

FAQs

FTSE Italia PIR Indexes

FAQ v2.0



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FTSE Italia PIR Indexes FAQ

1. Background

In December 2016 the Italian government introduced a tax-advantaged personal savings plan “Piani Individuali di Risparmio” (PIR), with specific focus on investment in Italian mid and small cap companies.

Individual investors may allocate to a PIR account (managed by banks, securities firms, asset managers, insurance companies) up to €30k per year, to a maximum of €150k. After 5 years assets may be withdrawn exempt from capital gains and coupons/dividends taxes; PIR accounts are also exempt from inheritance taxes.

The Law was amended in January and December 2019.

2. PIR Asset Allocation Requirements

The 2016 Law required an asset allocation along three lines:

- A - max 30% completely free allocation (equities or bonds; domestic or international; issued by corporates or governments; listed or not listed);
- B - at least 70% to be invested in securities issued by companies incorporated in Italy, of which at least 21% to be invested mid-small caps, defined as companies not included in the FTSE MIB Index

In December 2019 the composition of the 21% above was further clarified to mean mandatory investment of at least 3.5% in small caps, defined as companies not included within the FTSE MIB or the FTSE Italia Mid Cap Indexes.

As an initial stage, considering also the relative size of the Italian corporate bond market, FTSE Russell has decided to start calculating equities indexes only.

3. What are FTSE Italia PIR Indexes?

Launched in May 2017, the FTSE Italia PIR indexes are a set of indexes designed to meet the asset allocation requirements of the Piani Individuali di Risparmio. The indexes are derived from the flagship FTSE Italia Index Series (therefore they are free float adjusted), applying PIR Law allocation constraints and aggregating baskets matching investors requirements.

FTSE PIR Indexes launched in 2017:

- 1) FTSE Italia PIR Mid Cap Index
- 2) FTSE Italia PIR Mid Small Cap Index
- 3) FTSE Italia PIR PMI All Index;
- 4) FTSE Italia PIR PMI Plus Index
- 5) FTSE Italia PIR STAR Index:
- 6) FTSE Italia PIR Benchmark Index
- 7) FTSE Italia PIR Benchmark STAR Index
- 8) FTSE Italia PIR Large Mid Cap Index

In response to PIR Law amendment, in March 2020 FTSE Russell implemented the following enhancement to the above PIR indexes:

- a) including small caps in indexes 1) and 8) and rebranding them as **FTSE Italia PIR PMI Index** and **FTSE Italia PIR All Cap Index**, respectively;
- b) implementing quarterly capping procedures to maintain the thresholds mandated by the PIR Law;
- c) removing the filter excluding the few constituents incorporated outside Italy, as they may be included in the 30% free allocation portion.

In March 2020 FTSE Russell also announced the decommissioning of the FTSE Italia PIR PMI Plus Index, FTSE Italia PIR STAR Index, FTSE Italia PIR Benchmark Index and FTSE Italia PIR Benchmark STAR Index, effective June 2020.

From June 2020, the updated list of FTSE PIR Indexes will consist of the following:

- 1) **FTSE Italia PIR PMI Index**, comprising all 60 constituents of the FTSE Italia Mid Cap Index and top 20 constituents of the FTSE Italia Small Cap Index
- 2) **FTSE Italia PIR Mid Small Cap Index**, comprising all constituents in the FTSE Italia Mid Cap Index and FTSE Italia Small Cap Index
- 3) **FTSE Italia PIR PMI All Index**, comprising all constituents in the FTSE Italia Mid Cap Index, FTSE Italia Small Cap Index and FTSE AIM Italia Index
- 4) **FTSE Italia PIR All Cap Index**, comprising all constituents of the FTSE MIB Index and all constituents of the FTSE Italia PIR PMI Index

4. **What asset allocation requirements are embedded in the PIR index methodology?**

FTSE Italia PIR Indexes are built in order to match PIR asset allocation requirements (see Question 2). The FTSE Italia PIR PMI Index, FTSE Italia PIR Mid Small Cap Index and FTSE Italia PIR PMI All Index are focused on Italian mid small caps, while the FTSE Italia PIR All Cap Index also includes FTSE MIB blue chips, representing a benchmark for the whole Italian portion of PIR portfolios.

All indexes are capped in order to match the asset allocation requirements mandated by the PIR Law and to address investment policies of UCITS set out in chapter VII of the UCITS Directive.¹

All capping is run on a quarterly basis.

¹ DIRECTIVE 2009/65/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS)

5. What enhancements to liquidity and capacity screening have been made?

All shares listed on MTA (main Italian equity market) are subject to a liquidity screening before being included in FTSE Italia Mid Cap and FTSE Italia Small Cap Indexes, while the FTSE MIB Index constituent selection is aimed at identifying the top 40 shares by size and liquidity. With the exception of AIM Italia shares included in **FTSE Italia PIR PMI All Index**, all shares included in FTSE Italia PIR Indexes are built according to a minimum liquidity requirement.

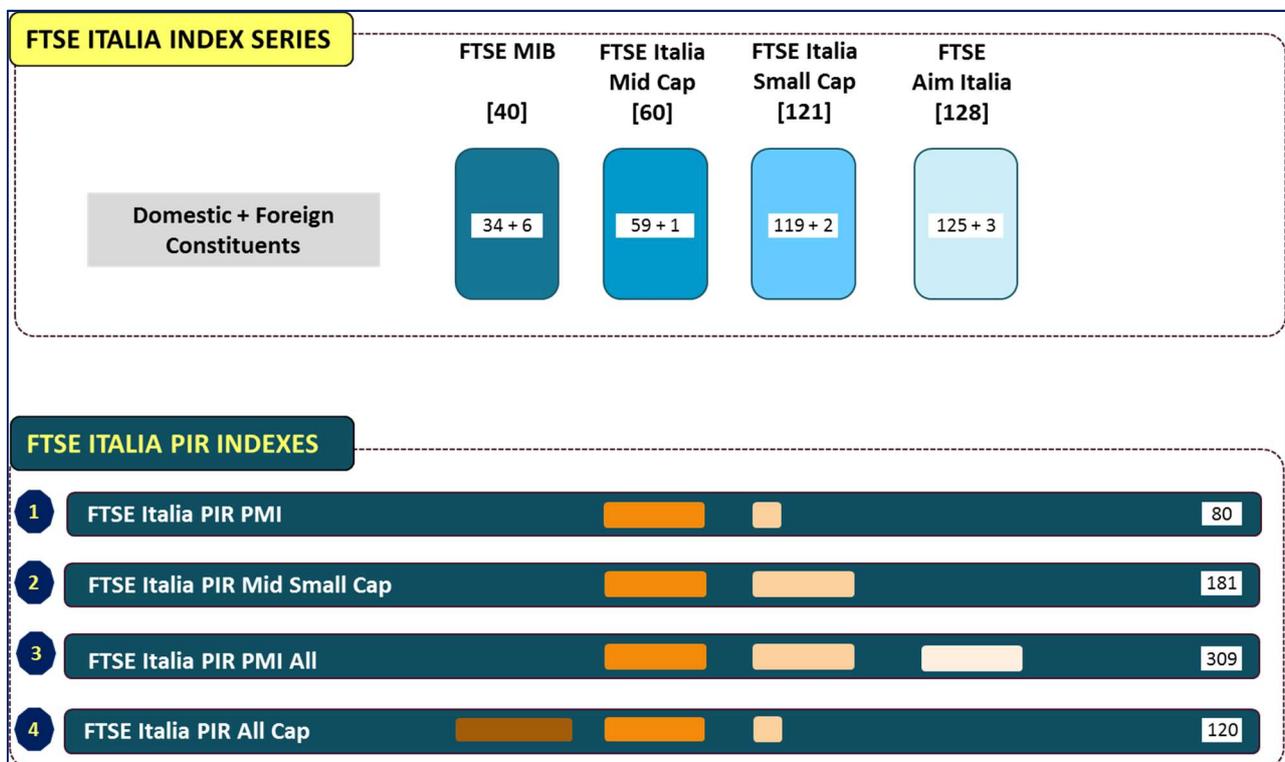
FTSE Italia PIR PMI Index is designed to aggregate the 60 shares of FTSE Italia Mid Cap Index and the top 20 shares of FTSE Italia Small Cap by size and liquidity.

Indexes	FTSE Russell Liquidity Screening	Top Liquid Mid Small Caps	Top Liquid Mid Small Caps + FTSE MIB Blue Chips
FTSE Italia PIR PMI	✓	✓	
FTSE Italia PIR Mid Small Cap	✓		
FTSE Italia PIR PMI All	✓ (*)		
FTSE Italia PIR All Cap	✓	✓	✓

(*) AIM Italia shares are not subject to a liquidity screening

6. What segments of the Italian market do the indexes cover?

FTSE Italia PIR indexes cover all segments of Borsa Italiana's equity markets, applying the asset allocation requirements mandated by the PIR law.



7. How can the indexes be used?

FTSE Italia PIR PMI, FTSE Italia PIR Mid Small Cap and FTSE Italia PIR PMI All indexes represent robust indicator of the universe of PIR-compliant mid-small caps listed on Borsa Italiana's equities markets. The first index is also underlying of a futures contract listed on Borsa Italiana's derivatives market and of an ETF.

FTSE Italia PIR All Cap Index is suitable for the use of benchmarks of portfolios built from the whole set of PIR-compliant equities listed on Borsa Italiana's main market, including both blue chips and mid-small caps.

8. What is the governance process for the indexes?

FTSE Italia PIR Indexes have been designed based on industry best practice and on FTSE Russell's experience, with the aim of representing a standard, transparent basis to measure the Italian equity markets.

The FTSE Italia PIR Indexes are included in the [FTSE Italia Index Series Ground Rules](#), approved by FTSE Russell's Governance Board and freely available on the FTSE Russell website. **FTSE Italia PIR PMI Index**, being the underlying of a futures listed on Borsa Italiana's derivatives market has its own set of Ground Rules.

FTSE considers that the FTSE Italia Index Series meets the IOSCO Principles for Financial Benchmarks as published in July 2013.

9. What are the index codes?

Index Name	FTSE Russell	Reuters	Bloomberg
FTSE Italia PIR PMI Index	ITPIRMC	.FITPIRMC	ITPIRMC
FTSE Italia PIR PMI Index TR	ITPIRMC	.TRIITPIRMC	
FTSE Italia PIR PMI Net Tax Index	ITPIRMCN	.TRIITPIRMCN	
FTSE Italia PIR Mid Small Cap Index	ITPIRMS	.FITPIRMS	
FTSE Italia PIR Mid Small Cap Net Tax Index	ITPIRMSN	.TRIITPIRMSN	ITPIRMSN
FTSE Italia PIR PMI All Index	ITPIRPA	.FITPIRPA	
FTSE Italia PIR PMI All Net Tax Index	ITPIRPAN	.TRIITPIRPAN	
FTSE Italia PIR All Cap Index	ITPIRLM	.FITPIRLM	ITPIRLM
FTSE Italia PIR All Cap Net Tax Index	ITPIRLMN	.TRIITPIRLMN	

10. Where can I find further information?

If you would like further information you can contact FTSE Russell on info@ftserussell.com Tel: 020 7866 1810.

For more information about our indexes, please visit ftserussell.com.

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