Nasdaq-100 Index® Methodology Changes

Frequently Asked Questions

July 2026

As company share structures evolve and more investment products track major benchmarks, it is increasingly important that index methodologies remain clear, predictable, and practical to implement. Nasdaq Global Indexes recently completed a public consultation on potential enhancements to the Nasdaq-100 Index® methodology as part of its standard index governance process, helping ensure the index remains transparent and investable for global market participants and continues to meet its stated objective of measuring the performance of 100 of the largest Nasdaq-listed non-financial companies.

Table of Contents

Timing. . . . 3

Q: What changes will take effect on May 1st, and which will be implemented at the quarterly review on June 22nd? 3

1. Calculation of Market Capitalization for Eligibility Purposes. . . . 3

1.1 What are unlisted shares? 3

1.2 How are unlisted shares valued if they do not trade? 3

1.3 How will this impact current constituents? 3

1.4 How are American Depository Receipts ("ADRs") evaluated? 3

2. Fast Entry for New Nasdaq Listed Large Companies. . . . 4

2.1 Is fast entry a common practice among index providers? 4

2.2 What is the purpose of modifying the liquidity and seasoning requirements? Could this change result in the inclusion of illiquid or unstable securities in the index? 4

2.3 Are only IPOs and switches eligible for fast entry? What about companies that are not new listings and have quickly risen through the ranks? 4

2.4 How does the weight interpolation process work? 4

2.5* When does a fast entry addition take effect, and how is the timing adjusted around quarterly reviews? 5

2.6* What share and float information is used when evaluating a fast entry candidate? 5

2.7* Can a newly listed ADR qualify for fast entry? 5

3. Inclusion and Weighting of Securities with Low Float. . . . 5

3.1 What is the rationale behind the adjustment to market capitalizations for companies with floats less than 33.3% and how does it affect the weighting? 5

3.2 How would this have looked compared to the existing methodology? 6

3.3 How will this result in indexers being required to purchase more shares than are available in the market? 7

3.4* When are changes in free float implemented? 7

3.5* What sources are used to determine free float? 7

3.6* How are changes in free float implemented at the quarterly reviews? 7

3.7* How are lock-ups, future unlock schedules, and IPO over-allotments treated? 8

3.8* Why can Index Shares differ from shares outstanding, listed shares, or free-floating shares? 8

4. Removal of the Minimum 10% Float Requirement. . . . 8

4.1 Why was the 10% float requirement removed? 8

5. Replacement of the "10 Basis Point Rule". . . . 8

5.1 Would the same companies be affected by the 10 basis point rule as by the quarterly review? 8

5.2 What is the reasoning for prioritizing rank-based removal rather than weight-based removal? 8

6. Cessation of Intra-quarter TSO Adjustments. . . . 9

6.1 Do these occur frequently enough to justify quarterly versus intra-quarter adjustments? 9

* Questions and Answers added on 7/31/2026.

Timing

Q: What changes will take effect on May 1st, and which will be implemented at the quarterly review on June 22nd?

A: Starting May 1st, fast entry candidates ranked in the top 40 and meeting all applicable eligibility criteria may be added to the index after 15 trading days, subject to the 3x float cap where applicable. For all other members, the low float adjustment will take effect at the June 22nd quarterly review, when floats are reviewed and weights are adjusted accordingly.

The 10 basis point rule and intra-quarter TSO adjustments will end on May 1st. At the June quarterly review, ranking market capitalization will be calculated using total (listed and unlisted) shares, and the "10 basis point rule" will be replaced by a quarterly review process that removes or replaces companies ranked outside of the top 125.

1. Calculation of Market Capitalization for Eligibility Purposes

The Nasdaq-100® is designed to represent the top 100 non-financial companies listed on Nasdaq, capturing the market's leading innovators and industry leaders. As corporate and share class structures evolve, it is increasingly likely that large companies will have significant portions of their market capitalization represented by unlisted shares. To ensure that the 100 largest companies continue to qualify for inclusion in the index, both listed and unlisted shares classes need to be considered for inclusion.

1.1 What are unlisted shares?

A: While most public companies have a single share class, dual- or multi-class structures are common, with some classes unlisted and typically held by founders, families, or holding companies – often with enhanced voting rights. Including these unlisted shares in total market value calculations provides a more accurate view of a company's size, economic impact, and significance.

1.2 How are unlisted shares valued if they do not trade?

A: Although unlisted shares generally lack a market price, they usually represent the same economic interest as listed shares and can be valued similarly. Unlisted shares are often convertible into listed shares, making their value equivalent upon conversion. Standard practice among index providers, which Nasdaq aligns with, is to value unlisted shares at the market price of the listed class.

1.3 How will this impact current constituents?

A: Impact is expected to be minimal, as most current index constituents have only one share class. For companies with unlisted share classes, including these shares may increase total market capitalization for eligibility and ranking, but will not affect index weighting.

1.4 How are American Depository Receipts ("ADRs") evaluated?

A: If an ADR is a company's primary global listing (with no underlying shares listed or available for trading elsewhere), it will be treated like a non-ADR: the full market capitalization is used for eligibility and ranking, but only the value of listed depositary shares counts for weighting.

For non-primary ADRs (where the primary listing is on a foreign market), only the value of listed depositary shares is used for both eligibility/ranking and weighting; foreign-listed and unlisted shares are excluded.

2. Fast Entry for New Nasdaq Listed Large Companies

Private companies are remaining private for longer periods, resulting in greater maturity at the time of going public. Increased transparency, improved data integrity, and enhanced analyst coverage have contributed to this trend. Developments in private markets, including greater accessibility and liquidity, have led to fewer companies entering the public market and an increase in the number of large private firms. To continue representing the top 100 largest companies, the Nasdaq-100® must adapt to this changing environment.

2.1 Is fast entry a common practice among index providers?

A: Fast entry is a common, but not universal, design feature in many index methodologies, allowing newly eligible securities like IPOs to be added outside the regular reconstitution cycle. This approach is often used to enhance representativeness and completeness.

2.2 What is the purpose of modifying the liquidity and seasoning requirements? Could this change result in the inclusion of illiquid securities in the index?

A: Most indexes require a liquidity threshold for new constituents, often as a minimum share count or average daily trading value. For the Nasdaq-100®, securities must have a three-month average daily traded value of at least $5 million. Since only very large companies – typically with full market capitalizations over $100 billion as of March 2026 – would have qualified for fast entry, they are expected to easily and quickly meet this requirement. However, an average daily traded value of at least $5 million from the time of listing will still be required for fast entry candidates.

Many indexes have included seasoning requirements to ensure that traditional IPOs undergo price discovery and stabilization before being included. These requirements were originally intended to prevent small or little-known companies from entering too soon. However, there is now a trend toward IPOs being larger and more mature than in the past. Companies expected to meet the fast entry threshold are likely to be among the world's most significant and well-known firms. High investor interest and trading volumes should accelerate price discovery, further supporting a shorter seasoning period. Note that the seasoning period for companies outside of the Top 40 remains at three months.

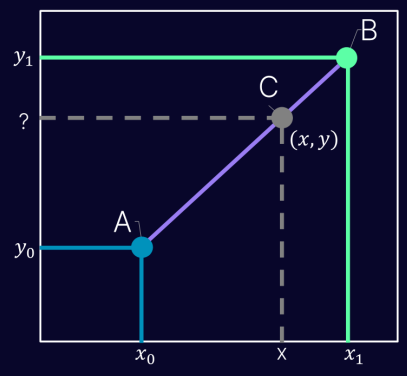
2.3 Are only IPOs and switches eligible for fast entry? What about companies that are not new listings and have quickly risen through the ranks?

A: To ensure the index includes the 100 largest companies promptly, any company that ranks in the top 40, has at least 7 days of trading by the quarterly reference date, and meets all other eligibility criteria will be eligible for inclusion at each quarterly review.

2.4 How does the weight interpolation process work?

A: A linear interpolation process is employed in order to preserve rank order, based on modified market capitalization within the index. The weights of ad-hoc additions have historically been determined using this process, although a detailed description was not previously included in the methodology. The following provides an example of the interpolation process:

- Company C is being added to the index.
- Company A, with a modified market capitalization of x_0 and a weight of y_0, is the next smallest company by modified market capitalization.
- Company B, with a modified market capitalization of x_1 and a weight of y_1, is the next largest company by modified market capitalization.
- Given the modified market capitalization of Company C, denoted as x, its corresponding index weight can be determined.
- $y=y_0+(x-x_0)\frac{y_1-y_0}{x_1-x_0}$



*2.5 When does a fast entry addition take effect, and how is the timing adjusted around quarterly reviews?

A: For a fast entry addition, Nasdaq uses the seventh trading day after listing on an eligible exchange as the ranking reference date and the tenth trading day as the announcement date. Standard fast entry additions are typically implemented after the close of trading on the fifteenth trading day, effective at the next market open.

If a fast entry event occurs near a quarterly review, the timing may be adjusted to support orderly implementation. Depending on when the security starts trading on an eligible exchange relative to the quarterly review reference date, an eligible company may be added during the quarterly review or at least five trading days after the quarterly review effective date, as described in the methodology. Proforma files will not be published within five trading days of one another, so fast entry or replacement events may be delayed or combined to avoid overlapping implementations.

*2.6 What share and float information is used when evaluating a fast entry candidate?

A: Fast entry candidates are evaluated using share, float, price, and other eligibility data as of the reference date, defined as the close of the company's seventh trading day. Nasdaq may also incorporate documented share updates, including shares from exercised over-allotment options, when such information is available and verifiable as of the reference date.

*2.7 Can a newly listed ADR qualify for fast entry?

A: A newly Nasdaq listed ADR may qualify for fast entry if it satisfies all eligibility requirements. Relevant ADR eligibility considerations include:

1. As outlined in the methodology, Primary ADRs are ranked by full market capitalization, including both listed and unlisted shares. Companies represented by Non-Primary ADRs are ranked for index inclusion based on the value of their listed depositary shares, as reported by depositary banks; foreign-listed underlying shares and unlisted shares are excluded.
2. If a company does not meet the top 40 fast entry cutoff on its seventh trading day or on the reference date of the next quarterly review, it is not eligible for index inclusion until it has completed at least three full calendar months of trading, excluding its initial listing month, on an eligible U.S. exchange (please refer to the "Seasoning" section of the index methodology for more information). A prior foreign listing trading history does not count toward this seasoning requirement.

3. Inclusion and Weighting of Securities with Low Float

Unlike many other indexes, the Nasdaq-100® uses listed market capitalization for weighting rather than float-adjusted market capitalization for weights. This approach ensures the index remains focused on the largest and most influential companies on Nasdaq, without overemphasizing public float, and continues to reflect the evolving landscape of the market. By basing weights on listed shares and introducing a float adjustment cap – while removing the previous minimum float – the index allows top companies to enter at meaningful, yet investable, weights.

3.1 What is the rationale behind the adjustment to market capitalizations for companies with floats less than 33.3% and how does it affect the weighting?

A: The Nasdaq-100® has always used market capitalization weighting, not float adjusted market capitalization weighting as seen in some other benchmarks. Since float is a subset of market capitalization, each index member is already represented at a multiple of its float. For fully floating securities, float and market capitalization are equal, resulting in a multiple of 1x. For securities at the previous 10% float minimum eligibility criterion, the multiple was 10x.

Implementing the 3x float cap will limit a company's weight to the lesser of its eligible listed market value or three times its eligible float market value.

Explaining this cap in another way, the same 3x float cap will be applied to securities up to and including when a company has a float of 33.3%. Once the float is higher than 33.3%, full listed market capitalization will be used for weighting purposes.

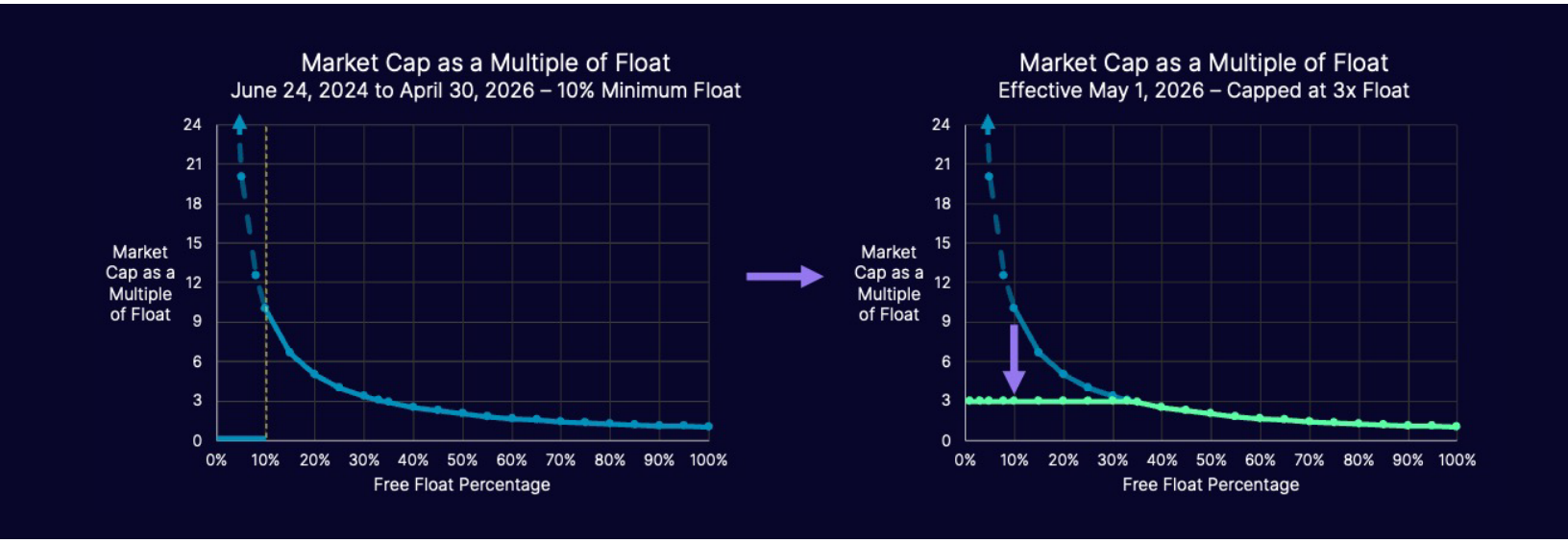
Here are some examples to further illustrate this cap:

1. For a company with 5% float, this cap would restrict its weighting to (5%x3=) 15% of its listed market value.
2. For a company with 19% float, this cap would restrict its weighting to (19%x3=) 57% of its listed market value.
3. For a company with 21% float, this cap would restrict its weighting to (21%x3=) 63% of its listed market value.

The intent of this proposal is to limit index weights as a multiple of float, not to increase them.

3.2 How would this have looked compared to the existing methodology?

A: The charts below visually explain the difference in float restrictions, and how the proposed approach addresses existing shortcomings.



June 24, 2024, to April 30, 2026: 10% Minimum Float

In June 2024, a 10% minimum float rule for inclusion was introduced into the Nasdaq-100®. This can be seen on the chart on the left with 10% float marked by the yellow dotted line. Before this rule, all securities entered the index at their full listed market value, as shown by the extended, dotted blue line.

This rule created abrupt inclusion/exclusion and "revolving door" issues for floats near 10% and still allows low-float stocks to be fully weighted, which may not support index investability as AUM grows.

Effective May 1, 2026: Capped at 3x Float

Moving to the chart on the right shows the updated methodology through the new green line: index weighting is now capped at 3 times a security's free float (down from 5x in the original consultation). **Securities with float above 33.3% are weighted using their full, eligible listed market capitalization; those with floats below 33.3% are weighted proportionally less, sometimes much lower.**

This more thoughtful and nuanced approach addresses the shortcomings of the prior methodology:

- Companies will not be excluded solely for low float and can be included at meaningful, but reduced, weights.

- Instead of abrupt all-or-none inclusion, low-float securities' weights will gradually increase as more float becomes available.
- The 3x limit imposes a more conservative restriction than had previously been in place.

3.3 Will this result in indexers being required to purchase more shares than are available in the market?

A: No. The 3x float multiple serves as an essential safeguard to make sure that demand by indexers is held to a manageable portion of the shares available. The following outlines an example.

Consider a hypothetical company that recently went public with a $1 trillion market capitalization. Assume that all the shares are listed.

1. In the IPO, 6% of the shares were floated, and have a value of $60 billion.
2. For index weighting purposes, the company's weight will be determined according to the lesser of $1 trillion or 3 times the $60 billion of float, which is $180 billion.
3. As of March 2026, $180 billion equated to a weight of about 1% in the Nasdaq-100 Index.
4. If Nasdaq-100 Index tracking products collectively have $600 billion in assets, indexers would need to purchase about 1% of that amount, or $6 billion.
5. This $6 billion demand represents 0.6% of the company's total market capitalization and 10% of the available float, not 300% of the float.

*3.4 When are changes in free float implemented?

A: At each quarterly review, Nasdaq reviews updated float data. For securities with floats below 33 1/3%, Index Shares may be adjusted to reflect changes in free float. These adjustments are implemented as part of the quarterly review process. Float-driven adjustments are not made between quarterly reviews.

*3.5 What sources are used to determine free float?

A: Nasdaq evaluates publicly available share-ownership information from a variety of sources, including company filings, regulatory disclosures, exchange filings, and other market data, to ensure consistent application of the methodology. In determining free float, shares held by controlling shareholders, insiders, strategic investors, or other holders whose shares are not generally available for trading may be excluded.

*3.6 How are changes in free float implemented at the quarterly reviews?

A: The float limiting factor is intended to address the inclusion of large, highly liquid companies with low float, while gradually scaling their weights toward full representation as float increases. To preserve constituent rank order and relative weights as much as possible, securities with floats below 33 1/3% are adjusted at quarterly reviews through the Weight Interpolation Process described in the methodology. This re-interpolation keeps a company on a consistent weighting path as its float rises, allowing it to transition smoothly to full weighting representation once its float exceeds 33 1/3%. The example below illustrates this process for a company assumed to remain below 33 1/3% float at both the June and September 2026 quarterly reviews.

Review Period	Float Shares	Reference Price	Adjustment	Float Adjusted Weighting Market Value
June 2026	500,000,000	$130.00	x 3	**$195 billion**
September 2026	750,000,000	$140.00	x 3	**$315 billion**

Because the company's floating shares increased between the June and September 2026 quarterly reviews, its weighting market value would be re-interpolated based on an adjusted market capitalization of $315 billion for the September review. This allows the company's weight to remain on the same trajectory it would follow as it moves toward full representation. In practice, the company's weight would be positioned between the next-largest and next-smallest current constituents, based on modified market capitalization, not index weight.

*3.7 How are lock-ups, future unlock schedules, and IPO over-allotments treated?

A: Free float is based on shares that are publicly available and reflected in the relevant data as of the reference date. Nasdaq generally implements documented changes that have already become effective, but does not anticipate future events. As a result, future lock-up expirations, scheduled share releases, or anticipated over-allotment exercises are not reflected until they have been completed and are supported by available share data. Shares issued through an over-allotment option may be reflected once the option has been exercised.

*3.8 Why can Index Shares differ from shares outstanding, listed shares, or free-floating shares?

A: Index Shares are used as a calculation mechanism within the index and may be adjusted during weighting and capping processes. As a result, they may differ from a company's listed shares, free-floating shares, or total shares outstanding. These adjustments reflect the application of the index methodology, including weighting limits, capping requirements, and maintained security adjustments, which take into account the percent change in a security's listed total shares outstanding since the previous TSO update.

4. Removal of the Minimum 10% Float Requirement

4.1 Why was the 10% float requirement removed?

A: The update for Inclusion and Weighting of Securities with Low Float renders the minimum float requirement obsolete.

5. Replacement of the "10 Basis Point Rule"

With these changes, systemizing processes and managing turnover remain priorities. To keep the index transparent and replicable, we have consolidated intra-quarter total shares outstanding ("TSO") updates and ad-hoc turnover from the 10 basis point rule into quarterly reviews. This approach ensures more systematic, timely top 100 exposure and reduces the need for frequent intra-quarter portfolio adjustments.

5.1 Would the same companies be affected by the 10 basis point rule as by the quarterly review?

A: Historical turnover from the quarterly review would have closely mirrored the 10 basis point rule, and the same companies would have typically been affected. Moving to a quarterly review eliminates these ad-hoc adjustments to smaller companies and ensures those removals occur only at scheduled quarterly events.

5.2 What is the reasoning for prioritizing rank-based removal rather than weight-based removal?

A: A rank-based approach adapts to market changes and aligns with other rank-based index rules, while maintaining a consistent top 100 focus – instead of excluding companies based on a fixed percentage cutoff.

6. Cessation of Intra-quarter TSO Adjustments

6.1 Do these occur frequently enough to justify quarterly versus intra-quarter adjustments?

A: Ad-hoc intra-quarter TSO updates can disrupt passive portfolios by increasing turnover, market impact, and operational risk, even for minor changes. Because the index uses modified market capitalization weighting, these updates cannot perfectly align index weights with market capitalization.

Although few updates have occurred historically, stakeholders have raised concerns that the costs and risks often outweigh the benefits.

Nasdaq® is a trademark of Nasdaq, Inc. The information contained above is provided for informational and educational purposes only, and nothing contained herein should be construed as investment advice, either on behalf of a particular security or an overall investment strategy. Neither Nasdaq, Inc. nor any of its affiliates makes any recommendation to buy or sell any security or any representation about the financial condition of any company. Statements regarding Nasdaq-listed companies or Nasdaq proprietary indexes are not guarantees of future performance. Actual results may differ materially from those expressed or implied. Past performance is not indicative of future results. Investors should undertake their own due diligence and carefully evaluate companies before investing. ADVICE FROM A SECURITIES PROFESSIONAL IS STRONGLY ADVISED.
© 2026. Nasdaq, Inc. All Rights Reserved.