

S&P Dow Jones Indices Consultation on Commodity Index Capping

NEW YORK, JULY 31, 2019: S&P Dow Jones Indices (“S&P DJI”) is conducting a consultation with members of the investment community on potential changes to the capped indices within the S&P GSCI, S&P WCI, and Dow Jones Commodity Index families.

On December 18, 2012, the European Securities and Market Authority (“ESMA”) published guidelines on ETFs and other UCITs issues. Those guidelines applied beginning February 18, 2013 and were subsequently revised and updated by ESMA and published on August 1, 2014 – ESMA/2014/937 (the “Guidelines”). The Guidelines apply to competent authorities, UCITS management companies and UCITS taking the form of self-managed investment companies. Guideline No. 50 includes a diversification recommendation in relation to components of financial indices. Please note that the Guidelines do not apply to S&P DJI.

S&P DJI is proposing to modify the capping frequency and capped weighting scheme of all capped indices following the S&P GSCI Capped Indices Methodology, S&P WCI Index Methodology, and Dow Jones Commodity Index Methodology. Increasing the capping frequency and lowering the capping level will not guarantee that these indices are consistent with the Guidelines. However, minimizing the length of time between capping, simplifying the capping level methodology, and reducing the capping levels should reduce the likelihood of the daily commodity weights drifting too far away from the capped weights.

PROPOSED METHODOLOGY CHANGES

S&P DJI is proposing to modify the capping frequency and capped weighting scheme of all capped indices following the S&P GSCI Capped Indices Methodology, S&P WCI Index Methodology, and Dow Jones Commodity Index Methodology as follows:

- **Capping Frequency.** Under this proposal, all such indices would be capped on a monthly basis. Currently, the indices are capped on a quarterly basis.
- **Capped Weighting Scheme.** Under this proposal, capping buffer rules would be eliminated and the indices would be capped according to the following rules:
 - *Rule 1:* The largest component’s weight cannot exceed 32%. If the component’s weight exceeds 32%, it is capped at 32% and any excess weight is distributed proportionately among the remaining components.
 - *Rule 2:* No remaining component’s weight can exceed 17%. Once Rule 1 is implemented, if any remaining component’s weight exceeds 17%, it is capped at 17% and the excess weight is distributed proportionately among the remaining components. This process is repeated iteratively until all the capping rules are met.

For details on the current capping rules, please refer to [S&P GSCI Capped Indices](#), [S&P WCI Index](#), and [Dow Jones Commodity Index](#) methodology documents.

IMPACT ANALYSIS

Analysis showing the actual capped weights under the current index capped weighting schemes for the S&P GSCI Capped Component Index and the S&P GSCI Industrial Metals Capped Commodity Index, as well as the hypothetical capped weights under the proposed capped weighting scheme described above is available [here](#). The actual commodity weights for the indices in the analysis are as of the close of business on the fourth business day in April, May and June 2019. Turnover is expected to increase based on the proposed capped weighting scheme changes and the proposed change in the capping frequency.

IMPLEMENTATION TIMING

S&P DJI is proposing to implement the changes described above, if adopted, effective with the **November 2019** roll period.

QUESTIONS

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

- 1. Do you agree with the proposal to change the capping frequency for all capped indices from quarterly to monthly?**
- 2. Do you agree with the proposal to change the capped weighting scheme to that described above, including the removal of buffers for capped indices that currently use them?**
- 3. If the proposed changes described above are adopted, do you agree with the proposed implementation timing?**
- 4. Do you have any other comments or feedback regarding the proposed changes outlined above?**

Your participation in this consultation is important as we gather information from various market participants to properly evaluate your views and preferences. S&P DJI will make responses to consultations freely available upon request.¹ If you do not want your response to be made available, you must clearly state that in your response. Please respond to this survey by **August 30, 2019**. After this date, S&P DJI will no longer accept survey responses. Prior to the Index Committee's final review, S&P DJI will consider the issues and may request clarifications from respondents as part of that review. Alternative options to the proposed questions after the deadline require that the consultation be re-opened to the public.

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

For further information about this consultation, please contact S&P Dow Jones Indices at index_services@spglobal.com.

Please be advised that all comments from this consultation will be reviewed and considered before a final decision is made; however, S&P DJI makes no guarantees or is under any obligation to comply with any of the responses. The survey may result in no changes or outcome of any kind. If S&P DJI decides to change the index methodology, an announcement will be posted on our website.

Thank you for taking the time to complete this survey.

For more information about S&P Dow Jones Indices, please visit www.spdji.com.

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

CONSULTATION

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.

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.spdji.com.

FOR MORE INFORMATION:

S&P Dow Jones Indices
index_services@spglobal.com