



## INDEX METHODOLOGY

# NASDAQ CTA CYBERSECURITY INDEX™

## NQCYBR

### INDEX DESCRIPTION

The Nasdaq CTA Cybersecurity Index is designed to track the performance of companies engaged in the Cybersecurity segment of the technology and industrial sectors. The Index includes companies primarily involved in the building, implementation and management of security protocols to provide protection of the integrity of data and network operations, applied to private and public networks, computers and mobile devices. The companies are selected based on classification by Consumer Technology Association (CTA).

### SECURITY ELIGIBILITY CRITERIA

#### Security types

A security must be a common stock, ordinary share, depositary receipt, share of beneficial interest of a REIT or limited partnership interest or a tracking stock.

#### Multiple securities per issuer

One security per issuer is permitted. If an issuer has multiple otherwise-eligible securities, one of which is an Index Security as of the Reconstitution Reference Date, only that Index Security may be eligible; otherwise, only the security with the highest three-month average daily traded value may be eligible.

#### Listing exchanges

A security must be listed on one of the exchanges identified in **Nasdaq Eligible Exchanges**.

#### Industry or sector

A security's issuer must be classified by Consumer Technology Association as a Cybersecurity company.

## **Market capitalization**

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

## **Liquidity**

A security must have a three-month average daily traded value of at least \$1 million (USD).

## **Float shares**

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

## **Other criteria**

If, at reconstitution, Nasdaq becomes aware that an issuer or security will soon undergo a fundamental change that makes it ineligible, Nasdaq will remove the security from consideration. This includes entering into a definitive merger or acquisition agreement or other pending arrangement that would make it ineligible for Index inclusion, a filing of bankruptcy or similar protection from creditors, or other events as described in Section 3 of **Corporate Actions and Events Manual – Equities**.

# **INDEX CALENDAR**

## **Reconstitution schedule**

The Index is reconstituted semi-annually in March and September by applying the Security Eligibility Criteria and Constituent Selection Process.

## **Reconstitution reference dates**

Unless otherwise specified, the Security Eligibility Criteria are applied by using data as of the end of January and July, respectively.

## **Reconstitution announcement dates**

Index Reconstitutions are announced in early March and September.

## **Reconstitution effective dates**

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

## **Rebalance schedule**

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

## Rebalance reference dates

The Constituent Weighting Process is applied by using the Last Sale Prices from the last trading day of February, May, August or November, respectively.

## Rebalance announcement dates

Index Rebalance changes are announced in early March, June, September and December.

## Rebalance effective dates

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

# CONSTITUENT SELECTION

## Constituent selection process

Every security that meets every applicable security eligibility criterion is included in the Index.

# CONSTITUENT WEIGHTING

## Constituent weighting scheme

The Index is a modified free float market capitalization-weighted index.

## Constituent weighting process

Each Index Security's Initial Weight is determined by dividing its free float market capitalization by the aggregate free float market capitalization of all Index Securities.

Initial Weights are then adjusted using a three-stage process to determine final constituent weights.

**Stage 1.** Initial Weights are proportionally redistributed to meet the following Stage 1 constraint, producing the Stage 1 Weights:

- No security weight may exceed 6% of the Index.

**Stage 2.** Stage 1 Weights are proportionally redistributed to meet the following Stage 2 constraint, producing the Stage 2 Weights:

- For Index Securities with the five largest free float market capitalizations, Stage 1 Weights are maintained.
- For all other Index Securities, no weight may exceed 3% of the Index.

**Stage 3.** Stage 2 Weights are proportionally redistributed to meet the following Stage 3 constraint, producing the final weights:

- No weight may be lower than 0.25% of the Index.

The final weights meet the following constraints:

- No Index Security weight may exceed 6%.
- For any Index Security whose free float market capitalization is not ranked among the top five, its weight may not exceed 3%.
- No Index Security weight may be lower than 0.25%.

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

## INDEX MAINTENANCE

### Deletion policy

If, at any time other than an Index Reconstitution, Nasdaq becomes aware that an Index Security has become ineligible for continued inclusion, it is removed from the Index as soon as practicable. This includes events such as filing bankruptcy or similar protection from creditors, delisting or other arrangement including mergers and acquisitions. Refer to **Corporate Actions and Events Manual – Equities** for further information.

### Replacement policy

Index Securities are not replaced between Index Reconstitutions.

### Addition policy

Index Securities are not added between Index Reconstitutions.

### 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.”

### Index share adjustments

Other than as a direct result of corporate actions, the index does not normally experience share adjustments between scheduled index rebalance and reconstitution events.

## 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**.

### Holiday schedules

The Index is calculated Monday through Friday and does not close for holidays, as it is a Global Index.

### 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**.

## Index calculation and dissemination schedule

The Index Value is calculated five (5) days a week, Monday through Friday, once per second from the start of the trading day in Tokyo (09:00:01 Japan Standard Time) until the close of the trading day in New York (17:16:00 Eastern Time).

## 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.

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## APPENDIX: METHODOLOGY CHANGE LOG

Effective date	Methodology section	Description or summary of changes
September 19, 2022	Security eligibility criteria: market capitalization	The minimum market capitalization is raised from \$250 million to \$500 million.
September 19, 2022	Constituent weighting	The Index weighting scheme switches from being based on liquidity to being based on free float market capitalization.
September 19, 2022	Constituent weighting	A security weight minimum of 25 basis points is introduced.