

From Index Design **Date** 29 November 2019
To PSI Committee
CC Stakeholders
Subject **Summary Consultation lowering Free float velocity threshold**

Subject of the consultation

A proposal was formulated regarding lowering the free float velocity threshold for the selection of constituents for the PSI 20 index. It was considered to go from 25% to 15%. Additionally it was asked whether stakeholders would support to allow maximum 2 companies that did not meet the 15% threshold but with at least 10% to be selected in the index.

Quantity and quality of the responses

The consultation was opened the second half of October and closed formally 15 November. All users that also receive index announcements were approached to submit their views. Not more than five responses were received in spite of a follow up action from the Libon office to approach market participants directly to encourage answering the consultation. On the positive side: among those who replied were some of the major players in the Portuguese market as well as industry associations.

Analysis of the responses

A. Lowering threshold from 25% to 15%

In response to the proposal to change the minimum free float velocity requirement from 25% to 15%
All but one respondent support the proposal. The respondent that disagrees argues that the depth of the market currently already raises concerns, making it difficult to hedge at closing prices.

B. Additional selection possibility for companies with free float velocity between 10% and 15%

On the possibility to allow additional maximum 2 companies with Free Float velocity 10%-15%

In line with the responses on the first question all but one support the proposal. Half of the ones in support would see this applied only for companies above the 100 mln euro threshold.

C. Other remarks

Apart from argumentation for the responses it is noted that In line with the developments in the Portuguese market in the last few years it is suggested to reduce the number of constituents to 15 and create a PSI 15.

Conclusion and follow up

Based on the responses and further discussions a proposal for a rule change will be presented to the PSI Committee in December.