



INDEX METHODOLOGY

## KBW NASDAQ FINANCIAL TECHNOLOGY INDEX™

### KFTX

#### INDEX DESCRIPTION

The KBW Nasdaq Financial Technology Index is designed to track the performance of companies that leverage technology to deliver financial products and services. Index-eligible components are selected by the KBW Index Committee. The Committee selects financial technology companies with products that are distributed nearly exclusively electronically, with limited to no “bricks and mortar,” and with a revenue mix that is predominantly fee-based, as determined by Keefe, Bruyette & Woods (KBW). The Index includes US-listed companies. The Index is not limited by industry classification because financial technology companies are not easily categorized into a single industry group.

#### SECURITY ELIGIBILITY CRITERIA

##### Security types

A security must be a common stock.

##### Multiple securities per issuer

One security per issuer is permitted. If an issuer has multiple securities, only the security with the highest one-month average daily trading volume is eligible.

##### Listing exchanges

A security must be listed on the Cboe BZX U.S. Equities Exchange, The Nasdaq Stock Market, the New York Stock Exchange or NYSE American.

##### Industry or sector

A security’s issuer must be classified by Keefe, Bruyette & Woods (KBW) as a company that leverages technology to deliver financial products and services. Distribution should be nearly exclusively electronic, with limited to no “bricks and mortar,” and the revenue mix must be predominantly fee-based.

## **Market capitalization**

A security must have a market capitalization of at least \$500 million (USD).

## **Liquidity**

A security must have a one-month average daily trading volume of at least 150 thousand shares.

## **Seasoning**

A security must have been traded on an eligible listing exchange at least three full months prior to the Reconstitution Reference Date.

## **Float**

At least 20% of a security's total shares outstanding must be publicly available for trading (float shares).

## **Other eligibility criteria**

For the Annual constituent selection process, a security must have a 30-day average closing price of at least \$2.00.

For the Quarterly constituent selection process, a security must have a three-month average closing price of at least \$2.00.

A security must have listed options on a recognized options market in the U.S. or be eligible for listed-options trading on a recognized options market in the U.S.

# **INDEX CALENDAR**

## **Reconstitution schedule**

The KBW Index Committee selects constituents quarterly: in December by following the Annual constituent selection process; and in March, June and September by following the Quarterly constituent selection process.

## **Reconstitution reference dates**

The Annual and Quarterly constituent selection processes are conducted using data through the 15<sup>th</sup> day of the month preceding the Reconstitution effective date.

## **Reconstitution announcement dates**

Index Reconstitutions generally are announced five (5) business days prior to the Reconstitution effective dates.

## **Reconstitution effective dates**

Index Reconstitutions become effective at market open on the first trading day following the third Friday in March, June, September and December.

## **Rebalance schedule**

The Index is rebalanced quarterly in March, June, September and December by applying the Constituent Weighting Process to all Index Securities.

## **Rebalance reference dates**

The Constituent Weighting Process is applied using market data through the 15<sup>th</sup> day of each calendar quarter month of February, May, August and November. In cases when the 15<sup>th</sup> of the month is a holiday or weekend, the latest trading day is used instead.

## **Rebalance announcement dates**

Index Rebalances generally are announced five (5) business days prior to the effective date of the changes.

## **Rebalance effective dates**

Index Rebalances become effective at market open on the first trading day following the third Friday in March, June, September and December.

## **Holiday schedule**

The Index is calculated Monday through Friday, except on days when The Nasdaq Stock Market is closed.

## **Index calculation and dissemination schedule**

The Index Value is calculated during the trading day based on the Last Sale Price and is disseminated once per second from 09:30:01 to 17:16:00 ET. The closing value of the index may change up until 17:15:00 ET due to corrections to the Last Sale Prices of the Index Securities.

# **CONSTITUENT SELECTION**

## **Constituent selection process**

### **Annually in December**

All securities that meet the applicable Security Eligibility Criteria are considered by the Index Committee for inclusion in the Index.

KBW Nasdaq Indexes are maintained by a five-member Index Committee consisting of four full-time KBW employees and one full-time Nasdaq employee. The objective of the Index Committee is to develop and maintain indexes that seek to replicate certain market, industry and geographic segments. The Index Committee meets at minimum quarterly to review any pending corporate actions affecting current index components and evaluate companies being considered for index inclusion and any relevant market news and events. The Index Committee also reviews the suitability of current index components on a quarterly basis using both quantitative and qualitative measures. The Index Committee reserves the right to alter index methodology and matters pertaining to index maintenance as necessary. All Index Committee discussions and meeting minutes are confidential.

### **Quarterly In March, June and September**

Index Securities are assessed for continued eligibility using the Security Eligibility Criteria in conjunction with the Index Rebalance. The Index Committee may also take action to remove or replace a security in the event of extraordinary change in the nature of any component security (e.g. delisting, merger, acquisition, change of principal business, etc.) that will alter the overall market character of the Index. The Index Committee may replace the security with another that would best represent the intended market character of the Index.

## **CONSTITUENT WEIGHTING**

### **Constituent weighting scheme**

The Index is an equal-weighted index.

### **Constituent weighting process**

The index employs an equal weighting scheme: all Index Securities have equal index market capitalization.

For additional information about index weighting, see **Nasdaq Index Weight Calculations**.

## **INDEX MAINTENANCE**

### **Deletion policy**

If, at any time during the year other than the Reconstitution, an Index Security is determined to have become ineligible for continued inclusion in the Index due to bankruptcy, delisting, or a definitive agreement that would likely result in the security no longer being Index eligible, the security is removed from the Index as soon as practicable thereafter and is not replaced. Ordinarily, a security will be removed from the Index at its Last Sale Price. If, however, at the time of its removal the Index Security is halted from trading on its primary listing market and an official closing price cannot readily be determined, the Index Security may, in Nasdaq's discretion, be removed at a zero price. The zero price will be applied to the Index Security after the close of the market but prior to the time the official closing value of the Index is disseminated, which is ordinarily 17:16:00 ET.

In the case of mergers and acquisitions, the effective date for the removal of an Index Issuer or security will be largely event-based, with the goal to remove the issuer or security as soon as completion of the acquisition or merger has been deemed highly probable. Notable events include, but are not limited to, completion of various regulatory reviews, the conclusion of material lawsuits and/or shareholder and Board approvals. The KBW Index Committee decides if a security can be removed according to normal procedure or maintained until a later date.

### **Replacement policy**

When a security is deleted between rebalances and reconstitutions, it is not automatically replaced. Following a deletion, the Index Committee may replace the security with another that would best represent the intended market character of the Index.

### **Corporate actions**

In the interim periods between scheduled index reconstitution and rebalancing events, individual Index securities may be the subject to a variety of corporate actions and events that require maintenance and adjustments to the Index. Specific treatment of each type of corporate action or event is described in **Nasdaq Corporate Actions and Events Manual – Equities**, which is incorporated herein by reference.

In certain cases, corporate actions and events are handled according to the weighting scheme or other index construction techniques employed. Wherever alternate methods are described, the Index will follow the “Non-Market Cap Corporate Action Method.”

## **ADDITIONAL INFORMATION**

### **Announcements**

Nasdaq announces Index-related information via the Nasdaq Global Index Watch (GIW) website at <http://indexes.nasdaqomx.com>.

For more information on the general Index Announcement procedures, please refer to the **Nasdaq Index Methodology Guide**.

### **Unexpected market closures**

For information on Unexpected Market Closures, please refer to the **Nasdaq Index Methodology Guide**.

### **Calculation types**

For information on the Index calculation types as well as the mathematical approach used to calculate the Index(es), please refer to the **Calculation Manual – Equities & Commodities**.

## **Recalculation and restatement policy**

For information on the Recalculation and Restatement Policy, please refer to the **Nasdaq Index Recalculation Policy**.

## **Data sources**

For information on data sources, please refer to the **Nasdaq Index Methodology Guide**.

## **Contact information**

For any questions regarding an Index, please contact the Nasdaq Index Client Services team at [indexservices@nasdaq.com](mailto:indexservices@nasdaq.com).

## **Index dissemination**

Index values and weightings information are available through Nasdaq Global Index Watch (GIW) website at <https://indexes.nasdaqomx.com/> as well as the Nasdaq Global Index FlexFile Delivery Service (GIFFD) and Global Index Dissemination Services (GIDS). Similar to the GIDS offerings, Genium Consolidated Feed (GCF) provides real-time Index values and weightings for the Nordic Indexes.

For more detailed information regarding Index Dissemination, see the **Nasdaq Index Methodology Guide**.

## **Website**

For further information, please refer to Nasdaq GIW website at <https://indexes.nasdaqomx.com/>.

## **FTP and dissemination service**

Index values and weightings are available via FTP on the Nasdaq Global Indexes FlexFile Delivery Service (GIFFD). Index values are available via Nasdaq's Global Index Dissemination Services (GIDS).

# **GOVERNANCE**

## **Index governance**

All Nasdaq Indexes follow the same governance structure. For a detailed list of this information, please see the **Nasdaq Index Methodology Guide**.

## **Nasdaq Index Management Committee**

The Nasdaq Index Management Committee approves all new Index Methodologies. This committee is comprised of full-time professional members of Nasdaq. The committee meets regularly, and reviews items including, but not limited to, pending corporate actions that may affect Index constituents,

statistics comparing the composition of the indexes to the market, companies that are being considered as candidates for addition to an Index, and any significant market events.

For a detailed overview of the Index Management Committee, please see the **Nasdaq Index Methodology Guide**.

### **Internal reviews of methodology**

For a detailed description on internal reviews of the Methodology, please see the **Nasdaq Index Methodology Guide**.

### **Communication with stakeholders and consultations**

For a detailed description on Consultations and Communications with Stakeholders, please see the **Nasdaq Index Methodology Guide**.

### **Index cessation**

Nasdaq has a documented procedure that is followed for Index Cessation that includes termination/retirement of an Index or Index Family.

For more information, please refer to the **Nasdaq Index Cessation Policy**.

### **Discretionary adjustment**

This Index Methodology was created by Nasdaq to achieve the aforementioned objective of measuring the underlying purpose of each Index governed by this methodology document. Any deviations from this methodology are made in the sole judgment and discretion of Nasdaq so that the Index continues to achieve its objective.

For more information on potential adjustments including Calculation and Pricing Disruptions, Expert Judgment, and Unexpected Reconstitution/Rebalances, please refer to the **Nasdaq Index Methodology Guide**.

## **GLOSSARY OF TERMS AS USED IN THIS DOCUMENT**

For the glossary of key terms, please refer to the **Nasdaq Index Methodology Guide**.

## **DISCLAIMER**

Nasdaq may, from time to time, exercise reasonable discretion as it deems appropriate in order to ensure Index integrity, including but not limited to, quantitative inclusion criteria. Nasdaq may also, due to special circumstances, if deemed essential, apply discretionary adjustments to ensure and maintain the high quality of the index construction and calculation. Nasdaq does not guarantee that any Index accurately reflects future market performance.

Neither Nasdaq, Inc., Keefe, Bruyette & Woods (KBW), nor any of their affiliates makes any recommendation to buy or sell any security or any representation about the financial condition of any company. Investors should undertake their own due diligence and carefully evaluate companies before investing. The information contained herein 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. **ADVICE FROM A SECURITIES PROFESSIONAL IS STRONGLY ADVISED.**

## METHODOLOGY CHANGE LOG

Effective date	Methodology section	Description or summary of changes
January 23, 2023	Index maintenance: Deletion policy	The deletion policy is updated to make the effective date of an acquisition- or merger-caused removal dependent on the determination by the KBW Index Committee that the completion of the acquisition or merger is highly probable.