



FTSE Fair Value Indices

v2.3



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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 Fair Value Indices calculated by FTSE International Limited (FTSE). Copies of these Ground Rules are available from FTSE Russell.
- 1.2 The FTSE Fair Value Indices have been designed to reflect updates to the fair value of securities in markets that have closed prior to the index calculation point.
- 1.3 These Ground Rules should be read in conjunction with the FTSE index Ground Rules for the underlying FTSE indices, which are available at www.ftserussell.com.
- 1.4 The FTSE Fair Values Indices do not take account of ESG factors in their index design.
- 1.5 Price and Total Return Indices will be calculated in USD (other currencies are available) on an end of day basis.

The Total Return Indices include income based on ex dividend adjustments. All dividends are applied as declared in the FTSE Total Return Index.

A net of tax Total Return index will also be calculated.

1.6 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.

- 1.7 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.

1.8 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 series 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 series 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 series.¹

2.1.2 FTSE is responsible for the daily calculation, production and operation of the FTSE Fair Value Indices and will:

- maintain records of the index weightings of all constituents and reserve companies;
- 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.

2.2 Interactive Data Corporation

2.2.1 The fair value prices in the FTSE Fair Value Indices will be provided by Interactive Data Corporation at the end of each business day.

2.3 Amendments to These Ground Rules

2.3.1 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.

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) and [The Benchmarks \(Amendment and Transitional Provision\) \(EU Exit\) Regulations 2019](#) (the UK 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 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 Fair Value Indices are recalculated whenever errors or distortions occur that are deemed to be significant. Users of the FTSE Fair Value Indices 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 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 meet the requirements of the IOSCO Principles for Financial Benchmarks², the European benchmark regulation³ and the UK benchmark regulation⁴. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE_Russell_Governance_Framework.pdf](#)

² IOSCO Principles for Financial Benchmarks Final Report, FR07/13 July 2013

³ 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

⁴ The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019



Section 4

Eligible Securities

4.0 Eligible Securities

- 4.1 The index universes of the FTSE Fair Value Indices will consist of the constituents from the corresponding underlying FTSE indices.

FTSE Fair Value Indices will be available for the following Index Families:

- FTSE Global Equity Index Series, including FTSE All-World Index Series
- FTSE Global China A Inclusion Index Series
- FTSE Developed ex US Index
- FTSE Developed Small Cap ex US Liquid Index
- FTSE Emerging Index

- 4.2 All aspects of the management of index calculation, underlying constituent review and company classification for constituents of the FTSE Fair Value Indices are as described in the underlying FTSE Index Ground Rules.

- 4.3 All changes to constituent companies will be in line with the underlying FTSE index.



Section 5

Fair Value Summary

5.0 Fair Value Summary

5.1 Index Close

5.1.1 The FTSE Fair Value Indices consists of the following index pricing point:

- Close of New York Stock Exchange (NYSE) at 16:00 Eastern Standard Time using WM/Refinitiv 16:00 EST rates.

5.1.2 On days where the US market closes earlier than 16:00 Eastern Standard Time, fair value prices will be aligned to the earlier closing time. On these days the 13:00 Eastern Standard Time WM rate is used.

5.1.3 The FTSE Fair Value Indices will not be calculated on dates where the US market is closed.



Section 6

Index Calculation

6.0 Index Calculation

6.1 Calculation Frequency

6.1.1 The FTSE Fair Value Indices will be calculated on an end of day basis using WM/Refinitiv rates.

6.2 Index Calculation

6.2.1 The number of shares in issue for each constituent security will be the number used in the underlying benchmark index.

6.2.2 The FTSE Fair Value Index Series is calculated using the following formula:

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

Where,

- $i=1,2,\dots,N$
- N is the number of securities in the index.
- p_i is the fair value price of the component security (or the price at the close of the index on the calculation day).
- e_i is the exchange rate required to convert the security's currency into the index's base currency. WM/Refinitiv 16:00 EST rates are used for the calculation.
- 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.
- d is the divisor, a figure that represents the total issued share capital of the benchmark 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 benchmark index.



Appendix A: Further Information

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

For further information on the FTSE Fair Value Indices please e-mail info@ftserussell.com. Contact details can also be found on this website.

Website: www.ftserussell.com

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