



India Foreign Ownership Limit Update in FTSE Global Equity Index Series (GEIS)

Implementation Plan

Commencing September 2020
v1.1



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FAQ

1.0 Why is India changing its Foreign Ownership Limit (FOL)?

Announced by the Ministry of Finance in India, effective from 1 April 2020 the aggregate Foreign Portfolio Investors (FPI) limit for Indian companies is moving to be equivalent to the sectoral limit. A company may choose to decrease its respective FPI limit to a lower threshold with the approval of its Board of Directors and its General Body before 31 March 2020.

As a result, the FOL of an Indian company may be impacted by the above-mentioned policy change.

2.0 How is an Indian company's Foreign Ownership Limit (FOL) assigned in FTSE Russell indexes under the new policy?

Under the new policy, an Indian company's FOL is generally assigned to its sectoral limit based on the 'Automatic Route' as defined by the Ministry of Finance, except:

- At a higher limit approved under the 'Government Route' as defined by the Ministry of Finance and such information is publicly available or
- At a limit approved by the company's Board of Directors and its General Body.

3.0 When will the new India Foreign Ownership Limit (FOL) be implemented into FTSE Global Equity Index Series (GEIS)?

The inclusion of new India FOLs into FTSE GEIS will be implemented in four 25% tranches.

The inclusion will commence in conjunction with the September 2020 FTSE GEIS semi-annual review and be completed in conjunction with the June 2021 quarterly review.

India FOL	Tranche One	Tranche Two	Tranche Three	Tranche Four
Review Schedule	September 2020	December 2020	March 2021	June 2021
Implementation Effective Date	Open Monday, 21 September	Open Monday, 21 December	Open Monday, 22 March	Open Monday, 21 June
Implementation Closing Price	Close Friday, 18 September	Close Friday, 18 December	Close Friday, 19 March	Close Friday, 18 June
Tranching Factor	25%	25%	25%	25%
Total	25%	50%	75%	100%

4.0 Why is FTSE Russell commencing the implementation from September 2020 and conducting it over four tranches?

Due to current market conditions and based on feedback from index users, FTSE Russell thought it prudent to delay the commencement of the India FOL implementation until September 2020. The implementation is being tranching over four index review periods to avoid market disruption and spread outflows from other markets being sold down.

5.0 How will the new Foreign Ownership Limit (FOL) be applied to the Indian Index constituents which are currently under the headroom adjustment?

Indian index constituents with a headroom adjustment, which are impacted by this update, will follow the same implementation timetable illustrated in Q3.0 and have their respective FOL increased in four 25% tranches, subject to the headroom remaining at 20% or above, in accordance with [Foreign Ownership Restriction and Minimum Headroom Requirement policy](#).

6.0 Will Indian stocks that are scheduled to have a FOL increase from September 2020 be tested for headroom as part of the June 2020 quarterly review?

To avoid unnecessary turnover, Indian index constituents that are scheduled to have a FOL increase from September 2020 but fail the headroom test in June 2020, will not have a negative headroom adjustment applied in conjunction with the June 2020 quarterly review.

7.0 What investability weight will be used to conduct the liquidity screen?

When testing liquidity, 100% of the investability weight will be used for the calculation. For example, if a security has an investability weight of 60% as at the last date in the testing period, it will be tested for liquidity at its 60% investability weight.

8.0 When will an Indian non constituent which previously failed to be included due to insufficient headroom be reviewed with an update FOL?

Indian non constituents with an updated FOL will be reviewed for index inclusion at the next FTSE GEIS semi-annual review, i.e. September 2020.

Non Constituents which previously failed to be included due to inefficient headroom, if passing all eligibility screenings, will be added at the same tranching factor as existing Indian index constituents. i.e. for September 2020 the tranching factor will be 25%, while for new additions from March 2021 the tranching factor will be 75%.

Other newly eligible stocks such as IPOs and non constituents which were previously ineligible due to failing review screenings other than headroom/FOL, will be added to the index at their full weight (i.e. no tranching factor applied).

9.0 How are changes in India FOL being monitored?

Publicly available information such as company announcements, disclosures by the National Securities Depository Limited (NSDL) & the Central Depository Services Limited (CDSL) are monitored for FOL changes in Indian companies.

10.0 Is there an indicative list of proposed India FOL changes?

An indicative list of India FOL is available to subscribing FTSE Russell index users. Please contact info@ftserussell.com for details.

11.0 When will indicative indexes reflecting the new India FOLs into FTSE GEIS and associated index be made available?

The following indicative indexes are now available and will reflect the full implementation of India FOL update as of June 2021.

Indicative indexes
• FTSE Global All Cap Incl J-REITs and India FOL June 2021
• FTSE Global All Cap ex US Incl J-REITs and India FOL June 2021
• FTSE Emerging All Cap Incl India FOL June 2021
• FTSE Asia Pacific All Cap Incl J-REITs and India FOL June 2021
• FTSE India All Cap Incl India FOL June 2021
• FTSE All-World Incl J-REITs and India FOL June 2021
• FTSE All-World ex US Incl J-REITs and India FOL June 2021
• FTSE Asia Pacific Incl J-REITs and India FOL June 2021
• FTSE Emerging Incl India FOL June 2021
• FTSE India Incl India FOL June 2021
• FTSE Global Small Cap Incl J-REITs and India FOL June 2021
• FTSE Global Small Cap ex US Incl J-REITs and India FOL June 2021

12.0 What is the cut-off date for the India FOLs to be implemented to FTSE GEIS commencing from September 2020?

Friday, 14 August 2020 will be the free float and shares in issue cut-off date for the September 2020 FTSE GEIS semi-annual review [FTSE GEIS 2020 Review Schedule](#).

13.0 When will the final confirmed list of Tranche 1 India FOL changes being implemented to FTSE GEIS in conjunction with the September 2020 semi-annual review be published?

Indicative review files reflecting the final confirmed Tranche 1 India FOLs being implemented to FTSE GEIS in conjunction with the September 2020 semi-annual review will be published on Friday, 21 August 2020. These India FOL changes will be implemented to FTSE GEIS in four tranches (see Q3.0).

14.0 What will be the projected weights of India in FTSE Global All Cap, FTSE All-World, FTSE Emerging Indexes following the completion of this change?

The below table illustrates the projected weight in the headline FTSE Global indexes as a result of FOL updates for India constituents based on data as of 26 June 2020:

Index	Current Index Weight	Projected Index Weight
FTSE Global All Cap Index	1.04%	1.21%
FTSE Emerging All Cap Index	9.54%	10.91%
FTSE All-World Index (Large/Mid)	1.06%	1.20%
FTSE Emerging Index (Large/Mid)	9.55%	10.72%

15.0 When will the new India FOLs be reflected in derived (including Partnership) and custom indexes which are based on a FTSE GEIS universe?

The new India FOLs will be reflected in FTSE GEIS derived indexes in conjunction with their implementation in FTSE GEIS. Note, in accordance with the underlying index methodology, these India FOL changes will be neutralized in FTSE Russell non-cap weighted indexes.

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

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