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# **FTSE UK Index Series**

v14.9

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## Contents

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<b>1.0</b>	<b>Introduction</b> .....	<b>3</b>
<b>2.0</b>	<b>Management Responsibilities</b> .....	<b>5</b>
<b>3.0</b>	<b>FTSE Russell Index Policies</b> .....	<b>7</b>
<b>4.0</b>	<b>Security Inclusion Criteria</b> .....	<b>9</b>
<b>5.0</b>	<b>Nationality</b> .....	<b>11</b>
<b>6.0</b>	<b>Screens Applied to Eligible Securities</b> .....	<b>13</b>
<b>7.0</b>	<b>Index Qualification Criteria</b> .....	<b>15</b>
<b>8.0</b>	<b>Periodic Review of Constituents</b> .....	<b>17</b>
<b>9.0</b>	<b>Corporate Actions and Events</b> .....	<b>21</b>
<b>10.0</b>	<b>Treatment of Dividends</b> .....	<b>24</b>
<b>11.0</b>	<b>Industry Classification Benchmark (ICB)</b> .....	<b>25</b>
<b>12.0</b>	<b>Announcing Changes</b> .....	<b>26</b>
	<b>Appendix A: Index Opening and Closing Hours</b> .....	<b>27</b>
	<b>Appendix B: Status of Indexes</b> .....	<b>28</b>
	<b>Appendix C: FTSE 350 Yield indexes – Review Process and Maintenance</b> .....	<b>29</b>
	<b>Appendix D: Volume Data used in Liquidity Screen</b> .....	<b>32</b>
	<b>Appendix E: Further Information</b> .....	<b>33</b>



## Section 1

# Introduction

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### 1.0 Introduction

1.1 The FTSE UK Index Series is designed to represent the performance of the major capital and industry segments of the UK market. The FTSE UK Index Series includes the following indexes:

FTSE 100	)	
FTSE 250	)	
FTSE 350	)	
FTSE 350 Supersectors	)	<i>Real Time Calculation</i>
FTSE 350 Sectors	)	
FTSE SmallCap	)	
FTSE All-Share	)	
FTSE Fledgling	)	
FTSE 350 Higher Yield	)	
FTSE 350 Lower Yield	)	
FTSE All-Share Sectors	)	
FTSE All-Small	)	<i>End of Day Calculation</i>
FTSE All-Small Sectors	)	
FTSE 350 Industry Sectors	)	

1.1.1 The following variants are, or if requested may be, calculated for certain indexes within the index series:

- Capital and total return indexes.
- Net total return indexes based on specified withholding tax rates.
- Indexes calculated in currencies other than the base currency (GBP).
- Currency hedged indexes.
- Capped indexes; for full details see the FTSE Russell Capping Methodology guide.
- Sector indexes.

Additional customised variants can be calculated on request including indexes with industry and sector exclusions. Selected indexes are calculated and disseminated on a real time basis.

1.1.2 The FTSE UK Index Series does not take account of ESG factors in its index design.

1.1.3 The base currency of the benchmark is GBP. Index values may also be published in other currencies.

1.1.4 For full details of Capped indexes please see the Capping Methodology Guide.

## 1.2 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, The Yield Book Inc and Beyond Rating

## 1.3 Index Objective and Intended Use

1.3.1 The indexes and index statistics are intended to reflect the UK market, or those tranches of the market defined by the index titles and to facilitate their detailed analysis.

1.3.2 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.

1.3.3 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'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.

## 1.4 IOSCO

1.4.1 FTSE International Limited (FTSE) considers that the FTSE UK Index Series meets the IOSCO Principles for Financial Benchmarks as published in July 2013.

Full details can be accessed at [www.iosco.org](http://www.iosco.org).

Details of FTSE Russell's Statement of Compliance with respect to the IOSCO Principles can be accessed using the following link:

[IOSCO Statement of Principles](#)



## Section 2

# Management Responsibilities

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## 2.0 Management Responsibilities

### 2.1 FTSE International Limited (FTSE)

2.1.1 FTSE is the benchmark administrator of the index series.<sup>1</sup>

2.1.2 FTSE is responsible for the daily calculation, production and operation of the FTSE UK Index Series 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 FTSE UK 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.

2.1.3 FTSE is also responsible for monitoring the performance of the FTSE UK Index Series throughout the day and will determine whether the status of each index should be Firm, Indicative or Held (see Appendix B).

### 2.2 FTSE Russell External Advisory Committees

2.2.1 To assist in the oversight of the indexes, FTSE Russell has established the following external advisory committees, consisting of senior market practitioners, providing guidance (as stipulated in their terms of reference) to ensure FTSE Russell indexes continue to reflect their underlying market:

- FTSE Russell Europe, Middle East & Africa Regional Equity Advisory Committee
- FTSE Russell Industry Classification Advisory Committee
- FTSE Russell Policy Advisory Board

2.2.2 The Terms of Reference of the FTSE Russell advisory committees are set out on the FTSE Russell website and can be accessed using the following link:

[Terms-of-Reference](#)

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<sup>1</sup> 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).

## 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 Product Governance Board before approval is granted.
- 2.3.2 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.



## Section 3

# FTSE Russell Index Policies

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### 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 UK Index Series Guide to Calculation Methods

- 3.1.1 The aim of the guide is to describe how the indexes are calculated, to facilitate users replicating 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 UK 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)

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:

[Statement of Principles.pdf](#)

#### 3.4 Queries, Complaints and Appeals

A constituent or prospective constituent company (or professional advisor acting on behalf of the company), a national organisation or a group of no fewer than ten users of the Indexes from different organisations acting in their professional capacity may appeal against decisions taken by FTSE Russell.

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

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

FTSE Russell's appeal process can be accessed using the following link:

[Appeals Against Decisions.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 Global Equity Index Series are recalculated whenever errors or distortions occur that are deemed to be significant. Users of the FTSE Global Equity Index Series 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](mailto:info@ftserussell.com).

[Equity Index Recalculation Policy and Guidelines.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](#)

### 3.9 **FTSE Russell Governance Framework**

3.9.1 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 meet the requirements of the IOSCO Principles for Financial Benchmarks<sup>2</sup>, the European benchmark regulation<sup>3</sup> and the UK benchmark regulation<sup>4</sup>. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE Russell Governance Framework.pdf](#)

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

<sup>3</sup> 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

<sup>4</sup> The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019





## Section 4

# Security Inclusion Criteria

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### 4.0 Security Inclusion Criteria

#### 4.1 Eligible Securities

- 4.1.1 Only Premium Listed Equity Shares, as defined by the Financial Conduct Authority in its Listing Rules Sourcebook, which have been admitted to trading to the London Stock Exchange with a Sterling denominated price on SETS are eligible for inclusion in the FTSE UK Index Series.
- 4.1.2 Eligible securities are required to pass screens as detailed in Section 6 before being included in the FTSE UK Index Series (see Section 6).
- 4.1.3 All securities are assigned a nationality in accordance with the rules as set out in Section 5.
- 4.1.4 Multiple Lines

##### Quarterly Review

Where there are multiple lines of listed equity capital in a company, all are included and priced separately, provided that the secondary line's full market capitalisation (i.e. before the application of any investability weightings), is greater than 25% of the full market capitalisation of the company's principal line and the secondary line satisfies the eligibility rules and screens in its own right in all respects.

##### Annual Review

Should the full market capitalisation of a secondary line, which is already a constituent of the FTSE All-Share Index, fall below 20% of the full market capitalisation of the company's principal line at an annual review, the secondary line will be deleted from the relevant index unless its full market capitalisation remains above the qualification level for continued inclusion as a constituent of the FTSE All-Share Index at that review.

Note: There is no minimum qualification level for the FTSE Fledgling, therefore should the full market capitalisation of a secondary line, which is already a constituent of the FTSE Fledgling Index, fall below 20% of the full market capitalisation of the company's principal line at an annual review, the secondary line will remain in the index subject to continuing to satisfy the eligibility rules and screens in its own right in all respects.

#### 4.1.5 Partly Paid Shares

Where a company's shares are issued partly, or nil, paid and the call dates are already determined and known, the market price will, for the purposes of calculating its market capitalisation, be adjusted so as to include all such calls (i.e. the fully paid price).

#### 4.2 Ineligible Securities

4.2.1 The following investment entities are regarded as ineligible:

- Companies whose business is classified by the Industry Classification Benchmark as Subsector Non-equity investment instruments (8995) (New ICB Open End and Miscellaneous Investment Vehicles (30205000)). This includes Split Capital Investment Trusts where instead of the use of a single class of ordinary share, the structure is split into separate income and capital classes in which the two (or more) classes have different residual entitlements to assets and/or income after meeting the requirements of any other classes or borrowings (note: this does not include Split Capital Trusts with ordinary shares accompanied by zero dividend preference shares, whereby the ordinary share remains eligible in the same manner as a conventional Investment Trust);
- Venture Capital Trusts (VCTs);
- Convertible preference shares and loan stocks will be excluded until converted into eligible Equity Shares. Where a unit comprises equity and non-equity it will not be eligible for inclusion.



## Section 5

# Determining Nationality

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### 5.0 Nationality

5.1.1 A company will be allocated to a single country. A company that has been assigned UK nationality by virtue of these Ground Rules will also be assigned UK nationality in the FTSE Global Equity Index Series. However, a company assigned UK nationality under the FTSE Global Equity Index Series will not be automatically eligible for UK nationality under these rules.

5.1.2 If a company is UK incorporated, FTSE will allocate the company UK nationality provided:

- The company has its sole listing in the UK.
- The company has a minimum free float of 25%<sup>1</sup>.

5.1.3 If a company is not incorporated in the UK, the company must meet the following conditions in order to be considered eligible for UK Nationality assignment:

- The company must publicly acknowledge adherence to the principles of the UK Corporate Governance Code, pre-emption rights and the UK Takeover Code as far as practicable.
- The company must have a free float greater than 50%<sup>5</sup>.

5.1.4 In circumstances other than those of Rule 5.1.2, FTSE will base its recommendation on its assessment of various factors including, but not necessarily limited to, the following:

- The investor protection regulations present in the country of incorporation;
- The country in which the company is domiciled for tax purposes;
- The location of its factors of production;
- The location of its headquarters;
- The location of company meetings;
- The composition of its shareholder base;
- The membership of its board of directors;
- The currency denomination of the company's shares;
- The perception of investors.

In certain circumstances, outlined in Rules 5.1.5 to 5.1.8, consideration will also be given to the relative liquidity of trading in those countries where the company's shares trade. In calculating the liquidity associated with a country, trading volumes will be amalgamated from all venues which have admitted the shares to trading based on a listing conferred by that country's listing authority. Trades

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<sup>5</sup> For the purposes of Rules 5.1.2 and 5.1.3, the calculation of the minimum free float will be based on the ordinary share capital issued by the company and may include shares that would otherwise be excluded solely because they are subject to a lock-in clause of twelve months or less from their first day of trading, but that would in all other respects be considered part of a company's free float.

taking place on multi-lateral trading facilities will be included in the calculation and assigned to the country that conferred the listing to the company provided that the country of listing and the multi-lateral trading facility operate within a similar time zone.

- 5.1.5 If a company is incorporated in the UK, has a listing in the UK and listings in other countries on an eligible exchange (as classified within the FTSE Global Equity Index Series), FTSE will normally assign the country to the UK provided the liquidity in the UK passes FTSE's liquidity test for index inclusion.
- 5.1.6 If a company is incorporated in a developed country other than the UK, is listed on an eligible exchange in that country and in the UK (and potentially other developed countries), FTSE will normally only assign UK nationality if the company fails FTSE's liquidity tests in its country of incorporation, passes the liquidity tests in the UK, and liquidity is higher in the UK than any other country.
- 5.1.7 If a company is incorporated in a developed country other than the UK, has no listing in that country but is listed in the UK and potentially other countries on an eligible exchange, FTSE will normally only assign UK nationality if liquidity is highest in the UK.
- 5.1.8 If a company is incorporated in a country other than a developed country, it will not be eligible for UK nationality unless the country of incorporation is a country that is internationally recognised as having a low taxation status and that has been approved by FTSE. For companies incorporated in approved low taxation countries, FTSE may assign UK nationality if liquidity in the UK is higher than in any other country. A current list of the approved low taxation jurisdictions can be accessed using the following link:
- [Low Taxation Jurisdictions.pdf](#)
- 5.1.9 Once a company has been assigned a UK nationality by virtue of the liquidity tests in Rules 5.1.6 to 5.1.8, if it subsequently fails the liquidity test in the UK, or if there is a country with greater liquidity for two consecutive annual reviews, FTSE will review the company's nationality assignment.
- 5.1.10 Other than meeting the conditions of Rule 5.1.2 or 5.15, should a company make a change to its circumstances (such as a change in incorporation or adoption of an additional listing), FTSE may defer the consideration of whether to change a company's nationality assignment for a minimum period of three months up to a maximum period of up to 12 months; this will allow FTSE to properly assess the subsequent evolution of its trading liquidity and of the other criteria listed in Rule 5.1.4. If following such an assessment period, FTSE decides to change a company's nationality assignment, the change will become effective at the index quarterly review following publication of the decision.
- 5.2 Where a company's nationality has been determined as UK, if the shares are traded in CDI form (Crest Depository Interest), the CDI will be considered as eligible subject to meeting all other index eligibility criteria.



## Section 6

# Screens Applied to Eligible Securities

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### 6.0 Screens Applied to Eligible Securities

6.1 Eligible securities are required to pass the following screens before being added to the FTSE UK Index Series.

#### 6.2 Price

There must be an accurate and reliable price for the purposes of determining the market value of a company.

#### 6.3 Minimum Voting Rights

6.3.1 Companies assigned a developed market nationality are required to have greater than 5% of the company's voting rights (aggregated across all of its equity securities, including, where identifiable, those that are not listed or trading) in the hands of unrestricted shareholders or they will be deemed ineligible for index inclusion.

6.3.2 Existing constituents with a developed market nationality who do not currently meet the above requirement have a 5 year grandfathering period to comply. If subsequently they continue to fail the minimum voting rights requirement they will be removed from FTSE Russell indexes at the September 2022 review.

6.3.3 The percentage of a company's voting rights in public hands is calculated as:

$$\frac{\text{The number of votes in the hands of shareholders that are unrestricted as determined by the application of FTSE Russell free float definitions}}{\text{The total number of votes conferred by the shares outstanding of all the company's voting securities including those that have not been admitted to trading on a regulated venue}}$$

**For example**, Company A has 100m listed Class A shares each conferring one vote, free float is 65%. It also has 300m unlisted Class B shares each conferring 10 votes.

The test to assess whether the listed Class A line has the required greater than 5% of the company's voting rights is as follows:

$$\frac{65\text{m (i. e. 100m Class A voting rights * 65\% float)}}{3.1\text{bn (i. e. 100m Class A + 3bn Class B)}} = 2.097\% \text{ of the company's voting rights in public hands}$$

## 6.4 Investability Weightings

### A. Initial Weighting

Constituents of the FTSE UK Index Series are adjusted for free float and foreign ownership limits (where applicable to UK investors).

Free float is calculated using available published information rounded to 12 decimal places.

To be eligible for inclusion in the FTSE UK Index Series, a security must have a minimum free float of 25% if the issuing company is UK incorporated and greater than 50% if it is non-UK incorporated.

However, a new company may be initially included in the FTSE UK Index Series with a free float below the above parameters (provided it is above 5%\*) where the free float is expected to meet the minimum requirements within 12 months of the company's first day of trading (refer to Rules 5.1.2 and 5.1.3).

\*New companies with an initial free float of 5% or below are not eligible for inclusion in the FTSE UK Index Series.

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

[Free Float Restrictions.pdf](#)

## 6.5 Foreign Ownership Restrictions and Minimum Headroom Requirement

- 6.5.1 For the avoidance of doubt, a security which restricts the number of shares that a UK investor can hold may be included in the FTSE UK Index Series with an investability weight equal to the Foreign Ownership Limit (see Foreign Ownership Restrictions and Minimum Foreign Headroom Requirement Rule B). However, the actual calculated free float will be referenced to determine if the security meets the minimum free float criteria for index eligibility. For example, Company A (non-UK incorporated) has a calculated free float of 62% and a Foreign Ownership Limit (which imposes a limit on UK investors) of 49%. Company A is deemed to meet the minimum free float requirement but will be included in the index with an investability weight of 49%.

Further details of the Foreign Ownership Restrictions can be accessed using the following link:

[FTSE UK Index Series - Foreign Ownership Restrictions and Minimum Foreign Headroom Requirement.pdf](#)

## 6.6 Size

In order to determine index membership, all companies with eligible securities will be ranked by their full market capitalisation (i.e. before the application of any investability weightings).

Only the listed equity shares of a constituent company will be included in the calculation of its market capitalisation.

Where a company has two or more classes of listed equity shares, the secondary lines will be included in the calculation of the market capitalisation of the company, based on the market price of that secondary line.

## 6.7 Liquidity

For full details of the liquidity screening please refer to the FTSE UK Index Series - Guide to Calculation Method for the Median Liquidity Test which can be accessed using the following link:

[Guide to Calculation Methods for UK Liquidity.pdf](#)



## Section 7

# Index Qualification Criteria

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### 7.0 Index Qualification Criteria

#### 7.1 FTSE 100

7.1.1 The FTSE 100 will consist of the largest 100 UK companies by full market capitalisation (i.e. before the application of any investability weightings) which qualify for inclusion in the index.

#### 7.2 FTSE 250

7.2.1 The FTSE 250 will consist of the next 250 UK companies ranked by full market capitalisation (i.e. before the application of any investability weightings), outside the FTSE 100 which qualify for inclusion in the index.

#### 7.3 FTSE 350

7.3.1 The FTSE 350 will consist of the companies in the FTSE 100 and FTSE 250. Thus it will represent the largest 350 companies included in the FTSE UK Index Series.

#### 7.4 FTSE 350 Yield Indexes

7.4.1 The constituents of the FTSE 350 Yield Indexes will comprise the companies in the FTSE 350. These companies are ranked in order of dividend yield and the boundary between the FTSE 350 Higher Yield and FTSE 350 Lower Yield indexes is determined so that the market capitalisation of each index is approximately 50% of the market capitalisation of the FTSE 350 index. Appendix C describes the process for determining the constituents of these indexes.

#### 7.5 FTSE SmallCap

7.5.1 The FTSE SmallCap will consist of the UK companies within the FTSE All-Share which are not large enough to be constituents of the FTSE 350.

#### 7.6 FTSE All-Share

7.6.1 The FTSE All-Share will consist of the companies in the FTSE 350 and FTSE SmallCap.

The FTSE All-Share will aim to represent at least 98% of the full market capitalisation (i.e. before the application of any investability weightings), of all companies which qualify as eligible for inclusion in the FTSE UK Index Series.

## 7.7 **FTSE Fledgling**

7.7.1 The FTSE Fledgling will consist of all companies which qualify as eligible for inclusion in the FTSE UK Index Series but are too small to be included in the FTSE All-Share.

At the quarterly reviews in September, December and March, companies whose full market capitalisation (i.e. before the application of individual constituent investability weightings) is greater than 0.20% of the full market capitalisation of the FTSE SmallCap will be added to the FTSE All-Share index, providing they meet the liquidity criteria for the FTSE All-Share Index. Liquidity data for this period is taken as at the previous annual review.

In the event that a FTSE Fledgling constituent rises in size after the annual review but does not meet the liquidity criteria, it will remain in the FTSE Fledgling until the next annual review, when it will be reassessed.

## 7.8 **FTSE All-Small**

7.8.1 The FTSE All-Small will consist of all the companies in the FTSE SmallCap and FTSE Fledgling Indexes.





## Section 8

# Periodic Review of Constituents

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### 8.0 Periodic Review of Constituents

#### 8.1 Review Dates

- 8.1.1 The FTSE UK Index Series is reviewed on a quarterly basis in March, June, September and December. A full review of the FTSE All-Share, FTSE All-Small and FTSE 350 Yield Indexes will be conducted in June.

The index reviews will be based on data from the close of business on the Tuesday before the first Friday of the review month.

Any constituent changes will be implemented after the close of business on the third Friday of the review month (i.e. effective Monday), following the expiry of the ICE Futures Europe futures and options contracts.

#### 8.2 Responsibilities and Reporting

- 8.2.1 FTSE will be responsible for conducting the periodic review of constituents for the FTSE UK Index Series. The results of the periodic review will be shown to the FTSE Russell Europe, Middle East & Africa Regional Equity Advisory Committee at their next quarterly meeting.
- 8.2.2 FTSE will be responsible for publicising the outcome of the periodic review.

#### 8.3 Index Reviews

- 8.3.1 The rules for inserting and deleting securities at the periodic review are designed to provide stability in the selection of constituents of the FTSE UK Index Series while ensuring that the Indexes continue to be representative of the market by including or excluding those securities which have risen or fallen significantly.

#### 8.3.2 Review Process

Securities eligible for inclusion in the FTSE UK Index Series will comprise the Monitored List. At the periodic review, all securities included in the Monitored List will be ranked by full market capitalisation (i.e. before the application of investability weightings) from largest to smallest.

- 8.3.3 Eligible securities are required to pass tests for liquidity (except for FTSE Fledgling) and free float (see rules 6.4 and 6.7).

#### 8.3.4 Reviewing companies for the FTSE 100 and FTSE 250:

A company will be inserted at the periodic review if it rises above the position stated below:

- FTSE 100 - Risen to 90<sup>th</sup> or above
- FTSE 250 - Risen to 325<sup>th</sup> or above

A company will be deleted at the periodic review if it falls below the position stated below:

- FTSE 100 - Fallen to 111<sup>th</sup> or below
- FTSE 250 - Fallen to 376<sup>th</sup> or below

- Companies deleted from the FTSE 100 at the periodic review will normally be included in the FTSE 250. Companies added to the FTSE 100 at the periodic review will be deleted from the FTSE 250.
- Companies deleted from the FTSE 250 at the periodic review will normally be included in the FTSE SmallCap. Companies added to the FTSE 250 at the periodic review will be deleted from the FTSE SmallCap.
- Changes made to the FTSE 100 and FTSE 250 at the periodic review will be made automatically to the FTSE 350 and FTSE 350 Yield Indexes.
- A constant number of constituents will be maintained for the FTSE 100, FTSE 250 and FTSE 350. Where a greater number of companies qualify to be inserted in an index than those qualifying to be deleted, 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, 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.
- Where a FTSE 100 or FTSE 250 company is scheduled to be deleted after the periodic review changes have been announced but before they have been implemented, the highest ranking constituent of the FTSE All-Share (which is not currently a member of the FTSE 100 or FTSE 250) is selected as the replacement company. However, if that replacement company is already scheduled to be added as part of the index review then the next highest-ranking company is selected as the replacement.

Where a company being deleted is already due to be replaced in the FTSE 100 or FTSE 250 as part of the periodic review, it will be replaced by the largest company previously announced as a review addition to the index. In other words, the review addition will be brought forward and implemented concurrent with the intra-quarter deletion.

#### 8.3.5 Reviewing companies for the FTSE SmallCap and FTSE All-Share

FTSE SmallCap cut-off threshold

- **June Annual Review** - Companies whose full market capitalisation (i.e. before the application of individual constituent investability weightings) is greater than 0.15% of the full market capitalisation of the FTSE SmallCap Index will be added to the FTSE SmallCap (and thus FTSE All-Share Index), providing they meet all the relevant FTSE eligibility criteria.

FTSE All-Share constituents whose full market capitalisation is less than 0.10% of the full market capitalisation of the FTSE SmallCap Index will be deleted from the FTSE All-Share Index and will be added to the FTSE Fledgling Index.

- **Quarterly Reviews in March, September and December** - In order to include relatively large non-constituent companies in the FTSE All-Share Index and exclude relatively small constituent companies from the FTSE All-Share Index more regularly, at the quarterly reviews in September,

December and March, the market size thresholds for additions and deletions (as detailed above) will be 0.20% and 0.05% respectively.

- All additions to the FTSE SmallCap Index are subject to passing the required eligibility screens (as per Section 6).
- The FTSE SmallCap will consist of those companies too small to be constituents of the FTSE 350 but large enough to be constituents of the FTSE All-Share.
- The FTSE All-Share will consist of all the constituents of the FTSE 350 and FTSE SmallCap.

#### 8.3.6 **Reviewing companies for the FTSE Fledgling and FTSE All-Small**

- The FTSE Fledgling will consist of those companies too small to be constituents of the FTSE SmallCap. There are no liquidity requirements for entry to the FTSE Fledgling Index.
- The FTSE All-Small will consist of all the constituents of the FTSE SmallCap and FTSE Fledgling.

8.3.7 A constant number of constituents will not be maintained for the FTSE SmallCap, FTSE All-Share, FTSE Fledgling or FTSE All-Small.

8.3.8 Companies which are large enough to be constituents of the FTSE All-Share but do not pass the liquidity test (see Rule 6.7) shall not be included in any index in the FTSE UK Index Series. They will remain ineligible until the next annual review in June when they will be re-tested against all eligibility screens.

#### 8.3.9 **FTSE 350 Yield Indexes**

The rules governing the insertion and deletion of stocks at the periodic review for the FTSE 350 Yield Indexes are set out in Appendix C.

### 8.4 **Fast Entry**

8.4.1 For a security to be considered for fast entry, its full market capitalisation (i.e. before the application of any investability weighting) must amount to 1% or more of the full market capitalisation of the FTSE All-Share (before the application of individual constituent investability weightings).

8.4.2 Fast Entry will result in a security being added only to the FTSE 100 index and those broader indexes which include the constituents of the FTSE 100 (e.g. FTSE 350, FTSE All-Share).

8.4.3 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 Official non-conditional trading is greater than the Fast Entry Level.

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).

For illustration purposes: Company A offers 18% of its shares for sale at the time of the IPO (of these 3% are taken up by cornerstone investors which are locked in for 180 days). Company A will be added with an initial investability weighting of 15%\*.

Company B offers 20% of its shares for sale at the time of the IPO of which none are identified as being taken up by restricted holders. Company B will be added with an initial investability weighting of 20%\*.

\*subject to satisfying all eligibility criteria including minimum float requirement as detailed in Rules 5.1.2 and 5.1.3.

8.4.4 The addition of a new security to the FTSE 100 index will be implemented after the close of business on the fifth business day of trading. In the event of the fifth business day of trading being in close

proximity to an index review, FTSE may use its discretion to include a fast entrant at the index review date following advance notice. If the addition results in there being more than 100 companies in the FTSE 100 Index, the company which is the lowest ranking constituent of the index will be selected for removal and related indexes adjusted in accordance with Rules **Error! Reference source not found.**9.4.2 and 9.4.3.

- 8.4.5 For a demutualisation which satisfies the eligibility criteria for Fast Entry: if upon listing the entire free float of the new eligible security is immediately transferred to private shareholders, then the addition of the security will be deferred for 20 business days after Official non-conditional trading has commenced in order to test that the minimum liquidity requirement (as defined under Rule 6.7) is met.
- 8.4.6 At the subsequent annual review, securities added to the FTSE 100 as fast entrants will have their liquidity assessed on a pro-rata basis.

## 8.5 Additions Outside of a Review

- 8.5.1 New issues, including demutualisations, which do not qualify as fast entrants will become eligible for inclusion at the next quarterly review providing they have, since the commencement of Official non-conditional trading, a minimum trading record of at least 20 trading days prior to the date of the review and meet the liquidity criteria as defined under Rule 6.7.
- 8.5.2 New issues will not be eligible for inclusion in the FTSE Fledgling other than at the annual review.
- 8.5.3 An existing security that has become newly eligible, for example a security transferring from AIM to a Premium UK (Main Market) listing, will be reviewed for inclusion at the next quarterly review and will be subject to normal eligibility rules including a minimum 20 day trading record and meeting the liquidity criteria based on trading volume on the Main Market only.
- 8.5.4 Variable and best effort IPOs\* will not be considered for fast entry inclusion since FTSE Russell would be:
- unable to confirm if the minimum free float requirement has been met; and
  - unable to assign an accurate free float for the purposes of the index calculation.

Direct listing IPOs will be eligible for consideration for fast entry inclusion if there is confirmation, before the close of trading on the first day of listing, of the number of shares that have been made available (e.g. specific holders have publicly disclosed a commitment to sell a number of shares). If there is no disclosure before the close of trading on the first day of listing, the company will not be considered as a potential fast entry addition.

- 8.5.5 Variable and best effort IPOs and those direct listing IPOs (which do not qualify as a fast entrant) will be considered for index inclusion at the next quarterly review if, by the review cut-off date, a public disclosure\* is available confirming either the actual number of shares sold during the offering or the post IPO shareholder structure. Index inclusion remains subject to meeting all other eligibility criteria. If the number of shares sold during the IPO, or the post IPO shareholder structure, remains unknown on the review cut-off date, the evaluation of the company will be deferred to a subsequent quarterly review.

\*A public disclosure is typically by way of a company filing, stock exchange notice or shareholding regulatory announcement.

## Section 9

# Corporate Actions and Events

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### 9.0 Corporate Actions and Events

9.1 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.

### 9.2 Shares in Issue

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

### 9.3 Investability Weightings

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

### 9.4 Removal and Replacement

9.4.1 Companies removed from the FTSE 100 and FTSE 250 indexes intra-quarter will be replaced by the highest ranking company of the FTSE All-Share index which is not currently a constituent of the FTSE 100 or FTSE 250. For full details of the process in selecting a replacement company, please refer to the following guide:

[FTSE\\_FAQ\\_Document\\_UK\\_Index\\_Series\\_Replacement\\_Company.pdf](#)

9.4.2 If a constituent is delisted, or ceases to have a firm quotation, or is subject to a takeover offer which has been declared wholly unconditional or has ceased to be a viable constituent as defined by the

Ground Rules, it will be removed from the list of constituents and, in the case of the FTSE 100 and the FTSE 250, be replaced by the highest ranking constituent of the FTSE All-Share (which is not currently a member of the FTSE 100 or FTSE 250).

For illustration purposes: If the application of Rule 9.4.1 results in the deletion of a constituent of the FTSE 250 to replace a deleted FTSE 100 constituent, that FTSE 250 constituent will be replaced with the constituent of the FTSE All-Share (which is not currently a member of the FTSE 250). The company removed from the FTSE SmallCap will not be replaced.

- 9.4.3 Changes made to the FTSE 100 and FTSE 250 will be made automatically to the FTSE 350 and FTSE 350 Yield Indexes. Changes to the FTSE 350 and FTSE SmallCap will be made automatically to the FTSE All-Share.
- 9.4.4 If the effect of a merger or takeover is that one constituent in the FTSE 100 or FTSE 250 is absorbed by another constituent of the same index (e.g. a FTSE 100 constituent acquiring another FTSE 100 constituent), the resulting company will remain a constituent, and a vacancy will be created. This vacancy will be filled by selecting the highest ranking constituent of the FTSE All-Share (which is not currently a member of the FTSE 100 or FTSE 250). The replacement company is announced after market close two days prior to the deletion (based on the close prices three days prior to the deletion).
- 9.4.5 If a constituent company in the FTSE 100 or FTSE 250 is taken over by a non-constituent company, the original constituent will be removed and may be replaced by the acquiring company where eligible for the FTSE UK Index Series. Otherwise the highest ranking constituent of the FTSE All-Share (which is not currently a member of the FTSE 100 or FTSE 250) will serve as the replacement.

## 9.5 Spin-offs

- 9.5.1 If a constituent company in the FTSE 100 or FTSE 250 is split so as to form two or more companies, both eligible for the FTSE UK Index Series, then the resulting companies index memberships will be re-assessed in order to rebalance the indexes back to 100 or 250 companies (respectively). The full market capitalisations at close on the first day of trading of the spun-off company will be used to determine the most appropriate index memberships for continued inclusion. The changes will then be applied at market close giving two days' notice. Consequently, the FTSE 100 and FTSE 250 may have more than 100 or 250 companies (respectively) for three days (or more if the spun-off company does not trade on effective date).

**For illustration purposes:** a FTSE 100 constituent splits into two eligible companies resulting in 101 companies in the FTSE 100. At close on the first trading day of the split the lowest ranking FTSE 100 constituent will be selected to become a constituent of the FTSE 250 and the lowest ranking FTSE 250 constituent will, in turn, be selected to become a constituent of the FTSE SmallCap.

**Please note:** Where a company resulting from a split is smaller than the lowest ranking FTSE 250 constituent, it will only be selected to become a constituent of the FTSE SmallCap if its respective full market capitalisation is equal to or greater than 0.1% of the full market capitalisation (i.e. before the application of any investability weightings) of the FTSE SmallCap index. If smaller than 0.1% it will be added to the FTSE Fledgling.

- 9.5.2 If a constituent company in the FTSE 100 or FTSE 250 is split so as to form a company eligible for the FTSE UK Index Series and a company ineligible for the FTSE UK Index Series, then the ineligible company will remain in the index for 2 trading days and then be deleted at market price. The eligible company will be retained in the index as the replacement company and its continued index membership will be reviewed at the next quarterly index review.
- 9.5.3 For the purposes of Rules 9.5.1 and 9.5.2 if the market price of the company resulting from the split is unavailable it may be retained in the index for up to 20 business days and if trading has not commenced, it will be deleted at zero value.

## 9.6 **Suspension of Dealing**

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

9.6.2 If the suspended company deleted from the indexes is a constituent of the FTSE 100 or FTSE 250, it will be replaced with the highest ranking constituent of the FTSE All-Share (which is not currently a member of the FTSE 100 or FTSE 250).



## Section 10

# Treatment of Dividends

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### 10.0 Treatment of Dividends

- 10.1 Declared dividends are used to calculate the Standard Total Return Indexes in the FTSE UK Index Series. All dividends are applied as at the ex-div date.

The standard total return indexes include the following versions of the FTSE 100 Total Return Index:

FTSE 100 Total Return Index - All dividends are as declared by companies and no withholding tax adjustments are made except for dividends paid by Royal Dutch Shell A Shares from which a 15% withholding tax is deducted.

FTSE 100 Total Return Declared Dividend Index - all dividends are as declared by companies and no withholding tax adjustments are made.

- 10.2 A series of net of tax Total Return Indexes are also calculated.

For further details refer to the FTSE Withholding Tax Guide which can be accessed using the following link:

[FTSE Russell Withholding Tax Guide.pdf](#)





## Section 11

# Industry Classification Benchmark (ICB)

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### 11.0 Industry Classification Benchmark (ICB)<sup>6</sup>

#### 11.1 Classification Structure

11.1.1 The FTSE UK Index Series constituents are classified into Industries, Supersectors, Sectors and Subsectors, as defined by the Industry Classification Benchmark (ICB).

11.1.2 Details of the Industry Classification Benchmark are available from FTSE and published on the FTSE Russell website ([www.ftserussell.com](http://www.ftserussell.com)) and can be accessed using the following link:

[Industry Classification Benchmark](#)

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<sup>6</sup> FTSE indexes migrated to the new ICB classification system in March 2021



## Section 12

# Announcing Changes

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### **12.0 Announcing Changes**

#### **12.1 Index Methodology Changes**

Users of the FTSE UK Index Series are notified of such policy changes through appropriate media before implementation.



## Appendix A: Index Opening and Closing Hours

Index	Open	Close
<b>The FTSE UK Index Series</b>		
FTSE 100	08:00	16:30
FTSE 250	08:00	16:30
FTSE 350	08:00	16:30
FTSE 350 Supersectors	08:00	16:30
FTSE 350 Industry Sectors	08:00	16:30
FTSE SmallCap	08:00	16:30
FTSE All-Share	08:00	16:30
FTSE All-Share Sectors	-	16:30
FTSE Fledgling	-	16:30
FTSE Fledgling Sectors	-	16:30
FTSE All-Small	-	16:30
FTSE All-Small Sectors	-	16:30
FTSE 350 Higher Yield	-	16:30
FTSE 350 Lower Yield	-	16:30

### Notes:

1. Closing prices will be London Stock Exchange Official Closing Price.
2. The indexes will not be calculated on UK Public Holidays and may close early on the business day prior to the Christmas and New Year Public Holidays.
3. Timings are London hours (GMT or BST).



## Appendix B: Status of Indexes

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The FTSE UK Index Series which are calculated in real time may exist in the following states:

### A) Firm

- i. The indexes are being calculated during Official Market Hours on actual trades from SETS or firm prices for all non-SETS constituents. No message will be displayed against the index value.
- ii. The Official Closing Price for FTSE UK Index Series will be the London Stock Exchange Official Closing Price.

### B) Closed

The indexes have 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 an index is being calculated, the index will be declared indicative (e.g. normally where a 'fast market' exists in the equity market). The message 'IND' will be displayed against the index value calculated by FTSE Russell.

Official Market Hours are defined as that period when SETS is open for order execution and market makers must display firm dealing prices for the non-SETS constituent securities. The official opening and closing hours of the FTSE UK Index Series are set out in Appendix A. Variations to the official hours of the indexes will be published by FTSE Russell.



## Appendix C: FTSE 350 Yield indexes – Review Process and Maintenance

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### Annual Review Process

A) The annual review of the FTSE 350 Yield Indexes will be conducted in June based on data as at the close of business on the Tuesday before the first Friday of the month. There are two yield indexes; Higher Yield representing securities with above average yields and Lower Yield representing those with below average yields.

Step A1: Start with the constituents of the FTSE 350 taking into account any additions and deletions resulting from the June index review.

Step A2:

- a) Take the annual dividend and closing price as at the data cut-off date to calculate the Gross Annual Dividend Yield.
- b) Where a company has more than one line of shares included in the FTSE 350, the lines will be evaluated independently and a separate yield value will be assigned to each security (i.e. one line could qualify for the Higher Yield Index and one for the Lower Yield).
- c) For IPOs, the forecast dividend may be used (where available), to allow for accurate reflection of the future yield. A zero dividend yield will be given if a forecast dividend is unavailable.

Step A3: Rank the stocks by their Gross Annual Dividend Yield. Zero yielding stocks will be ranked last.

Step A4: Calculate the weighted average annual dividend yield (WAADY) of the FTSE 350 taking into account constituent changes in Step A1.

The calculation on WAADY is detailed below:

$$WAADY = \frac{\sum_{i=1}^N p_i \times s_i \times e_i \times \frac{GD_i}{p_i \times e_i}}{\sum_{i=1}^N p_i \times s_i \times e_i}$$

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.
- $e_i$  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 for the security, as defined in these Ground Rules.
- $GD_i$  is the gross dividend of the component security.

Step A5: Calculate the review bands which are 85/115% of the weighted average annual dividend yield (WAADY) of the FTSE 350.

Step A6: Identify the securities in the FTSE 350 Lower Yield Index which have risen above the 115% yield band. These securities will become constituents of the FTSE 350 Higher Yield Index. New additions to the FTSE 350 that pass the criteria will be added to the FTSE 350 Higher Yield Index.

Step A7: Identify the securities in the FTSE 350 Higher Yield Index which have fallen below the 85% yield band. These will become constituents of the FTSE 350 Lower Yield Index. New additions to the FTSE 350 that do not pass the criteria in Step A6 will be added to the FTSE 350 Lower Yield Index.

Step A8: Calculate the total capitalisation of both the Higher Yield and Lower Yield indexes taking into account the changes arising from Steps A1, A6 and A7. The aim is that the total capitalisation of each yield index should be the same, each representing 50%, or as close to 50% as possible, of the total capitalisation of the FTSE 350.

Step A9: If the total capitalisation of the FTSE 350 Higher Yield Index is greater than the FTSE 350 Lower Yield Index, the lowest ranking constituent of the Higher Yield index should be removed and included in the Lower Yield index. This task should be repeated until the capitalisation of the two yield indexes are equal or as close to being equal as possible.

Step A10: If the total capitalisation of the FTSE 350 Lower Yield Index is greater than the FTSE 350 Higher Yield Index, the highest ranking constituent of the FTSE 350 Lower Yield Index should be removed and included in the FTSE 350 Higher Yield Index. This task should be repeated until the capitalisation of the two yield indexes are equal or as close to being equal as possible.

Step A11: Steps A9 and A10 should be repeated until the two yield indexes are equal or as close to being equal as possible.

## Quarterly Review Process

- B) Securities will be added to the FTSE 350 Yield Indexes following the quarterly reviews of the FTSE 350 Index in September, December and March based on data as at the close of business on the Tuesday before the first Friday of the review month and on the following basis.

Step B1: Adjust the weighted average annual dividend yield of the FTSE 350 from the previous annual review (see Step A4 above) by the capital performance of the FTSE 350 Index since the last annual review.

Step B2: Remove those securities which are to be deleted from the FTSE 350.

- Step B3:
- a) Add new securities to either the Higher Yield or Lower Yield Index depending on whether the constituent's yield is higher or lower than the adjusted average yield calculated in Step B1.
  - b) For IPOs, the forecast dividend may be used (where available), to allow for accurate reflection of the future yield. A zero dividend yield will be given if a forecast dividend is unavailable.

## Corporate Event Changes

- C) Mergers and demergers in the FTSE 350 Yield Indexes will follow the FTSE 350 Index.

Step C1: The acquiring company will remain a constituent of the relevant FTSE 350 Yield Index. The constituent being acquired is deleted on the effective date of the acquisition.

Step C2: If a constituent splits and forms two or more companies and any of the new entities are retained in the FTSE 350 Index, those new entities will be retained in the same FTSE 350 Yield Index as their parent company until the next periodic review.

Step C3: If a constituent is deleted and a replacement company is selected, the replacement company will be added to the FTSE 350 Higher Yield Index if it is greater than the dividend yield of the FTSE 350 Index. Otherwise, it will be added to the FTSE 350 Lower Yield Index.

Note: If the replacement company has more than one line of shares to be included in the FTSE 350, the lines will be evaluated independently (i.e. one line could qualify for the Higher Yield Index and one for the Lower Yield).

- D) At FTSE Russell's sole discretion the yield status of a security, whose issuer, has suspended or temporarily revised its dividend policy may be adjusted at the annual review if the adjusted status is a more accurate reflection of the future yield.



## Appendix D: Volume Data used in Liquidity Screen

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For the purposes of the FTSE UK Index Series liquidity screen, volume data will be aggregated from those venues exhibiting a market share of greater than 2%. The trading venues are reviewed annually and assessed using volume data from the first business day of February of the previous year to the last business day of January of the current year. Any changes to the trading venues will be announced and reflected in the FTSE UK Index Series Ground Rules following the March quarterly review and will become effective from the June annual review.

Venues meeting the criteria are detailed below:

- London Stock Exchange
- Cboe CXE
- Cboe BXE
- Cboe OTC





## Appendix E: Further Information

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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 UK Index Series is available from FTSE Russell.

For contact details please visit the FTSE Russell website or contact FTSE Russell client services at [info@ftserussell.com](mailto:info@ftserussell.com).

Website: [www.ftserussell.com](http://www.ftserussell.com)

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