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## PRESS RELEASE

### Changes in Index Maintenance Guidelines

Mumbai: India Index Services & Products Ltd. (IISL), a group company of NSE, the leading stock exchange in India, in its continuous efforts to align with the global industry best practices hereby announces revision in stock selection criteria for various indices, methodology for calculation of total return index and operational guidelines governing index maintenance.

#### **A. Stock selection criteria:**

##### **1) Inclusion of securities with Differential Voting Rights :**

The equity securities with Differential Voting Rights (DVRs) would be eligible for inclusion in an index subject to fulfilment of the eligibility criteria as given below:

- a. Market capitalization criteria shall be measured at a company level by aggregating the market capitalization of individual class of security meeting the liquidity criteria for the respective index
- b. Free float of DVR equity class share should be at least 10% of the free-float market capitalization of a company (voting equity class share and DVR equity class share) and 100% free-float market capitalization of the last security in respective index. This requirement shall be applicable only to those indices that are calculated based on market capitalization methodology
- c. Each class of security issued by a company should meet the liquidity criteria applicable for the respective indices
- d. DVR shares will be considered for inclusion only in broad market, sector, and thematic indices which are based on market capitalization methodology
- e. Upon inclusion of DVRs in the index, the index may not have fixed number of securities. For example, if DVR of an existing Nifty 50 constituent is included in Nifty 50, the Nifty 50 index will have 51 securities but continue to have 50 companies
- f. It is likely that DVR is eligible for inclusion in the index whereas the full voting rights security class is ineligible. In such scenario, the DVRs shall be included in the index irrespective of whether full voting rights share class is part of index

##### **2) F&O criteria for stocks in Nifty 50 and Nifty Bank index:**

In order to become eligible for inclusion in Nifty 50 and Nifty Bank index, a stock must be available for trading in NSE's Futures & Options segment.

##### **3) Removal of minimum free-float requirement of 10%:**

In view of the regulatory requirement of maintaining minimum 25% public shareholding for listed companies, the criteria of minimum free-float requirement of 10% shall not be applicable for any index.

**4) Eligible universe for selection of stocks in existing Broad Market and Sectoral indices:**

The selection of constituents for each of these indices shall be made from the universe of companies that rank within top 800 based on both average daily turnover and average daily full market capitalization.

**5) Eligible universe for selection of stocks in Nifty Midcap Liquid 15 index:**

The selection of stocks for Nifty Midcap Liquid 15 index shall be made from Nifty Midcap 50 index.

**B. Methodology for calculating total return index calculation:**

Effective April 1, 2016, the formula for computation of total return index will be revised as given in the methodology document on Nifty broad market indices at [IISL Publications](#).

**C. Operational guidelines governing index maintenance:**

Effective February 26, 2016, operational guidelines governing index maintenance will be revised as given hereunder:

Corporate Action	Existing Policy	Revised Policy
Investable Weight Factors (IWFs) Review	The IWF is rounded to six decimals. For example: 0.608794	The IWF will be rounded to two decimals. For example: 0.61
	The IWFs are reviewed on a quarterly basis and implemented on second Monday of February, May, August and November after providing five working days' prior notice.	The IWFs will be reviewed on a quarterly basis and implemented from first working day after F&O expiry of February, May, August and November after providing five working days' prior notice.
	Change in IWF by 5% or more is implemented as soon as possible after providing five working days' prior notice.	No change.
Shares rebalancing	Change in shares of less than 5% is implemented on second Monday of each month after providing five working days' prior notice.	Change in shares of less than 5% will be made on quarterly basis and implemented from first working day after F&O expiry of February, May, August and November after providing five working days' prior notice.

	Change in shares that results into change in the free-float market capitalisation by 5% or more will be implemented as soon as possible after providing five working days' notice period.	No change.
Indices with capping methodology	Indices are presently capped at the time of change in divisors after providing five working days' prior notice.	Indices will be capped at the time of change in divisors as per existing policy.  Additionally, capping will be done on quarterly basis and implemented from first working day after F&O expiry of February, May, August and November after providing five working days' prior notice.

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*About NSE:* In its 20 year history, NSE has transformed the capital market, based on technology, innovation, high standards of governance and management practices. NSE's business practices and high levels of integrity have earned it the trust of the financial markets worldwide. Besides being a platform of choice for all exchange traded financial products in India, NSE's flagship index, the Nifty 50, has become a benchmark national level economic parameter. Since inception, the exchange has been covered extensively by global media and has won many accolades as recognition of this remarkable journey.

*About IISL:* India Index Services & Products Ltd. (IISL), a NSE group company, was setup in May 1998 to provide a variety of indices and index related services for the capital markets. IISL is India's first specialised company focused upon the index as a core product. IISL maintains more than 100 equity indices comprising broad-based benchmark indices, sectoral indices and customised indices. IISL also maintains fixed income indices based on Government of India bonds. Many investment and risk management products based on IISL indices have been developed in the recent past, within India and abroad. These include index based derivatives traded on NSE, Singapore Exchange Ltd. (SGX), Chicago Mercantile Exchange Inc. (CME) and Osaka Exchange Inc. (OSE) and a number of index funds and exchange traded funds. The flagship 'Nifty 50' index is widely tracked and traded as the benchmark for Indian Capital Markets.