

Ground Rules



FTSE IdealRatings Sukuk Index

v.1.1

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The FTSE IdealRatings Sukuk Index measures the performance of US Dollar denominated, investment grade Sukuk issued in the global markets with at least one year to maturity. Screening of the Shariah compliance of global Sukuk is based on the methodology of IdealRatings.

Sub-indexes are available based on credit quality and maturity.

Figure 1. FTSE IdealRatings Sukuk Index design criteria

Coupon	Fixed-rate, fixed-to-floating rate, floating-rate and fixed-rate Sukuk that step up according to a predetermined schedule
Currency	USD
Minimum Maturity	At least one year
Minimum Issue Size	USD 200 million
Minimum Credit Quality	BBB- by S&P or Baa3 by Moody's
Security Type	Securities classified as Sukuk based on IdealRatings shariah compliance screening methodology
Weighting	Market capitalization
Rebalancing	Once a month at the end of the month
Reinvestment of cash flow	At daily average of the one-month Eurodeposit rate, calculated from the actual scheduled payment date of the cash flow through the end of the reporting period
Pricing	Prices are sourced from Refinitiv and are taken as of 4pm (New York time) on the bid side
Calculation frequency	Daily
Settlement date	Monthly – settlement is on the last calendar day of the month Daily – same day settlement, unless the last business day of the month is not the last calendar day of the month in which case settlement is on the last calendar day of the month

Figure 1. FTSE IdealRatings Sukuk Index design criteria continued

Fixing date	Each month, the upcoming month's index constituents are 'fixed' on the profile fixing date. The profile fixing dates for each year are available at www.yieldbook.com/m/indices/ . New Sukuk must be issued at least 2 business days prior to the profile fixing date in order to be screened by IdealRatings, and therefore eligible for inclusion.
Base date	September 30, 2005

Shariah Compliance Screening Methodology

Classification of a bond as a Sukuk for purposes of index inclusion is based on the research methodology of IdealRatings. The IdealRatings methodology incorporates more than 150 shariah standards to assign a pass / fail score based on a pre-determined threshold and mandatory standards set by IdealRatings (www.idealratings.com). Shariah standards are categorized into two main categories:

- 1) **General Shariah Standards** – set of general standards that are applied on all Sukuk structures;
- 2) **Structure Specific Standards** – set of standards per shariah structure, such as Ijara standards, Mudarabah standards, and Murabaha standards

Each standard is weighted, with points assigned for passing a given standard and zero points assigned for failed standards. Under the IdealRatings methodology, certain standards are mandatory – failing such standards will automatically mean that the Sukuk is not shariah-compliant and it will not be included in the index.

Sector Classification

Each bond in the index is assigned a Global Industry Code (GLIC) and Corporate Bond Sector (COBS) code, according to the FTSE Russell fixed income index classification scheme.

Sukuk that are issued on behalf of central governments or regional governments are assigned a sovereign guaranteed (SGTD) Global Industry Code (GLIC), and an Agency (AGEN) Corporate Bond Sector (COBS) code. Sukuk issued on behalf of quasi-sovereign or supranational entities, are assigned a Sovereign Government-Sponsored (SGSP) GLIC code. The COBS codes assigned to quasi-sovereign and supranational Sukuk issuers are Agency (AGEN) and Supranational (SPRA) respectively. Sukuk issued by other entities are assigned corporate sector classification codes.

For more details on these classifications, please see the FTSE Fixed Income Index Guide.

Return computation

Total returns are computed on the assumption that each security is purchased at the beginning of the period and sold at the end of the period. An issue's total rate of return is the percentage change in its total value over the measurement period (see Figure 3). The components of total return are price change, principal payments, coupon payments, accrued interest, and reinvestment income on intra-month cash flows. The total returns use each individual security's beginning-of-period market value.

Figure 3. Total rate of return calculation methodology

Beginning-of-period value	-	(Beginning price + Beginning accrued) x Beginning par amount outstanding
End-of-period value	-	[(Ending price + Ending accrued) x (Beginning par amount outstanding – Principal payments)] + Coupon payments + Principal payments + Reinvestment income
Total rate of return (%)	-	[(End-of-period value / Beginning-of-period value) – 1] x 100

A note on precision: Returns are computed to at least six decimal places but reported to a maximum of four. In addition, owing to rounding errors inherent in computer floating-point arithmetic, the last digit in any reported value may sometimes be off by one from its true value.

Analytics

A comprehensive range of analytics, including duration, spread and yield metrics, are published for the FTSE IdealRatings Sukuk Index and sourced from the Yield Book.

Data availability and accessibility

Index information, including index profiles, analytics and returns, and historical data, for the FTSE IdealRatings Sukuk Index is available on <https://www.yieldbook.com/m/indices>. FTSE Russell also makes data for its indexes available through a number of data and analytic vendors.

Chronological summary of events

Figure 5. FTSE IdealRatings Sukuk Index Event Summary

Year	Highlight
2020	March: Shariah compliance screening changed to incorporate IdealRatings methodology
2017	September: The index is rebranded to FTSE Sukuk Index following its acquisition by the London Stock Exchange Group
2012	April: The Dow Jones Citigroup Sukuk index is rebranded to Citi Sukuk Index
2009	October: The minimum issue size eligibility decreases from USD 250 million to USD 200 million
2006	April: The Dow Jones Citigroup Sukuk index is introduced

Index Management and Policies

FTSE International LLC is the benchmark administrator for this index¹.

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). FTSE Fixed Income LLC administers the Index Series in line with the third country transitional provisions contained within the Article 51(5) of that regulation.

The Index Methodology should be read in conjunction with the following policy documents which can be accessed using the following links or by contacting info@ftserussell.com. These policies are reviewed annually and any changes are approved by the FTSE Russell Product Governance Board.

IdealRatings

www.idealratings.com

FTSE Fixed Income Index Guide

[FTSE-Fixed-Income-Indexes-Guide.pdf](#)

FTSE Russell Complaints Procedures:

[FTSE_Russell_Benchmark_Determination_Complaints_Handling_Policy.pdf](#)

FTSE Russell Statement of Principles:

[Statement_of_Principles_Fixed_Income_Indexes.pdf](#)

FTSE Russell Fixed Income Recalculation Policy and Guidelines:

[Fixed_Income_Recalculation_Policy_and_Guidelines.pdf](#)

FTSE Russell Policy for Benchmark Methodology Changes:

[Policy_for_Benchmark_Methodology_Changes.pdf](#)

FTSE Russell Governance Framework

To oversee its indexes, 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 Benchmarks² and the European benchmark regulation³. 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 and to measure the performance of investment funds

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

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