

S&P Merger Arbitrage Indices Consultation on the Cash Component Buffer – Results

NEW YORK, JULY 12, 2022: S&P Dow Jones Indices (“S&P DJI”) has conducted a [consultation](#) with market participants on potential changes to the S&P Merger Arbitrage Indices.

In order to prevent situations where adding a stock could cause the cash component to go negative, S&P DJI is modifying the cash buffer. With this modification, the cash buffer will change to a projected 0.5%. Additionally, S&P DJI is modifying the cash component weight rules so that they encompass any number of positions rather than just when the index has 40. With this change, if the projected cash component is less than 1.5% at the time of an eligible merger announcement, the worst performing cash deal(s) will be removed until the projected index cash position becomes at least 2%, regardless of the position count. The tables below summarize the changes.

Methodology	Constituent Weightings
Previous	If, at the time of the addition, the projected cash position represents less than 3% for the S&P Merger Arbitrage Indices, or less than 2.5% for the S&P Long-Only Merger Arbitrage Indices, is negative or would be potentially negative at the time of the addition, the long position index shares will be based on the deal price. It will be assigned a weight equal to the weight of the cash component on the effective date of the addition, as projected on the reference date, less a 5% buffer . The short position is added at the deal ratio.
Updated	If, at the time of the addition, the projected cash position represents less than 3% for the S&P Merger Arbitrage Indices, or less than 2.5% for the S&P Long-Only Merger Arbitrage Indices, is negative or would be potentially negative at the time of the addition, the long position index shares will be based on the deal price. It will be assigned a weight equal to the weight of the cash component on the effective date of the addition, as projected on the reference date, leaving a 0.5% projected weight in cash to serve as a cash buffer . The short position is added at the deal ratio.

Methodology	Replacements due to Cash Level
Previous	If, at the time of a merger announcement where the merger is eligible for the index, there are less than 40 positions in the index and the cash component weight is less than 1.5% in the index , the worst performing long-only deal(s) are removed until the index cash position becomes at least 2% to accommodate the inclusion of the new deal.
Updated	If, at the time of a merger announcement where the merger is eligible for the index, the cash component weight is less than 1.5% in the index , the worst performing long-only deal(s) are removed until the index cash position becomes at least 2% to accommodate the inclusion of the new deal.

These changes will take effect prior to the open on **Monday, July 18, 2022**.

Please note that the S&P Merger Arbitrage Indices Methodology on S&P DJI’s website is being updated to reflect these changes.

For more information about S&P Dow Jones Indices, please visit www.spglobal.com/spdji.

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