



NYSE Indices - Corporate Action Handling Guide

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The **NYSE Indices - Corporate Action Handling Guide** is being released to provide additional information on the treatment and handling of corporate actions in Index maintenance and calculation. This document is intended to supplement the relevant methodology document of an Index as well as the NYSE Indices - Guide to Corporate Actions Handling Matrix available at www.nyse.com/indices/rules.

1. Corporate Actions

1.1 General

The Index may be adjusted for corporate actions in order to maintain the continuity of the Index level and the composition. The underlying aim is that the Index continues to reflect as closely as possible the change in valuation of the underlying constituents of the Index, and not any additions, deletions, or weighting changes resulting from a corporate event.

Thus, adjustments take place in reaction to corporate events that occur with constituents in order to mitigate or eliminate the effect of that event on the Index performance.

For the specific corporate actions treatment for each Index, please refer to the NYSE Indices - Guide to Corporate Actions Handling Matrix available at www.nyse.com/indices/rules.

1.2 Removal of constituents

Any constituent deleted from the Index as a result of a corporate action such as a merger, acquisition, spin-off, delisting or bankruptcy is typically not replaced with a new constituent. For those Indices, the total number of constituents in the Index is reduced by one every time a constituent is deleted.

For certain Indices, the policy in such situations is to replace the deleted constituent with a new constituent as per the Index methodology. Typically, for those Indices, the constituent being added will replace the deleted constituent at its pre-deletion Index weight, or, at the market capitalization weight of the new constituent.

For all Indices, in certain circumstances, the Index Administrator may decide to add another constituent into the Index as a result of the pending removal of a current constituent. This action would be taken while considering the interests of affected parties and would typically only be a result of a certain type of corporate action, such as an acquisition where part of the merger proceeds is paid in the stock of another constituent.

If a constituent is removed from the Index, the divisor will be adjusted to maintain the Index level.

1.2.1 Mergers and Acquisitions

Merger or acquisition between members of the Index: For certain Indices, in the event a merger or acquisition occurs between members of the Index, the acquired constituent is deleted and its Index market capitalization moves to the acquiring constituent's Index weighting, according to the merger terms and depending on the portion of proceeds paid in the stock of the acquirer. For other Indices, the acquired constituent is deleted and its Index market capitalization is redistributed proportionately across the remaining constituents via a divisor adjustment.

Merger or acquisition between a member and a non-member: A non-member is defined as a constituent that is not a current constituent of the Index. A merger or acquisition between one member of the Index and one non-member can take two forms:

(1) The acquiring constituent is a member of the Index and the acquired constituent is not. The acquiring constituent's shares will be adjusted at the next rebalance based upon its relative market capitalization, if applicable. For certain Indices, if the stock terms of the acquisition lead to a substantial change in the company market capitalization, the shares outstanding of the constituent may be adjusted via a corporate action treatment.

(2) The acquiring constituent is not a member, but the acquired constituent is a member. The acquired constituent is removed from the Index and its Index market capitalization is redistributed proportionately across the remaining constituents via a divisor adjustment. For certain indices, the acquiring constituent may be considered for inclusion at the next rebalance, as per the Index methodology. As outlined above, in certain situations, the Index Compiler may choose to add in the acquiring constituent should it meet general universe requirements. Exceptions to the implied seasoning rule in the Index methodology can be made at the discretion of the Index Administrator. As in any other addition, these actions would be announced at least three trading days ahead of effectiveness.

1.2.2 Suspensions and constituent distress

Immediately upon a company filing for bankruptcy, an announcement will be made to remove the constituent from the Index effective for the next trading day. If the constituent is trading on an over-the-counter (OTC) market, the last trade or price on that market is utilized as the deletion price on that day.

If the constituent does not trade on the relevant exchange between the bankruptcy announcement and the end of the current Index business day, the constituent may be deleted from the Index in that corporate action treatment with a presumed market value of \$0.00.

1.2.3 Price sources

In the event that the trading in shares is suspended or halted, the last known price established during regular daytime trading on the primary exchange will be used. Depending on the particular situation, the Index Administrator may choose to value the security at a price of \$0.00 for purposes of Index calculation and/or Index corporate action. This would be applicable for certain extreme cases such as a constituent bankruptcy or severe distress.

1.3 *Split-up /spin off*

The closing price of the Index constituent is adjusted by the value of the spin-off, and the shares of the Index constituent may be adjusted to maintain its existing weighting in the Index, depending on the Index methodology. The divisor will be adjusted to account for any changes in the overall Index market capitalization.

For most Indices, spun-off companies will not be automatically added into the Index at the time of the event. There are some Indices that may add the spun-off companies into the Index as a result of this action.

The Index Administrator reserves the right to be able to add spun-off companies into any Index, provided they meet general universe requirements. Exceptions to the implied seasoning rule in the Index methodology can be made in these situations. As with any other addition, the Index Administrator would try to announce the corporate action at least three trading days ahead of effectiveness. Moreover, if a spun-off constituent is added to the Index, there will be no adjustment made to the shares of the parent constituent.

1.4. Dividends

1.4.1. Distinction between ordinary and special dividends

The price return Index will be adjusted for dividends that are special in nature, typically through a price adjustment and/or corresponding share increase to maintain the constituent's existing weighting in the Index. The determination of the exact treatment will be derived from the Index methodology and corporate actions matrix. The divisor will be adjusted to account for any changes in the overall Index market capitalization.

To decide whether a dividend should be considered a special dividend the Index Administrator will use the following criteria:

- a) The declaration by a company of a dividend additional to those dividends declared as part of the company's normal results and dividend reporting cycle. An adjustment solely to the timing of the declaration of a company's expected dividend would not be considered as a special dividend circumstance; or
- b) The identification of an element of a dividend paid in line with a company's normal results and dividend reporting cycle as an element that is unambiguously additional to the company's normal payment.

For the purpose of clarification, the Index Administrator will not make an adjustment for the following situations, specifically in the Price Return Index:

- 1. Payment of ordinary dividends, irrespective of how they are financed;
- 2. Issue of redeemable shares or any other entitlement in lieu of an ordinary dividend; or
- 3. Unexpected increase or decrease, resumption or cessation, or change in frequency to an ordinary dividend.

1.5. Rights issues and other rights

In the event of a rights issue, the price is adjusted for the value of the right before the open on the ex-date, and the shares are increased to maintain the constituent's existing weighting within the Index. The adjustment assumes that the rights issue is fully subscribed. The amount of the price adjustment is determined from the terms of the rights issue, including the subscription price, and

the price of the underlying security. The Index Administrator shall only enact adjustments if the rights represent a positive value, or are in-the-money, or alternatively, represent or can be converted into a tangible cash value.

The exact share change treatment will either aim to maintain the constituent weighting in the Index pre- and post-rights issue, or, represent the increased shares issued as a result of the offering. The exact treatment will depend on the Index methodology and corporate actions matrix.

1.6 Bonus issues, stock splits and reverse stock splits

For bonus issues, stock splits and reverse stock splits, the number of shares included in the Index will be adjusted in accordance with the ratio given in the corporate action. Since the event won't change the value of the constituent included in the Index, the divisor will not be changed because of this.

For price-weighted Indices, the number of shares included in the Index will not change and the divisor will adjust to reflect the new adjusted price of the constituent.

1.7 Changes in number of shares outstanding

Changes in the number of shares outstanding and/or free float, typically due to share repurchases, tenders, or offerings, will not be reflected in most Indices. For certain market capitalization weighted or modified market capitalization weighted Indices, there may be an adjustment to the constituent shares as a result of this corporate action. This change may occur at the time of the corporate event, or, may be reflected in the subsequent periodic rebalance of the Index.

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