

Memorandum

S&P Dow Jones Reverses Course on Index Eligibility for Multiple Share Class Structures

April 19, 2023

In 2017, in the wake of Snap Inc.'s IPO of a non-voting class of common stock, S&P Dow Jones Indices announced that companies with multiple share classes would no longer be eligible for inclusion in the S&P Composite 1500 Index and its component indices, including the S&P 500, the S&P MidCap 400 and the S&P SmallCap 600. While companies already included were permitted to remain, companies subsequently going public with high vote/low vote share class structures or employing an "UP-C" structure with multiple share classes (even though affording investors with equal voting rights) were excluded. The eligibility criteria employed by S&P in this respect were more restrictive than those used by other index providers.

Following a consultation with market participants that commenced in late 2022, on April 17, 2023, S&P announced that companies with multiple share classes will again be considered eligible for inclusion in the S&P Composite 1500 Index and its component indices provided they meet all other eligibility criteria. We believe this is the right outcome for investors who are looking to broad-based market indices to track the entire investable universe and permits companies seeking to go public to adopt the capital structures that best suit their circumstances without adversely impacting eligibility for future inclusion in the S&P Composite 1500 Index and its component indices.

For further information regarding this memorandum, please contact one of the following authors:

WASHINGTON, D.C.

Joshua Ford Bonnie

+1-202-636-5804
jbonnie@stblaw.com

William R. Golden

+1-202-636-5526
wgolden@stblaw.com

Katharine L. Thompson

+1-202-636-5860
katharine.thompson@stblaw.com

Aarthy S. Thamodaran

+1-202-636-5563
aarthy.thamodaran@stblaw.com

NEW YORK CITY

Joseph H. Kaufman

+1-212-455-2948
jkaufman@stblaw.com

The contents of this publication are for informational purposes only. Neither this publication nor the lawyers who authored it are rendering legal or other professional advice or opinions on specific facts or matters, nor does the distribution of this publication to any person constitute the establishment of an attorney-client relationship. Simpson Thacher & Bartlett LLP assumes no liability in connection with the use of this publication. Please contact your relationship partner if we can be of assistance regarding these important developments. The names and office locations of all of our partners, as well as our recent memoranda, can be obtained from our website, www.simpsonthacher.com.