FTSE Hong Kong 50 Index
v1.7
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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 Hong Kong 50 Index. Copies of the Ground Rules are available from FTSE Russell (see Appendix D) and www.ftserussell.com.

1.2 The FTSE Hong Kong 50 Index does not take account of ESG factors in its index design.

1.3 The FTSE Hong Kong 50 Index is calculated in real-time and published on an intra-second streaming basis in Hong Kong dollars.

1.4 The FTSE Hong Kong 50 Index is also calculated and published in Hong Kong dollars and US dollars on an end of day basis.

1.5 Total return and net of tax indexes are published at the end of each working day. The indexes include income based on ex dividend adjustments. All dividends are applied as declared in the FTSE Total Return Index.

1.6 FTSE Russell


1.7 Index Objective and Intended Use

1.7.1 The FTSE Hong Kong 50 Index is designed to represent the performance of 50 of the largest and most liquid Hong Kong and mainland China stocks that are traded on the Hong Kong Stock Exchange. An explanation of the structure of the Chinese market and of the eligibility of stocks for the FTSE Hong Kong 50 index is included in Appendix A.

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 index series 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 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.

1.10 These Ground Rules

1.10.1 This document sets out the Ground Rules for the construction and maintenance of the FTSE Hong Kong 50 Index.

1.10.2 These Ground Rules should be read in conjunction with the FTSE Global Equity Index Series Ground Rules, the FTSE Guide to Calculation Methods and Corporate Actions and Events Guide which can be accessed using the links below:

FTSE_Global_Equity_Index_Series.pdf
FTSE_Global_Equity_Index_Series_Guide_to_Calc.pdf
Corporate_Actions_and_Events_Guide.pdf
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 Hong Kong 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 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 indexes.

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.

2.2.2 As provided for in the Statement of Principles for FTSE Russell Equity Indexes, where FTSE Russell determines that the Ground Rules are silent or do not specifically and unambiguously apply to the subject matter of any decision, any decision shall be based as far as practical on the Statement of Principles. After making any such determination, FTSE Russell shall advise the market of its decision at the earliest opportunity. Any such treatment will not be considered as an exception or change to the Ground Rules, or to set a precedent for future action, but FTSE Russell will consider whether the Ground Rules should subsequently be updated to provide greater clarity.

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 FTSE Global Equity Index Guide to Calculation Methods

3.1.1 The aim of the guide is to describe how the indexes are calculated, to facilitate users replicated of the indexes in order to support their investment and trading activities and to assist users in understanding the factors which influence the performance of the indexes.

FTSE_Global_Equity_Index_Series_Guide_to_Calc.pdf

3.2 Corporate Actions and Events Guide

3.2.1 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

3.3 Statement of Principles for FTSE Russell Equity Indexes (the Statement of Principles)

3.3.1 Indexes need to keep abreast of changing markets and the Ground Rules cannot anticipate every eventuality. Where the Ground 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:


3.4 Queries and Complaints

3.4.1 FTSE Russell’s complaints procedure can be accessed using the following link:

Benchmark_Determination_Complaints_Handling_Policy.pdf
3.5 **Index Policy for Trading Halts and Market Closures**

3.5.1 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](#)

3.6 **Index Policy in the Event Clients are Unable to Trade a Market**

3.6.1 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](#)

3.7 **Recalculation Policy and Guidelines**

3.7.1 The FTSE Hong Kong 50 Index is recalculated whenever errors or distortions occur that are deemed to be significant. Users of the FTSE Hong Kong 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_Equity_Indexes.pdf](#)

3.8 **Policy for Benchmark Methodology Changes**

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

[Policy_for_Benchmark_Methodology_Changes.pdf](#)
Section 4

Security Inclusion Criteria

4.0 Security Inclusion Criteria

4.1 Securities listed on the Hong Kong Stock Exchange that are constituents of the FTSE All-World Index will be eligible for index inclusion.

4.2 The following share classes will be eligible for the index:

- Hong Kong Companies
- Red Chips
- P Chips
- H shares

4.3 Exceptionally, HSBC will be considered eligible for inclusion in the FTSE Hong Kong 50 Index notwithstanding it is classified as a constituent of UK nationality in the FTSE All-World Index. The Hong Kong listing of HSBC will be used in the index calculation and periodic reviews.
Section 5

Investability Weightings

5.0 Investability Weightings

5.1 Constituents of the FTSE Hong Kong 50 Index are adjusted for free float and foreign ownership limits.

Further details on free float, foreign ownership limits, and free float restrictions can be accessed via the FTSE Global Equity Index Series Ground Rules and using the following link:

Free_Float_Restrictions.pdf
Section 6

Periodic Review of Constituents

6.0 Periodic Review of Constituents

6.1 Review dates

6.1.1 The quarterly review of the FTSE Hong Kong 50 Index constituents takes place in March, September and December. The constituents will be reviewed using data from the close of business on the Monday 4 weeks prior to the review effective date. Where there is a Hong Kong market holiday on the Monday 4 weeks prior to the review effective date, the close of business on the last trading day prior to the Monday 4 weeks prior to the review effective date will be used. Any constituent changes will be implemented after the close of business on the third Friday (i.e. effective Monday) of the review month.

6.1.2 Timings of announcements about changes to the index resulting from the review can be found in Section 9.

6.2 Review process

6.2.1 At review, all constituents of the FTSE Hong Kong 50 Index must be existing or pending constituents to the FTSE All-World Index, i.e. the review will take into consideration any constituent changes to the FTSE All-World Index.

6.2.2 Each security will be tested for liquidity semi-annually in March and September by calculation of its median daily trading volume per month as part of the FTSE Global Equity Index Series review process.

6.2.3 In determining the full market capitalisation of a company, all share classes are included, while only the eligible share classes are included in the index weighting. Please see Appendix A for the China share description.

6.2.4 A company will be inserted into the FTSE Hong Kong 50 Index at the periodic review if it rises to 40th position or above when the eligible companies are ranked by full market capitalisation (before the application of any investability weightings).

6.2.5 A company in the FTSE Hong Kong 50 Index will be deleted at the periodic review if it falls to 61st position or below when the eligible companies are ranked by full market capitalisation (before the application of any investability weightings).

6.2.6 A constant number of constituents will be maintained in the FTSE Hong Kong 50 Index. Where a greater number of companies qualify to be inserted in the index than those qualifying to be deleted (see Rules 6.2.4 and 6.2.5), the lowest ranking constituents presently included in the index will be
deleted to ensure that an equal number of companies are inserted and deleted at the periodic review. Likewise, where a greater number of companies qualify to be deleted than those qualifying to be inserted (see Rules 5.2.3 and 5.2.4), the securities of the highest ranking companies which are presently not included in the index will be inserted to match the number of companies being deleted at the periodic review.

6.3 Reserve lists

6.3.1 FTSE Russell is responsible for publishing the five highest ranking non-constituents of the FTSE Hong Kong 50 Index following each quarterly review. This Reserve List will be used in the event that one or more constituents is deleted from the FTSE Hong Kong 50 Index during the period up to the next quarterly review of the index. Companies on the Reserve List will be constituents of the FTSE All-World Index.

6.3.2 Where a company is removed from the index (under Section 7) after FTSE Russell has approved periodic changes to the index but before the periodic changes have been implemented, the highest ranking company by full market capitalisation from the new Reserve List (excluding current index constituents) will replace the deleted company.

6.4 Constituent capping

6.4.1 At the quarterly review, the constituents of the FTSE Hong Kong 50 Index are capped at 10%.

6.4.2 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).

6.4.3 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.

6.4.4 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.

6.4.5 Following capping, the weight of each constituent in the index moves freely in line with price movements.
Section 7

Additions Outside of a Review

7.0 Additions Outside of a Review

7.1 Definition of Fast Entry Level

7.1.1 To qualify for fast entry the company must be a Fast Entry into the FTSE All-World Index and have a full market capitalisation of 20th position or higher in the FTSE Hong Kong 50 Index.

7.1.2 A stock will be added to the list of constituents outside a review when:

A. A new security (IPO), which satisfies the eligibility criteria and the screens other than the liquidity screen, is eligible for fast entry when its full market capitalisation (i.e. before the application of any investability weighting) using the closing price on the first day of trading is greater than the Fast Entry Level (see Rule 7.1.1). The addition of a new security to the index will be implemented after the close of business on the fifth day of trading. In the event of the fifth day of trading being in close proximity to an index review, FTSE Russell may use its discretion to include a fast entrant at the index review date following advance notice. The security which is the lowest ranking constituent of the index will be selected for removal in accordance with Rule 8.6.

B. A new security (IPO) which does not qualify as an immediate fast entrant to the index will be re-considered for inclusion into the FTSE Hong Kong 50 Index at the next review. The security may also qualify for inclusion to the FTSE Hong Kong 50 Index Reserve List (see Rule 6.3).

C. In the case of a demutualisation where upon listing the entire free float of a new eligible security is immediately transferred to private shareholders the addition of the security will be deferred for one month after trading has commenced - provided that adequate liquidity over the intervening period (as defined under the FTSE Global Equity Index Series liquidity rule) is demonstrated.

D. Newly eligible securities, for example a non-constituent moving to the FTSE Hong Kong Index, will be reviewed for inclusion at the next quarterly review.

7.1.3 Following the announcement of a Fast Entry constituent, the FTSE Hong Kong 50 Index is capped (if required) at 10% using prices adjusted for corporate events as at the close of business on the fourth day of official trading based on the constituents, shares in issue and free float on the next trading day following the fifth day of official trading. Capping takes place at a company level as opposed to a security level.
Section 8

Corporate Actions and Events

8.0 Corporate Actions and Events

8.1 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. 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.

8.2 Shares in issue

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

8.3 Spin-offs

8.3.1 If a constituent company in the FTSE Hong Kong 50 is split so as to form two or more companies eligible* for index inclusion, then the resulting companies index memberships will be re-assessed in order to rebalance the index back to 50 companies. The full market capitalisations at close on the day of the split will be used to determine index inclusion. The changes will then be applied at market close giving two business days’ notice from the date of the ranking. Consequently, the FTSE Hong Kong 50 may have more than 50 companies for three days.

* Where a split results in the inclusion of ineligible non-equity, the security will remain in the index for 2 trading days and then be deleted at market price or if no market price is available, at zero value.
For illustration purposes: a FTSE Hong Kong 50 constituent splits into two eligible companies resulting in 51 companies in the FTSE Hong Kong 50. The lowest ranking FTSE Hong Kong 50 constituent at the close on the day of the split will be removed giving two business days’ notice.
8.4 **Suspension of dealing**

8.4.1 This rule should be read in conjunction with the Corporate Actions and Events Guide.

8.4.2 A suspended security deleted from the FTSE Hong Kong 50 Index will be replaced with the highest ranking company on the Reserve List using data at the close of the index calculation two days prior to the deletion.

8.5 **Takeovers, mergers and demergers**

The treatment of takeovers, mergers and demergers can be found within the Corporate Actions and Events Guide.

8.6 **Removal and replacement**

If a constituent of the FTSE Hong Kong 50 Index is removed from the FTSE All-World Index due to a corporate action a vacancy will be created. This vacancy will be filled by selecting the highest ranking company by full market capitalisation from the Reserve List as at the close of the index calculation two days prior to the deletion.
Section 9

Announcing Changes

9.0 Announcing Changes

9.1 Changes to constituents

9.1.1 Decisions regarding the addition of new constituents (which are unrelated to existing index constituents or changes to the investable weighting of existing constituents) are announced at the earliest possible time before their inclusion in the index. However, the announcement may be contingent upon the confirmation of the listing date of the security and passing all the screens.

9.1.2 Quarterly changes are published after the close of business on the first Friday of March, June, September and December to give users of the index sufficient notification of the changes before their implementation.

9.1.3 In order to allow users sufficient time to manage any revisions, FTSE Russell will endeavour to make no further amendments to the published quarterly changes beyond 2 business days following publication. Where further revisions are identified after this date they will normally be addressed at a subsequent review (unless those revisions are resultant of corporate events, in which case they will be applied at the same time as the corporate event). However FTSE Russell reserves the right to determine the most appropriate timing for revisions with reference to the Statement of Principles.

9.1.4 Implementation of any quarterly changes will happen after the close of business on the third Friday in March, June, September or December.

9.1.5 Announcements made after the close of the index calculation are normally made on the following business day.

9.2 Index methodology changes

9.2.1 Users of the FTSE Hong Kong 50 Index are notified of such policy changes through appropriate media before implementation.
Section 10

Algorithm and Calculation Method

10.0  Algorithm and calculation method

10.1  Prices

10.1.1 The FTSE Hong Kong 50 Index uses the official closing prices for securities with local market quotations. Further details can be accessed using the following link:

Closing_Prices_Used_For_Index_Calculation.pdf

10.1.2 Reuters real time exchange rates are used in the index calculations which are disseminated in real-time. Exchange rates used in the End of Day calculations are WM/Reuters Closing Spot Rates™, collected at 16:00 UK time (further information on The WM/Reuters Closing Spot Rates service is available from The WM Company).

10.2  Calculation frequency

10.2.1 See Appendix B for the calculation schedule for the FTSE Hong Kong 50 Index.

10.3  Algorithm

10.3.1 For details on the Algorithm and calculation methods used for the FTSE Hong Kong 50 Index see the FTSE Global Equity Index Series Guide to Calculation Methods.

10.3.2 The performance of the FTSE Hong Kong 50 Index on a given day is determined by calculating the percentage difference between:

- the index’s market capitalisation as at the close of that day and
- the market capitalisation at the start of that day

‘Start of the day’ is defined as the previous day’s close adjusted for capital changes, investability weight changes, additions and deletions.

10.3.3 Adjustments are applied whenever capital changes take place, so that the performance of the FTSE Hong Kong 50 Index reflects the experience of investors (for further details see the Corporate Actions and Events Guide).
Appendix A: FTSE China Share Description

1.0 Share Descriptions

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
Appendix B: Calculation Schedule

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<th>Close</th>
</tr>
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<tbody>
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<td>16:15</td>
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Stock Market Trading Times:

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<th></th>
</tr>
</thead>
<tbody>
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<td>09:30</td>
<td>12:00</td>
</tr>
<tr>
<td>Close</td>
<td>13:00</td>
<td>16:00</td>
</tr>
</tbody>
</table>

All times are local Hong Kong Time

The index will not be calculated on Hong Kong Public Holidays.
Appendix C: Status of Index

The FTSE Hong Kong 50 Index is calculated in real time and may exist in the following states:

A) Firm
   i) No message will be displayed against the index value. The index is being calculated during Official Market Hours using trade prices from the Hong Kong stock exchange. No message will be displayed against the index value.
   ii) The Official Closing index for the FTSE Hong Kong 50 Index is the last index value calculated at the end of the firm period.

B) Closed
   The index has ceased all calculations for the day. The message 'CLOSE' is displayed against the index value calculated by FTSE Russell.

C) Held
   During the firm period, the 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 by FTSE Russell.

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.

Official Market Hours are defined as the period when the Hong Kong Stock Exchange is open. The official opening and closing hours of the FTSE Hong Kong 50 Index are set out in Appendix B. Variations to the official hours of the index are published by FTSE Russell.
Appendix D: 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 Hong Kong 50 Index visit www.ftserussell.com or e-mail info@ftserussell.com. Contact details can also be found on this website.


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