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# FTSE Canada All Cap Sectors Capped Index Series

v2.6

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## Section 1

# Introduction

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### 1.0 Introduction

- 1.1 This document sets out the Ground Rules for the construction and management of the FTSE Canada All Cap Sectors Capped Index Series. Copies of these Ground Rules are available from FTSE Russell. The FTSE Canada All Cap Sectors Capped Index Series is based on the FTSE All Cap Sector Indices as determined by the Industry Classification Benchmark (ICB)<sup>1</sup> (see Section 7 and Appendix E).
- 1.2 The following index is calculated:
- FTSE Canada All Cap Real Estate Capped 25% Index – (ICB Real Estate 8600) (New ICB Real Estate 3510)
- 1.3 The FTSE Canada All Cap Sectors Capped Index Series does not take account of ESG factors in its index design.
- 1.4 Price Return Indices are calculated in real-time and published in Canadian Dollars during the hours of calculation (see Appendix C).
- 1.4.1 The base currency of the benchmark is CAD Dollars. Index values may also be published in other currencies.
- 1.5 Capital and Total Return indices are available are published at the end of each working day in Canadian Dollars and US Dollars. The Total Return Indices include income based on ex dividend adjustments.
- 1.6 The Index will be capped at 25% as detailed in Appendix B.
- 1.7 **FTSE Russell**
- FTSE Russell is a trading name of FTSE International Limited, Frank Russell Company, FTSE Global Debt Capital Markets Limited (and its subsidiaries FTSE Global Debt Capital Markets Inc. and FTSE Fixed Income Europe Limited), FTSE Fixed Income LLC, The Yield Book Inc and Beyond Ratings.

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<sup>1</sup> FTSE indices migrated to the new ICB classification system in March 2021.

1.8 FTSE Russell hereby notifies users of the index series 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 series and therefore, any financial contracts or other financial instruments that reference the index series or investment funds which use the index series to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index series.

1.9 Index users who choose to follow this index series or to buy products that claim to follow this index series 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 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

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## 2.0 Management Responsibilities

### 2.1 FTSE International Limited (FTSE)

2.1.1 FTSE is the benchmark administrator of the index series.<sup>2</sup>

2.1.2 FTSE is responsible for the daily operation, calculation and operation of the FTSE Canada All Cap Sectors Capped Index Series 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 series 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 indices.

2.1.3 FTSE is also responsible for monitoring the performance of the FTSE Canada All Cap Sectors Capped Index Series Index Series throughout the day and will determine whether the status of each index should be 'firm', 'indicative' or 'held'.

### 2.2 Amendments to These Ground Rules

2.2.1 These Ground Rules shall be subject to regular review (at least once a year) by FTSE Russell to ensure that they continue to best reflect the aims of the index series. 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 Index Governance Board before approval is granted.

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<sup>2</sup> 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) and [The Benchmarks \(Amendment and Transitional Provision\) \(EU Exit\) Regulations 2019](#) (the UK Benchmark Regulation).



## Section 3

# FTSE Russell Index Policies

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### 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 Queries and Complaints

3.1.1 FTSE Russell's complaints procedure can be accessed using the following link:

[Benchmark Determination Complaints Handling Policy.pdf](#)

#### 3.2 Index Policy for Trading Halts and Market Closures

3.2.1 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](#)

#### 3.3 Index Policy in the Event Clients are Unable to Trade a Market or a Security

3.3.1 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 or a Security.pdf](#)

#### 3.4 Recalculation Policy and Guidelines

3.4.1 The FTSE Canada All Cap Sectors Capped Index Series are recalculated whenever errors or distortions occur that are deemed to be significant. Users of the FTSE Canada All Cap Sectors Capped Index Series 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](mailto:info@ftserussell.com).

[Recalculation Policy and Guidelines Equity Indices.pdf](#)

#### 3.5 Policy for Benchmark Methodology Changes

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

[Policy for Benchmark Methodology Changes.pdf](#)

### 3.6 FTSE Russell Governance Framework

3.6.1 To oversee its indices, FTSE Russell employs a governance framework that encompasses product, service and technology governance. The framework incorporates the London Stock Exchange Group's three lines of defence risk management framework and is designed to ensure compliance with the IOSCO Principles for Financial Benchmarks<sup>3</sup>, the European benchmark regulation<sup>4</sup> and the UK benchmark regulation<sup>5</sup>. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE\\_Russell\\_Governance\\_Framework.pdf](#)

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<sup>3</sup> IOSCO Principles for Financial Benchmarks Final Report, FR07/13 July 2013

<sup>4</sup> 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

<sup>5</sup> The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019



## Section 4

# Eligible Securities

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### 4.0 Eligible Securities

- 4.1 Companies are eligible for inclusion in the FTSE Canada All Cap Sectors Capped Index Series Index Series if they are current constituents of the FTSE Canada All Cap Domestic Index. Multiple lines are aggregated and the full market capitalisation of the company is used for the purpose of defining the eligible universe.

Ground Rules for the FTSE Global Equity Index Series are available from the FTSE Russell website using the link below:

[FTSE\\_Global\\_Equity\\_Index\\_Series.pdf](#)





## Section 5

# Periodic Review of Constituents

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### 5.0 Periodic Review of Constituents

5.1 The constituent changes to the FTSE Canada All Cap Sectors Capped Index Series takes place in semi-annually and will be implemented after the close of business on the third Friday of March and September.

#### 5.2 Capping Methodology

5.2.1 The constituents of the FTSE Canada All Cap Sectors Capped Index Series Index Series are capped at 25% on a quarterly basis using prices adjusted for corporate actions as at the close of business on the second Friday in March, June, September and December. The capping is implemented after close of business on the third Friday in March, June, September and December based on the constituents, shares in issue and free float on the next trading day following the third Friday of the capping month.

#### 5.3 Stock Events Occurring between Review and Implementation of Review

5.3.1 Stock events that cause the removal of a pending constituent or the addition of a constituent (for example following a takeover, split or similar event) between the announcement of the review but prior to its implementation will be dealt in line with the FTSE Canada All Cap Domestic Index. No other additions or removals from the pending constituent list will be made for the purpose of returning the number of securities on the pending constituent list to their respective round number until the next annual review.

#### 5.4 Monitoring of Eligible Companies

5.4.1 The market capitalisation of companies eligible for inclusion in the FTSE Canada All Cap Sectors Capped Index Series are monitored by FTSE Russell. The constituents of the FTSE Canada All Cap Domestic Index will be used to conduct the semi-annual constituent changes.



## Section 6

# Changes to Constituent Companies

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### 6.0 Changes to Constituent Companies

#### 6.1 Removal and Replacement

6.1.1 When a constituent is deleted from the FTSE Canada All Cap Domestic Index, it will also be removed from the sector index.

#### 6.2 Mergers, Restructuring and Complex Takeovers

6.2.1 If the effect of a merger or takeover is that one constituent is absorbed by another constituent in the same Sector Index, the resulting company will remain a constituent of the index if it remains in the FTSE Canada All Cap Domestic Index.

6.2.2 If a constituent is suspended from the FTSE Canada All Cap Domestic Index, the same treatment will be applied in the FTSE Canada All Cap Sectors Capped Index Series.

6.2.3 If a constituent company is taken over by a non-constituent company in a different sector, the original constituent will be removed.

6.2.4 If a constituent company is split so as to form two or more companies, the two or more companies arising from the split will be eligible for inclusion in the appropriate sector index if it remains in the FTSE Canada All Cap Domestic Index. Where one or more of the resulting companies is ineligible, the ineligible company will be removed from the index.

#### 6.3 New Issues

6.3.1 New issues will be included as a constituent to the FTSE Canada All Cap Sectors Capped Index Series provided that they qualify as a Fast Entry into the FTSE Canada All Cap Domestic Index from an eligible sector.

#### 6.4 Suspended Companies

6.4.1 FTSE Russell's treatment can be found using the following link:

[Suspended Companies Rule.pdf](#)

6.4.2 If the procedure detailed in Rule 6.4.1 results in the removal of a constituent of a FTSE Canada All Cap Sectors Capped Index, the constituent will not be replaced until the next annual review.

## 6.5 **Classification Changes**

- 6.5.1 If a constituent's classification under the FTSE Industry Classification Benchmark (ICB) is changed such that it is no longer eligible for inclusion in its current FTSE Canada All Cap Sectors Capped Index, it will be removed at the time of the event.
- 6.5.2 If a non-constituent company's classification is changed to make it eligible for one of the FTSE Canada All Cap Sectors Capped Index Series, it will only become eligible for inclusion in the Index at the time of the next annual review.

## 6.6 **Exceptional Circumstances**

- 6.6.1 In exceptional circumstances (e.g., a sector index becomes distorted by a major corporate event), FTSE Russell may agree to re-cap an index, providing at least 5 days notice is given.



## Section 7

# Industry Classification Benchmark (ICB)

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### 7.0 Industry Classification Benchmark (ICB)<sup>6</sup>

#### 7.1 Classification Structure

- 7.1.1 The FTSE Canada All Cap Sectors Capped Index Series constituents are classified into Industries, Supersectors, Sectors and Subsectors, as defined by the Industry Classification Benchmark (ICB).
- 7.1.2 Details of the Industry Classification Benchmark are available from FTSE Russell and published on the FTSE Russell website ([www.ftserussell.com](http://www.ftserussell.com)) and can be accessed using the following link: [Industry Classification Benchmark](#)

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<sup>6</sup> FTSE indices will migrate to the new ICB classification system in March 2021.



## Section 8

# Indices Algorithm and Calculation Method

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### 8.0 Indices algorithm and calculation method

#### 8.1 Prices

- 8.1.1 The FTSE Canada All Cap Sectors Capped Index Series use actual trade prices for securities with local stock exchange quotations. Refinitiv real-time spot currency rates are used in the index calculation.
- 8.1.2 The FTSE Canada All Cap Sectors Capped Index Series receive share prices and currency spot rates in real time.

#### 8.2 Algorithm

- 8.2.1 The FTSE Canada All Cap Sectors Capped Index Series is calculated using the algorithm described below.

$$\sum_{i=1}^N \frac{(p_i \times e_i \times s_i \times f_i \times c_i)}{d}$$

Where,

- $i=1,2,\dots,N$
- $N$  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.
- $c_i$  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: Qualifying Sectors

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Qualifying Sectors		New ICB	
<b>FTSE Canada All Cap Real Estate Capped 25% Index</b>			
8633	Real Estate Holding & Development	35101010	Real Estate Holding and Development
8637	Real Estate Services	35101015	Real Estate Services
8671	Industrial & Office REITs	35102020	Industrial REITs
		35102030	Office REITs
		35102045	Retail REITs
8672	Retail REITs	35102045	Retail REITs
8673	Residential REITs	35102040	Residential REITs
8674	Diversified REITs	35102000	Diversified REITs
8675	Specialty REITs	35102070	Other Specialty REITs
		35102010	Health Care REITs
		35102050	Storage REITs
		35102060	Timber REITs
		35102025	Infrastructure REITs
		30203020	Mortgage REITs: Residential
		30203000	Mortgage REITs: Diversified
8676	Mortgage REITs	30203010	Mortgage REITs: Commercial
		35102015	Hotel and Lodging REITs
8677	Hotel & Lodging REITs		

## Appendix B: Capping Algorithm

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The Capping Level is fixed at 25% for the FTSE Canada All Cap Sectors Capped Index Series.

1. The capping procedure is applied to the indices quarterly at the close of business on the second Friday in March, June, September and December. The capping is implemented using prices adjusted for corporate events as at the close of business on the third Friday in March, June, September and December based on the constituents, shares in issue and free float. This process sets the capping factors for each index.
2. Any changes in constituents or corporate actions/events, which take place on the following business day will be taken into account before the capping procedure is applied.
3. The free float and investability weightings for each index are taken into account before the capping procedure is applied.
4. Upon completion of the above steps the capping procedure is applied using the following algorithm:-

NB. The algorithm is applied to each constituent that requires capping, i.e. any constituent who's uncapped weight is greater than 25%.

The Constituent Capping Factor  $c_i$  is given by:

$$c_i = \frac{Z}{I \times (p_i \times s_i \times f_i)} \sum_{j \in J} (p_j \times s_j \times f_j)$$

Where,

- $i$  denotes the security to be capped.
- $j$  denotes an uncapped security.
- $J$  is the subset of securities that are uncapped.
- $p_k$  is the official closing price of the  $k^{\text{th}}$  security.
- $s_k$  is the number of shares in issue of the  $k^{\text{th}}$  security.
- $f_k$  is the free float factor of the  $k^{\text{th}}$  security.
- $I$  is the percentage of the index represented by all uncapped constituents.
- $Z$  is the percentage capping level.



The constituent capping factor is calculated for all constituents whose uncapped weight after the application of investability weightings is greater than 25% for the FTSE Canada All Cap Sectors Capped Index Series. The weights of the capped and uncapped constituents in the indices are then calculated. If following the application of this capping procedure other constituents have moved above 25% then the process is repeated, now including the new constituent(s) which require capping. This process is then repeated until no further constituents require capping.



## Appendix C: Index Series Opening and Closing Hours

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Index	Open	Close
FTSE Canada All Cap Sectors Capped Index Series	14:30	21:10

Timings are UK hours.

The FTSE Canada All Cap Sectors Capped Index Series will not be calculated on Canadian Public Holidays.



## Appendix D: Status of Indices

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The FTSE Canada All Cap Sectors Capped Index Series are calculated in real time and may exist in the following states:

**A. Firm**

The indices are being calculated using trade prices from the relevant local stock exchanges for all constituents during the hours of the Official Index Period (see Appendix C).

The Official Closing Index values for FTSE Canada All Cap Sectors Capped Index Series are the last index values calculated at the end of the firm period.

**B. Closed**

When the index has ceased all calculations for the day, the message '**CLOSED**' is displayed against the index value.

**C. Held**

During the firm period, an index has exceeded pre-set operating parameters and calculation has been suspended pending resolution of the problem. The message '**HELD**' is displayed against the last index value calculated.

**D. Indicative**

If there is a system problem or a situation in the market that is judged to be affecting the quality of the constituent prices at any time when the index is being calculated, the index will be declared indicative. The message '**IND**' will be displayed against the index value.

The official opening and closing hours of the FTSE Canada All Cap Sectors Capped Index Series are set out in Appendix C. Variations to the official hours of the indices are published by FTSE Russell as appropriate.

The FTSE Canada All Cap Sectors Capped Index Series will not be calculated on Canadian Public Holidays.



## Appendix E: Further Information

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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 Canada All Cap Sectors Capped Index Series is available from FTSE Russell.

For contact details please visit the FTSE Russell website or contact FTSE Russell client services at [info@ftserussell.com](mailto:info@ftserussell.com).

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

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