



FTSE Russia IOB Index

v3.2



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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 Russia IOB Index. Copies of the Ground Rules are available from www.ftserussell.com.
- 1.2 The FTSE Russia IOB Index represents the performance of the 15 biggest Russian companies by full market capitalisation trading on the London Stock Exchange's International Order Book (IOB) under the form of Russian depositary receipts (DRs).
- 1.3 A Price Index is calculated in real-time and published in US dollars.
- 1.4 A Total Return Index is published at the end of each working day. The Total Return Index includes income based on ex dividend adjustments.
- 1.5 The FTSE Russia IOB Index is capped at review as detailed in Rule 5.1.3.
- 1.6 The FTSE Russia IOB Index has a starting value of 1000, as at 22 September 2006.

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 MTSNext Limited), Mergent, Inc., FTSE Fixed Income LLC and The Yield Book Inc.

- 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 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 (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 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.¹

2.1.2 FTSE is responsible for the daily calculation, production and operation of the FTSE Russia IOB 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 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.

2.1.3 The weightings of constituents in the real time Index shall be used in the calculation of the end of day Index.

2.1.4 FTSE is also responsible for monitoring the performance of the FTSE Russia IOB Index throughout the day and will determine whether the status of the Index should be Firm, Closed, Indicative or Held (see Appendix B).

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. 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.

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 Corporate Actions and Events Guide

- 3.1.1 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](#)

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

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

[Statement of Principles.pdf](#)

3.3 Queries and Complaints

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

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

3.4 Index Policy for Trading Halts and Market Closures

- 3.4.1 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](#)

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

- 3.5.1 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](#)

3.6 **Policy for Benchmark Methodology Changes**

3.6.1 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

Eligible Companies

4.0 Eligible Companies

4.1 All Russian depository receipts trading on the London Stock Exchange's International Order Book are eligible for inclusion in the FTSE Russia IOB Index.

4.1.1 When determining nationality, FTSE Russia IOB eligible securities are those deemed by the London Stock Exchange to have significant operations in Russia and included in the index universe. The eligible securities are published monthly on the London Stock Exchange website.

4.2 Free Float

4.2.1 Constituents of the FTSE Russia IOB Index are adjusted for free float and foreign ownership limits.

Further details on free float restrictions can be accessed using the following link:

[Free Float Restrictions.pdf](#)

4.2.2 Initial weighting

A. Initial Weighting

Free float is calculated using available published information rounded to 12 decimal places. Companies with a free float of 5% or below are excluded from the index.

A security that has a free float greater than 5% but less than or equal to 15% will be eligible for the index providing the security's full market capitalisation (before the application of any investability weight) is greater than USD 2.5bn. The actual free float will be rounded up to the next highest whole percentage number.

4.2.3 Foreign ownership limits

Foreign ownership limits, if any, will be applied after calculating the actual free float restriction, but before applying the above bands. If the foreign ownership limit is more restrictive than the free float restriction, the precise foreign ownership limit is applied.

4.2.4 If the foreign ownership limit is less restrictive or equal to the free float restriction, the free float restriction is applied.

4.2.5 A constituent's free float will also be reviewed and adjusted if necessary upon identification of information which necessitates a change in free float weighting following a corporate event. If the corporate event includes a corporate action which affects the index, any change in free float will be implemented at the same time as the corporate action. If there is not a corporate action, the change in free float will be applied as soon as practicable after the corporate event.

- 4.3 Convertible preference shares and loan stocks will be excluded until converted.
- 4.4 Companies engaged primarily in owning stakes in a diversified range of companies and other investments but not taking a controlling interest (e.g. Investment Trusts) will be eligible, subject to passing the relevant entry criteria.
- 4.5 The following investment entities are regarded as ineligible:
Non-Corporate Investment Entities such as Exchange Traded Funds (ETFs), currency funds and those funds whose prices are a direct derivation of their underlying holdings (e.g. mutual funds) are excluded.
- 4.6 New issues will become eligible for inclusion at the next periodic review of constituents providing they have, since the commencement of Official non-conditional trading, a minimum trading record of at least 25 trading days prior to the date of the review. This rule will not apply to new issues added under the Fast Entry Rule (see Rule 6.1.1).
- 4.7 To be considered eligible for index inclusion, at review companies are screened for liquidity. Please refer to Rule 5.3 for an explanation of the Liquidity Rule.



Section 5

Periodic Review of Constituents

5.0 Periodic Review of Constituents

5.1 Review Dates

- 5.1.1 The FTSE Russia IOB Index is reviewed quarterly in March, June, September and December. The Index constituents will be compiled using data available after the close of business on the Monday 4 weeks prior to the review effective date.
- 5.1.2 Changes arising from the reviews, including capping, are implemented after the close of business on the third Friday (i.e. effective Monday) of March, June, September and December.
- 5.1.3 At the quarterly review, the constituents of the FTSE Russia IOB Index are capped at 25%.
- 5.1.4 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).
- 5.1.5 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.
- 5.1.6 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.

5.2 Rules for Insertion and Deletion at the Periodic Review

- 5.2.1 The rules for inserting and deleting constituents at the periodic review are designed to provide stability in the selection of constituents of the FTSE Russia IOB Index while ensuring that the Index continues to be representative of the market.
- 5.2.2 The eligible universe of stocks is ranked according to their full market capitalisation i.e. before the application of any investability weighting, with the current Index constituents highlighted.
- 5.2.3 Buffers are implemented when reviewing the Index to provide stability and reduce turnover. The objective of buffers is to exclude or include those constituents which have risen or fallen significantly.
 - A. A company will be inserted at the periodic review if it rises to the 12th position or above, when eligible companies are ranked by full market capitalisation.
 - B. A company will be deleted at the periodic review if it falls to the 19th position or below, when eligible companies are ranked by full market capitalisation.

5.2.4 At review a constant number of constituents will be maintained for the FTSE Russia IOB Index. Where a greater number of companies qualify to be inserted in the Index than those qualifying to be deleted (see Rule 5.2.3), 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 Rule 5.2.3), 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.

5.3 Liquidity Rule

5.3.1 The liquidity rule is applied after taking into account the constituents' free float adjusted weightings and the relevant prospective capped weightings.

5.3.2 An average daily market value traded is calculated for each eligible universe company over the previous six months prior to the date of the review.

5.3.3 Securities must be sufficiently liquid to be traded. Constituents that prevent the Index from trading US\$140 million within less than one day will fail the liquidity rule and be excluded. For example, if a constituent does not trade its proportion of the US\$140 million to their relevant Index weighting within less than one trading day, it will fail the liquidity test and be considered ineligible for Index inclusion. Where a constituent fails the liquidity rule the next highest ranking stock by full market capitalisation is added and the process is repeated until the liquidity rule is passed and the 15 constituents have been selected.

5.3.4 Please note that for New Issues, the first 5 trading days will not be included in the daily average market value traded figure.

5.3.5 In exceptional market conditions, if trading volumes are very low, FTSE Russell may reduce the trading figure in order to avoid a large number of constituents being removed from the FTSE Russia IOB Index. This discretion may not be applied to individual companies. If FTSE Russell intends to exercise this discretion, it must make a public statement to that effect prior to the periodic review implementation.



Section 6

Changes to Constituent Companies

6.0 Changes to Constituent Companies

6.1 New Issues

- 6.1.1 Where a company, whether an existing constituent or not, undertakes an Initial Public Offering of a new equity security, that security will be eligible for fast entry inclusion to the FTSE Russia IOB Index Series if ranks 5th or above using the closing price on the first day of trading, before the application of individual constituent investability weightings. The new security will be included as a constituent of the FTSE Russia IOB Index after the close of business on the fifth day of official 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. In all cases, advance notification confirming the timing of the inclusion of the new constituent will be given accordingly.

Please note: Only those shares being offered for sale in the IPO will be included within the index weighting at the time of fast entry inclusion (subject to not being categorised as restricted shares as defined within the Free Float Restrictions document).

6.2 Removal and Replacement

- 6.2.1 An existing constituent is removed from the FTSE Russia IOB Index if it is no longer a part of the eligible universe as detailed in Section 4.0. For example, a constituent would be deleted from the Index if it no longer trades on the IOB platform. In this instance, the vacancy is not filled and the FTSE Russia IOB Index will remain with less than 15 constituents until the next quarterly review.

Section 7

Corporate Actions and Events

7.0 Corporate Actions and Events

7.1 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 will provide notice advising of the timing of the change.

7.2 Shares in Issue

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

7.3 Investability Weightings

7.3.1 Changes to free float for constituent securities are covered in the Corporate Actions and Events Guide.

7.4 Mergers, Restructuring and Complex Takeovers

7.4.1 If a FTSE Russia IOB Index constituent is acquired by a non-constituent, it will be replaced with the acquiring company providing it meets the eligibility criteria as defined in Section 4. If the acquiring company is not eligible for index inclusion, the vacancy will not be filled and the FTSE Russia IOB Index will remain with less than 15 constituents until the next quarterly review.

7.4.2 Where two Index constituents merge or one Index constituent is acquired by another constituent, a vacancy will be created. The vacancy will not be filled and the FTSE Russia IOB Index will remain with less than 15 constituents until the next quarterly review.

7.4.3 If an Index constituent has a complex reorganisation or demerger, the newly spun-off company will not be considered for inclusion in the Index unless it remains part of the eligible universe (see Section 4.0) and its full market capitalisation is greater than the smallest Index constituent. If it is eligible for inclusion, the index may have more than 15 constituents until the next quarterly review.

7.5 **Suspension of Dealing**

7.5.1 Suspension of dealing rules can be found within the Corporate Actions and Events Guide.



Section 8

Industry Classification Benchmark (ICB)

8.0 Industry Classification Benchmark (ICB)

8.1 Classification Structure

- 8.1.1 The FTSE Russia IOB Index constituents are classified into Industries, Supersectors, Sectors and sub-sectors, as defined by the Industry Classification Benchmark (ICB).
- 8.1.2 Details of the Industry Classification Benchmark are available from FTSE Russell and published on the FTSE Russell website (www.ftserussell.com) and can be accessed using the following link:
[ICB](#)

Section 9

Indexes Algorithm and Calculation Method

9.0 Indexes Algorithm and Calculation Method

9.1 Prices

9.1.1 Automatic trade prices will be used in the intra-day pricing in the FTSE Russia IOB Index. The closing prices used in the FTSE Russia IOB Index will be the London Stock Exchange's International Order Book (IOB) Official Closing Prices.

9.2 Dividends

9.2.1 The FTSE Russia IOB Index uses dividends reported by the relevant DR depository bank and applied on the ex-date specified by that bank.

9.3 Index Calculation

9.3.1 The Index will be displayed to two decimal points. The Index 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.

9.4 **Index Calculation Frequency**

- 9.4.1 A Price Index will be calculated on a real-time basis in US Dollars. A Price and Total Return Index will also be calculated on an end of day basis in US Dollar, Sterling and Euro.



Appendix A: Index Opening and Closing Hours

The Index is calculated during the opening hours of the London Stock Exchange's International Order Book (IOB).

Index	Open	Close
FTSE Russia IOB Index		
Monday to Friday	08:00	15:40

Notes:

1. The IOB continuous trading hours starts at 09:00 in which orders are automatically executed against one another. The continuous trading hours ends with a closing auction where an official closing price is set at 15:40.
2. Timings are UK hours.
3. Thomson Reuters real time exchange rates are used in the real-time index calculations.
4. The Index will not be calculated on UK Public Holidays.



Appendix B: Status of Index

A Price Index will be calculated on a real-time basis in US Dollars. A Price and Total Return Index will also be calculated on an end of day basis in US Dollar, Sterling and Euro. The FTSE Russia IOB Index may exist in the following states.

A) Firm

- i) The Index is being calculated during Official Market Hours (see Appendix A). No message will be displayed against the Index value.
- ii) The Official Closing Price for FTSE Russia IOB Index will be the London Stock Exchange's International Order Book (IOB) Official Closing Price (see Appendix A).

B) Closed

The Index has ceased all calculations for the day. The message 'CLOSE' will be displayed against the Index value calculated by FTSE Russell.

C) Held

During Official Market Hours, an Index has exceeded pre-set operating parameters and the calculation has been suspended pending resolution of the problem. The message 'HELD' will be displayed against the last Index value calculated by FTSE Russell.

D) Indicative

If there is a system problem or situation in the market that is judged to affect the quality of the constituent prices at any time when the Index is being calculated, the Index will be declared indicative (e.g. normally where a 'fast market' exists in the depositary receipt market). The message 'IND' will be displayed against the Index value calculated by FTSE Russell.

The official opening and closing hours of the FTSE Russia IOB Index are set out in Appendix A. Variations to the official hours of the Index will be published by FTSE Russell.



Appendix C: Further Information

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 Russia IOB Index is available from FTSE Russell.

For contact details please visit the FTSE Russell website or contact FTSE Russell client services at
info@ftserussell.com.

Website: www.ftserussell.com

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