, and governments to make decisions with confidence. For more information, visit www.spglobal.com/spdji.

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