
Corporate Actions and Events Methodology

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1. Overview

- ☐ The Guide demonstrates how KRX indices are adjusted for corporate actions of their constituents. A corporate action does not refer to any stock price volatility caused by demand and supply changes, but rather an event of or an announcement made by a constituent that affects the index value with various corporate activities such as bonus issues, paid-in capital increases, company splits, or mergers.
- ☐ The Guide addresses general methods of handling corporate actions while different types of events may affect certain indices in different ways. You may refer to each index methodology for details. In the events of corporate actions that are not stated in the Guide, KRX reserves the right to select the most appropriate way for treatment. In addition, some corporate actions may be handled differently from the method written in the Guide depending on certain considered factors including users' convenience and degree of influence on the market.

2. Index Calculation

- ☐ KRX equity indices are calculated by the formula indicated below.

$$Index\ value = \frac{Current\ market\ capitalization}{Base\ market\ capitalization} \times Base\ value$$

- Current market capitalization refers to the sum of all constituents' market capitalizations in the index. Each constituent's market capitalization is calculated by multiplying the number of the index calculation shares to the stock price. In the case of a free-float market cap weighted index, free-float market capitalization is the value of multiplying the free-float ratio by the market capitalization.

- ☐ The base market capitalization is adjusted as below in order to accurately reflect the market status and avoid any sudden change of the index value a day after the corporate action occurs.

$$\text{New base market cap} = \left[\frac{\text{Market cap from previous day} \pm \text{Amount of change in market cap}}{\text{Market cap from previous day}} \right]$$

- ☐ An AWF is adjusted by using the formula below to maintain the continuity of the index calculated with the AWF. .

$$AWF_t = \frac{MC_{t-1} \times AWF_{t-1}}{MC_t}$$

MC_{t-1} : Index market capitalization before adjustments

MC_t : Index market capitalization before adjustments + Change in current index market capitalization

* MC is index market capitalization applied free-float rate

3. Types of Corporate Action

3.1 New Listing

- ☐ The constituent is admitted to the index on the next trading day (t+1 day) of the listing with the closing price from day (t).
- However, when a KOSDAQ-listed company moves to KOSPI or vice versa, the constituent is added to the index on the day it is newly listed (day t) with the closing price from the previous day.

Type	Application day	Adjustment of base market cap or AWF	Change in current market capitalization	Change in number of index calculation shares
New listing	A day after listing	○	Number of shares listed(+) × Closing price from previous day	Number of shares listed(+)

3.2 Delisting

- ☐ The constituent is removed from the index on the day the company is delisted, and the closing price from the previous day is applied.

Type	Application day	Adjustment of base market cap or AWF	Change in current market capitalization	Change in number of index calculation shares
Delisting	The day the company is delisted	○	Number of shares listed(-) × Closing price from previous day	Number of shares listed(-)

3.3 Paid-in Capital Increase

3.3.1 Primary Share Allotment

- ☐ The number of the index calculation shares increases by the number of newly issued shares on the ex-date. The current market capitalization goes up by the deposited amount of paid-in capital increase.

Type	Application day	Adjustment of base market cap or AWF	Change in current market capitalization	Change in number of index calculation shares
Primary share allotment	Ex-date	○	Number of shares listed(+) × Price of first issue	Number of shares listed(+)

3.3.2 Treatment of Forfeited Shares

- ☐ The number of the index calculation shares is reduced by the number of unclaimed stocks, and the current market capitalization drops. When all of shares are thought to be unclaimed, all new shares are deleted as soon as possible.

Type	Application day	Adjustment of base market cap or AWF	Change in current market capitalization	Change in number of index calculation shares
Forfeited shares	Day of listing new shares	○	Number of forfeited shares(-) × Closing price from previous day	Number of forfeited shares(-)

3.3.3 Capital Increase with Public Offering and Third Party Allotment

- ☐ In the case of paid-in capital increase without the current

shareholders' preemptive right, the current market capitalization grows, and so does the index calculation shares by the number of new issues.

Type	Application day	Adjustment of base market cap or AWF	Change in current market capitalization	Change in number of index calculation shares
Capital increase due to IPO	Day of listing new shares	○	Number of increased shares(+) × Closing price from previous day	Number of increased shares(+)
Third party allotment	Day of listing new shares	○	Number of increased shares(+) × Closing price from previous day	Number of increased shares(+)

3.3.4 Allotment of Preferred Stocks to Common Shareholders

- ☐ As common shareholders are eligible to exercise their preemptive right to preferred stocks, the common stocks result in ex-rights along with preferred stocks. The current market capitalization falls while the common shares do not.

Type	Application day	Adjustment of base market cap or AWF	Change in current market capitalization	Change in number of index calculation shares
Allotment of preferred stock to common shareholders	Ex-date	○	Number of index calculation shares × (Ex-date price - Price from previous day)	Not applicable

3.4 Bonus Issues

- ☐ Bonus issues do not impact on the value of the company, but the number of index calculation shares increases on the ex-date without any adjustment of the current market capitalization.

Type	Application day	Adjustment of base market cap or AWF	Change in current market capitalization	Change in number of index calculation shares
Bonus issue	Ex-date	×	Not applicable	Number of shares increased(+)

3.5 Stock Dividends

- ☐ Stock dividends also do not affect the value of the company, and the number of the index calculation shares goes up on the ex-date without any adjustment of the current market capitalization.

Type	Application day	Adjustment of base market cap or AWF	Change in current market capitalization	Change in number of index calculation shares
Stock dividend	Ex-dividend date	×	Not applicable	Number of dividends(+)

3.6 Change in Par Value

- ☐ Although a stock split or a reverse stock split does not affect the company's value, it affects the number of shares. Thus, the index calculation shares are adjusted to the same amount of the newly listed issues after the event.

Type	Application day	Adjustment of base market cap or AWF	Change in current market capitalization	Change in number of index calculation shares
Change in par value	Changed listing day	×	Not applicable	Number of listed shares × Split ratio Number of listed shares ÷ Reverse ratio

3.7 Transfer to Common Stocks and Convertible Notes, Exercise of Stock Options and Preemptive Rights

- ☐ When preferred stocks or convertible notes are converted into common stocks or when stock options and preemptive rights are exercised, the number of shares increased as of the new listing day is factored into the number of the index calculation stocks.

Type	Application day	Adjustment of base market cap or AWF	Change in current market capitalization	Change in number of index calculation shares
Conversion to preferred stock	Day of listing new shares	○	Number of converted shares(+) × Closing price from previous day	Number of converted shares(+)
Conversion to convertible note	Day of listing new shares	○	Number of converted shares(+) × Closing price from previous day	Number of converted shares(+)
Exercise of preemptive right	Day of listing new shares	○	Number of increased shares(+) × Closing price from previous day	Number of increased shares(+)
Exercise of stock option	Day of listing new shares	○	Number of increased shares(+) × Closing price from previous day	Number of increased shares(+)

3.8 Capital Reduction

3.8.1 Capital Reduction without Refund

- ☐ When a constituent's capital is reduced without refund, its price volatility on the trade resumption day is larger than the volatility right before the suspension. Thus, during this day, the number of the index calculation shares and market capitalization remain the same as they were right before the suspension.
- On the following day, the number of the index calculation shares is diminished by the number of reduced shares. The current market capitalization changes by the difference between the cap right before suspension and the cap right after the market closure as of the resumption day.

Type	Application day	Adjustment of base market cap or AWF	Change in current market capitalization	Change in number of index calculation shares
Capital reduction without refund	First trading day after capital reduction	×	None	None
	Second trading day after capital reduction	○	Market cap after closure on trading resumption day - Market cap right before trading suspension	Number of reduced shares(-)

3.8.2 Capital Reduction with Refund

- ☐ Although the company's value is diminished due to capital reduction with refund, the constituent has fixed market capitalization on the resumption day as same as the case of reduction without refund. The number of listed shares falls beginning the next day.

Type	Application day	Adjustment of base market cap or AWF	Change in current market capitalization	Change in number of index calculation shares
Capital reduction with refund	First trading day after capital reduction	×	None	None
	Second trading day after capital reduction	○	Market cap after closure on trading resumption day - Market cap right before trading suspension	Number of reduced shares(-)

3.9 Retirement of Shares

- ☐ After the treasury stocks are retired, the index calculation shares are dropped by the number of retired shares on the changed listing day, and the current market capitalization is reduced as well.

Type	Application day	Adjustment of base market cap or AWF	Change in current market capitalization	Change in number of index calculation shares
Retirement of shares	Changed listing day	○	Number of retired shares(-) × Closing price from previous day	Number of retired shares(-)

3.10 Merger (including full stock exchange · transfer)

- On the day newly issued shares by a merger are listed, the index calculation shares increase as much as those new shares, and the market capitalization rises.

Type	Application day	Adjustment of base market cap or AWF	Change in current market capitalization	Change in number of index calculation shares
Merger	Listing day of new shares	○	Number of merged shares(+) × Closing price from previous day	Number of merged shares(+)

- However, subject to the methodology of the corresponding index, or if deemed necessary according to the result of a maintenance review, the application day may change to the first day on which the constituent to be merged is suspended from trading, in which case, the new shares to be created by the merger are added to the index calculation shares of the acquiring company in advance, and the index calculation shares of the acquired company shall become '0'.

Type	Application day	Adjustment of base market cap or AWF	Change in current market capitalization	Change in number of index calculation shares
Merger between constituents of an index or other applicable case	First day on which the constituent to be merged is suspended from trading	○	<Acquiring company>	
			Number of merged shares(+) × Closing price from previous day	Number of merged shares(+)
			<Acquired company>	
			Number of listed shares(-) × Closing price from previous day	Number of listed shares(-)

- ☐ Where a SPAC is dissolved after a merger, the current market capitalization changes by 'the number of post-merger shares listed(+) × base price' and the number of index calculation shares changes by 'the number of post-merger shares listed(+)' on the listing day of shares issued by the surviving company.

Type	Application day	Adjustment of base market cap or AWF	Change in current market capitalization	Change in number of index calculation shares
De-SPAC merger	Listing day of post-merger shares	○	Number of post-merger shares listed(+) × base price	Number of post-merger shares listed(+)

3.11 Company Split

3.11.1 Spin-off

- ☐ The new and the surviving company's shareholders and the holding ratio may remain the same before and after the spin-off. In this case, when the trade is resumed, the surviving company's market capitalization stays the same as beforehand for one day. On the following day, the index calculation shares decrease by the number of split shares while the current market capitalization changes by the difference between the cap before and after the spin-off. The method is similar to that of the capital reduction without refund.

Type	Application day	Adjustment of base market cap or AWF	Change in current market capitalization	Change in number of index calculation shares
Company split (Spin-off)	First trading day after split	×	None	None
	Second trading day after split	○	After split(Number of shares × Closing price from previous day) – Before split(Number of shares × Closing price from previous day)	Number of spun-off shares(-)

3.11.2 Split-up

- ☐ For a split-up where the parent company fully owns the new company's shares, the number of the index calculation shares remains the same as before the split.

Type	Application day	Adjustment of base market cap or AWF	Change in current market capitalization	Change in number of index calculation shares
Company split (Split-up)	Not applicable			