



The PHLX Semiconductor Sector™ Index (SOX™) Consultation – March 2024 Summary of Responses and Conclusion

Nasdaq has concluded its consultation regarding the advisability of changes to the PHLX Semiconductor Sector™ index (SOX™). Thank you to those who participated.

Consultation

Nasdaq was seeking feedback regarding 1) a proposed methodology change with relation to index capping in the constituent weighting process: 12% for the largest company, 10% for the second largest company, 8% for the third largest company and 4% cap thereafter; 2) a proposed methodology change to the market cap data used in security selection and weight calculation, which would allow for ADRs to now have full market cap representation; 3) a proposed methodology change where intra-quarter share changes would no longer be implemented on an ad-hoc basis, and only as the direct result of a specific corporate action. Instead, other accumulated share changes would be implemented in conjunction with the next scheduled rebalance or reconstitution event.

Summary of Responses

Nasdaq received a number of responses to the consultation from stakeholders. The majority of the respondents were in favor of the proposed changes relating to index capping in the constituent weighting process. Stakeholders noted that the proposed adjustments in weights would more adequately reflect the current state of the semiconductor industry market. With regards to the second proposed change, which would allow for ADRs to have full market cap representation, there was no consensus amongst the respondents. Lastly, those who provided feedback with relation to the third proposed methodology change agreed with the proposal that intra-quarter share changes would no longer be implemented on an ad hoc basis, and only as the direct result of a specific corporate action.

Conclusion

Having taken the results of the consultation into consideration, Nasdaq will proceed with the changes relating to index capping in the constituent weighting process as described in the consultation. Nasdaq will also proceed with the proposal to no longer implement intra-quarter share changes on an ad hoc basis and only as the direct results of a specific corporate action. The proposed methodology change with relation to market cap data in security selection, which would allow for ADRs to now have full market cap representation, will not be implemented at this time.



Effective April 22, 2024, the following language will replace current constituent weighting process section in the SOX index methodology:

Index Securities' initial weights are determined by dividing each Index Security's market capitalization by the aggregate market capitalization of all Index Securities.

These initial weights are then adjusted to meet the following weight constraints, resulting in the final weights:

- *The weights of the top three (3) Index Securities by market capitalization, may not exceed 12%, 10%, 8%, respectively. The weight of a top three (3) Index Security is only adjusted downward if it exceeds its respective constraint.*
- *The individual weights of other Index Securities may not exceed 4%; only the top three (3) may exceed this constraint.*

Should any Index Security's weight exceed its respective constraint, the excess weight is proportionally redistributed to the lower weighted Index Securities by market capitalization. This redistribution is done iteratively, following the sequence outlined above, until all Index Securities are at or below their respective constraints.

*For additional information about index weighting, see **Nasdaq Index Weight Calculations guide**.*

Effective April 22, 2024, the following language will replace current index share adjustments section in the SOX index methodology:

Other than as a direct result of corporate actions, the Index does not normally experience share adjustments between scheduled Index Rebalance and Reconstitution events.