

Snap decision: Leading index providers nix multi-class shares

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The Snap, Inc. IPO in March 2017 was the first in which only non-voting shares were offered to the public.

In response, the Council of Institutional Investors and others lobbied the major index providers to bar non-voting shares from their indices, arguing that absent this change passive investors such as index funds would be forced to invest in non-voting shares that erode public company governance. On July 31, S&P Dow Jones announced that, effective immediately, companies with multiple share classes will no longer be eligible for inclusion in the indices comprising the S&P Composite 1500, including the S&P 500, S&P MidCap 400 and S&P SmallCap 600. On July 26, FTSE Russell announced a proposal to require more than 5% of a company's voting rights (aggregated across all equity securities, including shares that are not listed or traded) to be held by non-restricted (or "free float") shareholders, as defined by FTSE Russell, in order to be eligible for inclusion in FTSE Russell indices, including the broad-market Russell 3000 index and the small-cap Russell 2000 index.

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