



## The PHLX Semiconductor Sector™ Index (SOX™) Consultation – March 2024

As part of an ongoing effort to preserve the future replicability and integrity of its indexes, Nasdaq is seeking feedback from investors, clients, and other industry professionals regarding the advisability of changes to the PHLX Semiconductor Sector™ Index (SOX™).

### **Background**

The PHLX Semiconductor Sector™ Index (SOX™) was launched in 1993. The Index is designed to measure the performance of companies primarily involved in the design, distribution, manufacture, and sale of semiconductors, using a modified market capitalization weighting scheme, and serves as the benchmark for many investable products around the world.

In October of 2023, Nasdaq conducted a consultation related to the SOX™ Index, where it was proposed that the maximum weight applied to any constituent in the index at the time of each quarterly rebalance would be reduced from 8% to 7%. In their responses, some stakeholders expressed concerns that the current weighting scheme may not adequately reflect the current state of the industry, given that the semiconductor sector has changed significantly in recent years. Having taken the responses into consideration, Nasdaq is conducting a follow-up consultation related to the SOX™ Index. After completing additional research, we believe that the proposed changes outlined herein would make the index more representative of the semiconductor sector market.

### **For Consideration and Comment:**

1. A proposed methodology change with relation to index capping in the constituent weighting process:

Current State:

*8% for the top 5 companies with a secondary cap at 4%.*

Proposed:

*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.

Current State:

*Using market cap on a total shares outstanding (TSO) basis where American Depositary Receipts (ADRs) use shares at the depositary bank.*

Proposed:

*Full market cap. 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.

It is anticipated that resulting methodology changes, if any, would take effect at the upcoming rescheduled rebalance in April, 2024.

### **Feedback**

Please provide comments here:

<https://nd.nasdaq.com/PHLXSemiconductorSectorIndexSOXConsultationMarch2024.html>

This consultation will remain open for comment until the close of business on **March 15, 2024**. Once a final determination has been made, a summary of the results will be published. Stakeholders will not be identified in the summary.

To submit attachments with this consultation response, please e-mail [IndexConsultations@nasdaq.com](mailto:IndexConsultations@nasdaq.com)

Questions should be directed to Nasdaq Global Indexes via email at [IndexServices@Nasdaq.com](mailto:IndexServices@Nasdaq.com)