



**CRSP | Center for Research in Security Prices**  
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## **CRSP INDEXES TECHNICAL UPDATE**

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**To:** Index subscribers, Index vendors

**Date:** January 6, 2017

### **CRSP Announces Index Methodology Refinements Effective after the Close March 17, 2017**

CRSP will implement the following methodology refinements after the close of business on Friday, March 17, 2017. Detailed information may be found in the [December 2016 CRSP U.S. Equity Indexes Methodology Guide](#).

#### **Fast-Track IPOs**

CRSP is moving the fast-track inclusion capitalization threshold from 85% (Mid Cap breakpoint) to 98% (Small Cap breakpoint) (as of the December 2<sup>nd</sup>, 2016 ranking Mid Cap breakpoint = \$6.34B, Small Cap breakpoint = \$887.77M).

#### **IPOs in Value and Growth Style Indexes**

If a company's size is lower than the Mid Cap breakpoint (85%), or a style cannot be assigned for an added security, its holdings will be set to 50% Value and 50% Growth in the corresponding style indexes for each size index it is added to. As soon as a value/growth style score can be derived at a regularly scheduled quarterly ranking, the security will move to the appropriate value or growth index.

#### **Sector Indexes**

For methodology refinements related to sector indexes, see the CRSP U.S. Equity Indexes Methodology Guide.

#### **Suspended Securities**

Exchange trading suspensions are treated as an additional investability screen.

If a security has been suspended from its primary listing exchange for at least 40 trading days at ranking, it fails this investability test and will be removed from the CRSP U.S. Indexes on the Reconstitution Day, (or the "Final Transition Day" beginning with the September 2017 ranking).

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Further information will be provided as available.

For further information please refer to the CRSP website, and to the CRSP Index Methodology Guide posted here.

For any related inquiry, please do not respond to this email, but send email to [Indexes@crsp.ChicagoBooth.edu](mailto:Indexes@crsp.ChicagoBooth.edu) or call 312-263-6400, option 3.

This is an announcement for the CRSP U.S. Equity Indexes.



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### **Rights Distributions**

A right or warrant is added to the distributing security on the ex-date. While only the distributing security is reported as a constituent, the combined start-of-day capitalization of the security and its distributed right or warrant is reported.

At the end of the ex-date, the right or warrant is valued separately and is added as a payment value (end-of-day price adjustment) to the distributing security. The payment amount used is the higher of either the intrinsic value or the trading value of the right or warrant at the end of the ex-date.

If the right is in-the-money, based on the last price before the ex-date, then the shares of the distributing security are increased after the close of the ex-date as if all exercisable rights are exercised. If the distributing security is in the index (index constituent), its index holdings are trued-up based on its new total shares outstanding and float.

### **Warrant Distributions**

Warrant distributions are treated in the same manner as rights distributions. However, received warrants are generally assumed to be sold rather than exercised. In other words, as opposed to in-the-money rights distributions, index holdings are generally not increased effective after the close of the ex-date.

### **Dutch Tender Offers (Share Repurchase)**

Changes in index holdings resulting from Dutch auctions that represent 5% or more of the security's holdings in the U.S. Total Market Index will generally be implemented on one of the five trading days following the tender offer results announcement (company press release).

If insufficient notice is provided and/or information is not available, the event will be implemented at the next regularly scheduled ranking or upon the application of a non-cap neutral intra-quarter corporate action.

Dutch tender offers that represent less than 5% of the security's holdings in the U.S. Total Market Index will be implemented at the next quarterly ranking or upon the application of a non-cap neutral intra-quarter corporate action.



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### **Transitional Reconstitution – effective after the close September 1, 2017**

#### **Buffering Rebalance Changes: Transitional Reconstitution**

As an evolution of CRSP's methodology, CRSP has extended the rebalance period from a one-day reconstitution to a five-day transition period. The transition period begins after the close of the Wednesday (First Transition Day) after the second Friday of March, June, September, and December, and ends (Final Transition Day) after the close of the Tuesday after the third Friday of March, June, September, and December. During the five-day transition period, CRSP will move 20% of the change in holdings from the current index to the target pro forma index each day. The ranking will continue to be performed after the close of the first Friday of March, June, September, and December, and the pro forma period will commence on the following Monday concurrently with the ranking announcement.

If a corporate action (e.g. secondary offering) occurs during the transition period, holdings will be trued up with all remaining incremental packets moved to their final index location.

See the methodology guide regarding changes in the treatment of reverse mergers and other cases/situations during the transition period.

Please contact [Indexes@crsp.chicagobooth.edu](mailto:Indexes@crsp.chicagobooth.edu) or call 312-263-6400, option 3, with questions.