# SXBANK - FAQs JUNE - 2017



# **SXBANK - FAQs**

#### 1. What is SXBANK?

SXBANK is an Index created by Metropolitan Stock Exchange of India Limited (MSE) representing the Banking Sector of the Indian economy. It is a capped free-float based index of 10 large-cap liquid Banking stocks.

# 2. What are the objectives of creating SXBANK?

SXBANK has been designed with the following objectives:

- To be the true benchmark of the underlying banking sector of Indian equity market.
- To act as a performance benchmark for fund managers.
- To facilitate accurate replication of the index and be the preferred index for creation of index linked products like index funds, ETFs, etc.
- To uniquely position the index for efficient derivatives trading owing to superior liquidity parameters with a diversified representation of the market.

## 3. What is unique about SXBANK?

SXBANK has introduced capping of weights at stock level (15%), which makes SXBANK the only index to have optimum and diversied representation of banking sector of Indian economy.

#### 4. What are the criteria for selection of stocks?

SXBANK would comprise of stocks that conform to the below terms and conditions:

- Only common stocks which are of equity in nature will be eligible for inclusion in the index
- The stock must have free float of at least 10%
- The stock must have a positive net-worth
- Stock must be within top 300 ranking when arranged in terms of average daily trading value for the preceding three months (henceforth termed as review period) on the exchange and must have been traded on at least 90 percent of the trading days during the review period.
- Top 10 companies based on average free-float market capitalization during the review period will be chosen from the universe of banks stocks in terms of average daily trading value during the review period.

#### 5. What are the criteria for inclusion / exclusion of securities into / from SXBANK?

The rules for inclusion or exclusion of a stock in / from the index during the periodic review process have been designed to provide stability in selection while ensuring that the index would continue to be broad market representative of the banking sector traded in the market by including or excluding those companies whose free float market capitalization would have risen or fallen significantly.

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#### **Exclusion Criteria:**

- An existing constituent will be excluded from the index during the semi-annual review.
  - If it does not appear in top 300 securities in terms of liquidity criteria
  - If the average daily free-float market capitalization rank during the review period exceeds the rank of top 10 banks as per market capitalization.
  - Constituents that are involved in merger / demerger, acquisition or any other form of significant corporate restructuring would be excluded from the index.

#### **Inclusion Criteria:**

 A company appearing in top 10 (from the universe of banking stocks) in terms of average free float market capitalization during the review period will be considered for inclusion in the index.

#### 6. When is the periodic review done?

The Index will be reviewed and rebalanced twice in a calendar year, during April (review period: January - March) and October (review period: July - September). In case of a special situation dictated by corporate events or adverse market movements, intermediate review would be carried out for necessary modication of the index.

## 7. What is the Capping Methodology used for SXBANK?

At the time of index creation and periodic review, the constituent weight of each incumbent stock of SXBANK is capped at 15%. Any constituent whose weight is greater than 15% will be capped at 15%. The weights of all lower ranking constituents will be increased proportionately. This process will be iterated until no constituent weight exceeds 15%. The Capping Factor for the constituent stocks arrived at the time of periodic review will be constant till the next periodic review and will be used for arriving at the capped shares during monthly rebalancing.

#### 8. How is SXBANK computed?

SXBANK will be initially calculated on end of the day basis.

## 9. When do weights of individual securities in SXBANK change?

The weight of each stock in the index is directly proportional to its capped free-float market capitalization. Hence, whenever there is a change in the price of an individual stock, the weights change. The index movement is dependent on the movement of prices of the stocks in the index.

Apart from this, the weights of individual securities also change whenever there are any corporate actions such as, but not limited to, share changes and stock price adjustments due to restructurings or spin-off, right issues, etc. In such cases, in order to prevent the value of the index from getting distorted, the divisor adjustment is done. In other words, the index value moves up or down only when there is a change in price.

#### 10. Who maintains SXBANK?

The index is maintained by MSE. Index rules are overseen by an independent index committee comprising of leading industry professionals, academicians and financial experts.

## 11. Where can I find the details of index constituents of SXBANK?

Details of index constituents and weights are available on the MSE website.

URL:-http://www.msei.in/Indices/Pages/Index-Report.aspx

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## 12. How is the closing price of SXBANK determined?

The closing price of SXBANK is computed based on closing price of the constituents stocks. The closing prices of constituent stocks are calculated by taking the weighted average prices during the last 30 minutes of trading. If there are no trades in last 30 minutes then the last traded price during the day is considered as closing price. If any constituent stock is not traded on the exchange during the day, then closing price of the stock on the reference exchange is considered as the closing price.

#### 13. What are the variants of SXBANK?

There are two variants of SXBANK, viz. Price Return Index and Total Returns index.

#### 14. Is there any historical data for SXBANK?

Historical data can be downloaded from the URL:-

http://www.msei.in/Indices/Pages/Index-Report.aspx

## 15. Where can I get more information about SXBANK?

Information related to SXBANK can be found at the following link

URL:- http://www.msei.in/Indices/Pages/SXBANK.aspx



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