

Index Announcement | November 7, 2019

CONSULTATION ON POTENTIAL METHODOLOGY UPDATES TO TWO EQUITY INDICES

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Overview

This consultation report covers the following indices:

NYSE® Technology Index™ (NYTECH)

NYSE® Arca Equal Weighted Pharmaceutical Index™ (DGE)

To comment on the proposed changes outlined in this report, send an email to ICENYSEIndices@theice.com with “Equity Indices Consultation Response” in the subject line. **Comments should be submitted by November 21, 2019.**

After carefully considering all responses received, ICE Data Indices, at its sole discretion, will make a final decision on any changes to be implemented. ICE Data Indices will announce a summary of the findings and final methodology updates shortly after the end of the consultation. Any one or more of the potential changes considered in this consultation may be modified or eliminated completely from the final methodology changes. Similarly, other changes not proposed in this consultation may be introduced in the final adopted changes, in accordance with the Consultation Policy and subject to approval by the ICE Data Indices Governance Committee.

The implementation of final changes is anticipated to take effect December 2, 2019 for the NYSE® Arca Equal Weighted Pharmaceutical Index™ and December 13, 2019 for the NYSE® Technology Index™.

All adopted rule changes are subject to review and approval by the ICE Data Indices Governance Committee. All responses will be treated as confidential. No responses will be published nor shall any respondent be identified.

Impacted Indices

The following indices would be impacted by the proposed changes.

NYSE® Technology Index™ (NYTECH)

If implemented, the changes would be effective with the December 2019 rebalance, which is scheduled to be announced on December 13, 2019.

NYTECH NYSE Technology Index
 NYTECHTR NYSE Technology Index TR
 MVH NYSE Technology Index (Settlement Value)

https://www.theice.com/publicdocs/data/NYSE_Technology_Index_Methodology.pdf

NYSE® Arca Equal Weighted Pharmaceutical Index™ (DGE)

If implemented, the changes would be effective for December 2, 2019.

DGE NYSE Arca Equal Weighted Pharmaceutical Index
 DGETR NYSE Arca Equal Weighted Pharmaceutical Index (TR)

https://www.theice.com/publicdocs/data/NYSE_Arca_EW_Pharmaceutical_Index_Methodology.pdf

Proposed changes to selected equity index methodologies

NYSE® Technology Index™ (NYTECH)

Proposal: The conversion of percentage weights to index constituent shares in the annual rebalance would occur after the close of the 2nd Friday, as opposed to the 3rd Friday currently.

- The composition of the index is currently reviewed annually and announced after the close of the 2nd Friday of December. The annual rebalance is effective after the close of the 3rd Friday of December. While the list of new constituents and additions and deletions is finalized on the 2nd Friday, the equal-weighting of the new index composition and calculation of index shares does not occur until effectiveness, which is after the close of the 3rd Friday.
- This proposal intends to harmonize the timing of the determination of new constituents and calculation of corresponding index shares. The actual percentage weights for each new constituent would then drift based upon market movement between the date on which the composition of the index is reviewed and when the rebalance goes effective one week later.
- Implementation of this change will allow any market participants tracking the index to better prepare and more efficiently trade into the new index constituents and weights, and reduce unnecessary transaction costs of benchmarking to the index.

As an example, if the proposed methodology were followed for the December 2018 annual rebalance, the difference in effective constituent weights at the rebalance would be as follows:

Security	Current Rebalance Weight	New Rebalance Weight	Difference
AAPL	2.8571%	2.8566%	-0.0006%
ACN	2.8571%	2.7665%	-0.0906%
ADBE	2.8571%	2.8470%	-0.0101%
ADP	2.8571%	2.9163%	0.0591%
AMAT	2.8571%	2.9113%	0.0542%
AMZN	2.8571%	2.7136%	-0.1435%
ATVI	2.8571%	3.0113%	0.1542%
AVGO	2.8571%	3.0140%	0.1569%
BABA	2.8571%	2.7783%	-0.0788%
BIDU	2.8571%	2.7807%	-0.0764%
BKNG	2.8571%	2.8346%	-0.0226%
CRM	2.8571%	2.8128%	-0.0444%

CSCO	2.8571%	2.8644%	0.0072%
DVMT	2.8571%	3.0454%	0.1883%
FB	2.8571%	2.7201%	-0.1370%
GOOGL	2.8571%	2.9558%	0.0987%
IBM	2.8571%	2.9018%	0.0446%
INTC	2.8571%	2.9382%	0.0811%
INTU	2.8571%	2.9001%	0.0430%
JD	2.8571%	2.9819%	0.1248%
MSFT	2.8571%	2.9054%	0.0483%
MU	2.8571%	2.7803%	-0.0768%
NFLX	2.8571%	2.8958%	0.0386%
NOW	2.8571%	2.7918%	-0.0654%
NVDA	2.8571%	2.7746%	-0.0825%
NXPI	2.8571%	2.8438%	-0.0133%
ORCL	2.8571%	2.9611%	0.1040%
PYPL	2.8571%	2.8521%	-0.0050%
QCOM	2.8571%	2.9853%	0.1282%
SQ	2.8571%	2.6501%	-0.2070%
TSLA	2.8571%	2.7422%	-0.1150%
TSM	2.8571%	3.0657%	0.2086%
TWTR	2.8571%	2.3877%	-0.4694%
TXN	2.8571%	3.0080%	0.1509%
WDAY	2.8571%	2.8051%	-0.0520%

Proposal: Calculate the shares for a company being added to the index as a result of a corporate action at the time of the announcement, utilizing the most recently available closing prices and current target index weight, as opposed to calculating the shares at the time of effectiveness of such an action.

- If a constituent in the index gets deleted intra-rebalance during the year, it is replaced with another constituent. The replacement occurs at the closing index weight and prices at the time of the deletion and corresponding addition. This means that the exact shares for the replacement would not be known until after the close of trading that day.
- This proposal intends for the shares for the addition to be known in advance of the change being effective, and would allow for market participants to more efficiently trade the deletion and addition, with reduced transaction costs.

NYSE® Arca Equal Weighted Pharmaceutical Index™ (DGE)

Proposal: Modify the gross total return index methodology to conform to a more standard method across ICE Data equity indices of reinvesting dividends before the open on the dividend ex-date.

- The gross total return variant of the index (DGETR) currently reinvests dividends at the close of the dividend ex-date. The previous day gross total return index level is multiplied by the change in the price return index level for the current day, and the index dividend points for that day are added onto the result to yield the current day gross total return index level.
- The proposal would calculate the current day gross total return index level by dividing the current index market capitalization by the current gross total return index divisor. That current gross total return index divisor would be calculated so that the previous day closing index market capitalization would yield the same gross total return closing index level for that prior day, even after adjusting for any corporate actions, rebalances and dividends effective for the current day.
- Implementation of the proposed new total return calculation methodology would lead to a slight outperformance for the gross total return index on the dividend ex-date, and a corresponding slight underperformance on the day following the dividend ex-date. Nevertheless, this would always result in a

resynchronization of the two calculations, and therefore, over a long period of time, the cumulative return differences between the two calculations would be zero.

Questions

1. Do you agree with the proposed change to equal-weight the index constituents and calculate index shares after the close of the 2nd Friday of December for NYTECH?
2. Do you agree with the proposed change to calculate the shares for a replacement constituent in NYTECH at the time of announcement rather than the time of effectiveness, utilizing the most recently available closing prices and current target index weight?
3. Do you agree with the proposed change to modify the gross total return index methodology for DGE to conform to a more standard methodology across ICE Data equity indices of reinvesting dividends before the open on the ex-date?
4. If the proposed changes are adopted, do you agree with the proposed implementation dates?
5. Do you have any other comments regarding the proposed changes outlined above?

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