FTSE BRIC 50 Index
v3.5
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Section 1

Introduction

1.0 Introduction

1.1 This document sets out the Ground Rules for the construction and management of the FTSE BRIC 50 Index. Copies of the Ground Rules are available from www.ftserussell.com.

1.2 The FTSE BRIC 50 Index represents the performance of the 50 largest BRIC companies by full market capitalisation, that trade as either depositary receipts (for Brazilian, Indian or Russian companies), or H Shares, Red Chips, P Chips, S Chips and N Shares (for Chinese companies). Chinese A Shares and B Shares are not eligible for the index.

S Chips and N shares will become eligible for inclusion in the FTSE BRIC 50 Index from September 2018. N Shares which pass the eligibility requirements will be added to FTSE BRIC 50 Index in four quarterly tranches at the FTSE BRIC 50 Index in conjunction with the September 2018, March 2019, June 2019 and September 2019 quarterly reviews.

For a description of Chinese share classes please see the “Guide to Chinese Share Classes” document which can be accessed using the following link:

Guide_to_Chinese_Share_Classes.pdf

1.3 A Price Index is calculated in real time and published in US dollars.

1.4 A Total Return Index is published at the end of each working day. The Total Return Index is based on ex dividend adjustments.

1.5 The FTSE BRIC 50 Index has a starting value of 1000, as at 28 February 2007.

1.6 The base currency of the benchmark is US Dollars (USD). Index values may also be published in other currencies.

1.7 FTSE Russell


1.8 FTSE Russell hereby notifies users of the index that it is possible that circumstances, including external events beyond the control of FTSE Russell, may necessitate changes to, or the cessation of, the index and therefore, any financial contracts or other financial instruments that reference the
index or investment funds which use the benchmark to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index.

1.9 Index users who choose to follow this index or to buy products that claim to follow this index should assess the merits of the index’s rules-based methodology and take independent investment advice before investing their own or client funds. No liability whether as a result of negligence or otherwise is accepted by FTSE Russell (or any person concerned with the preparation or publication of these Ground Rules) for any losses, damages, claims and expenses suffered by any person as a result of:

- any reliance on these Ground Rules, and/or
- any errors or inaccuracies in these Ground Rules, and/or
- any non-application or misapplication of the policies or procedures described in these Ground Rules, and/or
- any errors or inaccuracies in the compilation of the Index or any constituent data.
Section 2
Management Responsibilities

2.0 Management Responsibilities

2.1 FTSE International Limited (FTSE)

2.1.1 FTSE is the benchmark administrator of the index.1

2.1.2 FTSE is responsible for the daily calculation, production and operation of the FTSE BRIC 50 Index and will:

- maintain records of the index weightings of all constituents;
- make changes to the constituents and their weightings in accordance with the Ground Rules;
- carry out the periodic index reviews of the Index and apply the changes resulting from the reviews as required by the Ground Rules;
- publish changes to the constituent weightings resulting from their ongoing maintenance and the periodic reviews;
- disseminate the Index.

2.1.3 The weightings of constituents in the real time Index shall be used in the calculation of the end of day Index.

2.1.4 FTSE is also responsible for monitoring the performance of the FTSE BRIC 50 Index throughout the day and will determine whether the status of the Index should be Firm, Indicative or Held (see Appendix B).

2.2 Amendments to These Ground Rules

2.2.1 These Ground Rules shall be subject to regular review by FTSE Russell to ensure that they continue to best reflect the aims of the index. Any proposals for significant amendments to these Ground Rules will be subject to consultation with FTSE Russell advisory committees and other stakeholders if appropriate. The feedback from these consultations will be considered by the FTSE Russell Product Governance Board before approval is granted.

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1 The term administrator is used in this document in the same sense as it is defined in Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the European Benchmark Regulation).
Section 3

FTSE Russell Index Policies

3.0 FTSE Russell Index Policies

These Ground Rules should be read in conjunction with the following policy documents which can be accessed using the links below:

3.1 Statement of Principles for FTSE Russel Equity Indexes (the Statement of Principles)

Indexes need to keep abreast of changing markets and the Ground Rules cannot anticipate every eventuality. Where the Rules do not fully cover a specific event or development, FTSE Russell will determine the appropriate treatment by reference to the Statement of Principles which summarises the ethos underlying FTSE Russell’s approach to index construction. The Statement of Principles is reviewed annually and any changes proposed by FTSE Russell are presented to the FTSE Russell Policy Advisory Board for discussion before approval by the FTSE Russell Product Governance Board.

The Statement of Principles can be accessed using the following link:

3.2 Queries, Complaints and Appeals

3.2.1 A constituent or prospective constituent company (or professional advisor acting on behalf of the company), a national organisation or a group of no fewer than ten users of the Indexes from different organisations acting in their professional capacity may appeal against decisions taken by FTSE Russell.

FTSE Russell’s complaints procedure can be accessed using the following link:
Benchmark_Determination_Complaints_Handling_Policy.pdf

FTSE Russell’s Appeal Process can be accessed using the following link:
Appeals_Against_Decisions.pdf

3.3 Index Policy for Trading Halts and Market Closures

3.3.1 Guidance for the treatment of index changes in the event of trading halts or market closures can be found using the following link:
Index_Policy_for_Trading_Halts_and_Market_Closures.pdf
3.4 **Index Policy in the Event Clients are Unable to Trade a Market**

3.4.1 Details of FTSE Russell’s treatment can be accessed using the following link:

[Index_Policy_in_the_Event_Clients_are_Unable_to_Trade_a_Market.pdf](Index_Policy_in_the_Event_Clients_are_Unable_to_Trade_a_Market.pdf)

3.5 **Recalculation Policy and Guidelines**

3.5.1 The FTSE BRIC 50 Index is recalculated whenever errors or distortions occur that are deemed to be significant. Users of the FTSE BRIC 50 Index are notified through appropriate media.

For further information refer to the FTSE Russell Recalculation Policy and Guidelines document which is available from the FTSE Russell website using the link below or by contacting info@ftserussell.com.

[Recalculation_Policy_and_Guidelines_EquityIndexes.pdf](Recalculation_Policy_and_Guidelines_EquityIndexes.pdf)

3.6 **Policy for Benchmark Methodology Changes**

3.6.1 Details of FTSE Russell’s policy for making benchmark methodology changes can be accessed using the following link:

[Policy_for_Benchmark_Methodology_Changes.pdf](Policy_for_Benchmark_Methodology_Changes.pdf)
Section 4

Eligible Companies

4.0 Eligible Companies

4.1 All Brazil, Russia, India and China (BRIC) depositary receipts, H Shares, Red Chips, P Chips, S Chips and N Shares traded on either the Hong Kong Stock Exchange, the London Stock Exchange, the Singapore Stock Exchange, the New York Stock Exchange or the NASDAQ Stock Exchange and that are constituents of FTSE Global All Cap Index, are eligible for inclusion in the FTSE BRIC 50 Index. Chinese A Shares and B Shares are not eligible for inclusion in the FTSE BRIC 50 Index.

4.2 Where more than one DR, H Share, Red Chip, P Chip, S Chip or N Share of a company exists only the most liquid security is eligible for index inclusion.

4.2.1 Constituents of the FTSE BRIC 50 Index are adjusted for free float and foreign ownership limits.

Further details on free float restrictions can be accessed using the following link: Free_Float_Restrictions.pdf

4.2.2 Initial Weighting

Free float will be calculated using available published information rounded to 12 decimal places. Companies with a free float of 5% or below are excluded from the index.

4.2.3 Foreign ownership restrictions

Any foreign ownership limits will be applied after calculating the actual free float restriction, but before applying the above bands. If the foreign ownership limit is more restrictive than the free float restriction, the precise foreign ownership limit is applied.

4.2.4 If the foreign ownership limit is less restrictive or equal to the free float restriction, the free float restriction is applied.

4.2.5 A constituent’s free float will also be reviewed and adjusted if necessary upon identification of information which necessitates a change in free float weighting following a corporate event. If the corporate event includes a corporate action which affects the index, any change in free float will be implemented at the same time as the corporate action. If there is not a corporate action, the change in free float will be applied as soon as practicable after the corporate event.

4.3 Convertible preference shares and loan stocks will be excluded until converted.

4.4 Companies engaged primarily in owning stakes in a diversified range of companies and other investments but not taking a controlling interest (e.g. Investment Trusts) will be eligible, subject to passing the relevant entry criteria.
4.5 The following investment entities are regarded as ineligible:
Securities representing Non-Corporate Investment Entities such as Exchange Traded Funds (ETFs), currency funds and those funds whose prices are a direct derivation of their underlying holdings (e.g. mutual funds) are excluded.

4.6 Eligible companies are screened for liquidity at the December annual review.

4.6.1 Non-constituents of the FTSE BRIC 50 Index must trade at least 20% of their free float adjusted shares in issue in the twelve months prior to the annual review before becoming eligible for index inclusion.

4.6.2 Constituent of the FTSE BRIC 50 Index that do not trade at least 15% of their free float adjusted shares in issue in the twelve months prior to the annual review will be removed from the index.

4.6.3 The annual liquidity test will be applied on a pro-rata basis where the testing period is less than 12 months.

4.7 At the quarterly, or annual liquidity review newly-listed eligible securities must have since the commencement of official non-conditional trading, a minimum trading record of at least 25 trading days prior to the review cut-off date and must trade at least 20% of their free float adjusted shares in issue on a pro-rata basis to be eligible for inclusion in the FTSE BRIC 50 Index. The first 5 trading days will not be included in the liquidity calculation.

4.7.1 In exceptional market conditions, if trading volumes are very low, FTSE Russell may reduce the trading figure in order to avoid a large number of constituents being removed from the FTSE BRIC 50 Index. This discretion may not be applied to individual companies. If FTSE Russell intends to exercise this discretion, it must make a public statement to that effect prior to the periodic review implementation.
Section 5
Periodic Review of Constituents

5.0 Periodic Review of Constituents

5.1 Review Dates

5.1.1 The FTSE BRIC 50 Index is reviewed quarterly in March, June, September and December. The Index constituents will be compiled using data available after the close of business on the Monday 4 weeks prior to the review effective date.

5.1.2 Any constituent changes resulting from the periodic review will be implemented after the close of business on the third Friday (i.e. effective the following Monday) in March, June, September and December.

5.2 Rules for Insertion and Deletion at the Periodic Review

5.2.1 Eligible securities (see Section 4) are ranked by their full market capitalisation, i.e. before the application of any investability weighting. The current Index constituents are highlighted.

5.2.2 Buffers are implemented when reviewing the Index to provide stability and reduce turnover. The objective of buffers is to exclude or include those constituents which have risen or fallen significantly.

A. A company will be inserted at the periodic review if it rises to the 40th position or above.

B. A company will be deleted at the periodic review if it falls to the 61st position or below.

C. Following the quarterly review, the FTSE BRIC 50 Index must have 50 constituents. If after Rules 5.2.2A and 5.2.2B, the index contains more than 50 constituents, the lowest ranking constituents presently included in the index will be deleted until there are 50 constituents. Likewise, where the index contains fewer than 50 constituents, the highest ranking non-constituents will be added until there are 50 constituents.

5.2.3 At the quarterly review, the constituents of the FTSE BRIC 50 Index are capped at 15%.

5.2.4 The calculation of the constituent capping factors (c) will be based on prices at close on the second Friday of the review month using shares in issue and investability weights as designated to take effect after close on the third Friday of the review month (i.e. taking effect on the review effective date).

5.2.5 The calculation will take into account any corporate actions/events that take effect after close on the second Friday of the review month up to and including the review effective date if they have been announced and confirmed by the second Friday of the review month.
5.2.6 Corporate actions / events announced after the second Friday of the review month that become effective up and including the review effective date will not result in any further adjustment.
Section 6

Changes to Constituent Companies

6.0 Changes to Constituent Companies

6.1 New Listings (Additions)

6.1.1 Newly-listed eligible securities will be considered for inclusion at the next periodic review if they pass all eligibility criteria.

6.2 Intra-review Changes (Deletions)

6.2.1 A constituent will be removed from the FTSE BRIC 50 Index if it is no longer a part of the eligible universe as detailed in Section 4.0. For example, a constituent would be deleted from the Index if its DR is delisted. Such vacancies are not filled immediately, and the FTSE BRIC 50 Index will comprise fewer than 50 constituents until the next periodic review.
Section 7

Corporate Actions and Events

7.0 Corporate Actions and Events

7.1 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide using the following link:

Corporate_Actions_and_Events_Guide.pdf

A Corporate ‘Action’ is an action on shareholders with a prescribed ex date. The share price will be subject to an adjustment on the ex date. The index will be adjusted in line with the ex date.

These include the following:

- Capital Repayments
- Rights Issues/Entitlement Offers
- Stock Conversion
- Splits (sub-division) / Reverse splits (consolidation)
- Scrip issues (Capitalisation or Bonus Issue)

A Corporate ‘Event’ is a reaction to company news (event) that may impact the index depending on the index rules. For example, a company announces a strategic shareholder is offering to sell their shares (secondary share offer) – this could result in a free float weighting change in the index. Where an index adjustment is required FTSE Russell will provide notice advising of the timing of the change.

7.2 Shares in Issue

Changes to the number of shares in issue for constituent securities are covered in the Corporate Actions and Events Guide.

7.3 Investability Weightings

7.3.1 Changes to free float for constituent securities are covered in the Corporate Actions and Events Guide.

7.4 Mergers, Restructuring and Complex Takeovers

7.4.1 If a FTSE BRIC 50 Index constituent is acquired by a non-constituent, it will be removed from the index and will be considered for inclusion at the next index review. The vacancy will not be filled and the FTSE BRIC 50 Index will comprise fewer than 50 constituents until the next periodic review.
7.4.2 Where two Index constituents merge or one Index constituent is acquired by another constituent, a vacancy will be created. The vacancy will not be filled and the FTSE BRIC 50 Index will comprise fewer than 50 constituents until the next periodic review.

7.4.3 If a constituent undergoes a complex reorganisation or demerger, the resulting companies will be considered for inclusion in the Index. If more than one post-demmerger entity is included and this brings the number of constituents to greater than 50, the smallest index constituents (including either of the post-demmerger entities) will be removed to ensure that the total number of constituents does not exceed 50.

7.4.4 Index constituent changes resulting from a split will be determined based on market values at close on day one of trading and applied with two days’ notice. Consequently the FTSE BRIC 50 Index may have more than 50 companies for 3 days.

7.5 **Suspension of Dealing**

7.5.1 Suspension of dealing rules can be found within the Corporate Actions and Events Guide.

7.5.2 If a suspended company is deleted from the Index, it is not replaced until the next periodic review.
Section 8
Indexes Algorithm and Calculation Method

8.0 Indexes Algorithm and Calculation Method

8.1 Prices
8.1.1 Actual trade prices will be used in the intra-day pricing in the FTSE BRIC 50 Index.
8.1.2 The closing prices used in the FTSE BRIC 50 Index use actual closing mid-market or last trade prices, where available, for securities with local market quotations. Further details can be accessed using the following link:

Closing Prices Used For Index Calculation.pdf

8.2 Dividends
8.2.1 Declared dividends are used to calculate the FTSE BRIC 50 Index. All dividends are applied as at the ex-div date.

8.3 Index Calculation
8.3.1 The Index will be displayed to two decimal points. The Index is calculated using the following algorithm:

\[
\sum_{i=1}^{N} \left( p_i \times e_i \times s_i \times f_i \times c_i \right)
\]

Where,
- \(i=1,2,\ldots,N\)
- \(N\) is the number of securities in the index.
- \(p_i\) is the latest trade price of the component security (or the price at the close of the index on the previous day).
- \(e_i\) is the exchange rate required to convert the security’s currency into the index’s base currency.
- \(s_i\) is the number of shares in issue used by FTSE Russell for the security, as defined in these Ground Rules.
- \(f_i\) is the Investability Weighting Factor to be applied to a security to allow amendments to its weighting, expressed as a number between 0 and 1, where 1 represents a 100% free float. This factor is published by FTSE Russell for each security in the underlying index.
• \( c \) is the Capping Factor to be applied to a security to correctly weight that security in the index. This factor maps the investable market capitalisation of each stock to a notional market capitalisation for inclusion in the index.

• \( d \) is the divisor, a figure that represents the total issued share capital of the index at the base date. The divisor can be adjusted to allow changes in the issued share capital of individual securities to be made without distorting the index.
Appendix A: Index Opening and Closing Hours

The Index is calculated during the opening hours of the FTSE Global Equity Index Series real time indexes:

<table>
<thead>
<tr>
<th>Index</th>
<th>Open</th>
<th>Close</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTSE BRIC 50 Index</td>
<td>01:30</td>
<td>21:10</td>
</tr>
</tbody>
</table>

Notes:
- Closing values will be disseminated at 21:30.
- Timings are UK hours.
- Thomson Reuters real time exchange rates are used in the real-time index calculations.
- The Index is calculated on Public Holidays whenever at least one exchange is trading. The index will not be calculated on 1 January.
Appendix B: Status of Index

A Price Index will be calculated on a real-time basis in US Dollars. A Price and Total Return Index will also be calculated on an end of day basis in US Dollar, Sterling and Euro. The FTSE BRIC 50 Index may exist in the following states.

A. Firm

The Index is being calculated during Official Market Hours (see Appendix A). No message will be displayed against the Index value.

B. Closed

The Index has ceased all calculations for the day. The message 'CLOSE' will be displayed against the Index value calculated by FTSE Russell.

C. Held

During Official Market Hours, an Index has exceeded pre-set operating parameters and the calculation has been suspended pending resolution of the problem. The message 'HELD' will be displayed against the last Index value calculated by FTSE Russell.

D. Indicative

If there is a system problem or situation in the market that is judged to affect the quality of the constituent prices at any time when the Index is being calculated, the Index will be declared indicative (e.g. normally where a 'fast market' exists in the depositary receipt or underlying securities markets). The message 'IND' will be displayed against the Index value calculated by FTSE Russell.

The official opening and closing hours of the FTSE BRIC 50 Index are set out in Appendix A. Variations to the official hours of the Index will be published by FTSE Russell.
Appendix C: Further Information

A Glossary of Terms used in FTSE Russell’s Ground Rule documents can be found using the following link: [Glossary.pdf](#)

Further information on the FTSE BRIC 50 Index is available from FTSE Russell.

For contact details please visit the FTSE Russell website or contact FTSE Russell client services at info@ftserussell.com.

Website: [www.ftserussell.com](http://www.ftserussell.com)


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