

FTSE Corporate Actions and Events Guide – Index Methodology Enhancements Notification

20 July 2015

FTSE announces that the FTSE Corporate Actions and Events Guide has been updated to incorporate multiple index methodology enhancements. Further details regarding these can be found below:

2.5 Rights Issues / Entitlement Offers

Where the Rights Issue / Entitlement offer subscription price remains unconfirmed on the ex date an estimated price will be used. FTSE will estimate the subscription price using the value being raised and the offer terms. Where there is a range of values the mid value will be used to estimate the subscription price. Where the value being raised and/or offer terms are unknown no adjustment will be made on the ex-date.

2.8 Takeovers & Mergers

- Constituents that have been acquired that have ceased trading prior to removal from the index will be deleted based on the offer terms. Where there is a choice of cash or stock the default terms will be used.
- Where an existing constituent is acquired for shares or a combination of cash and shares by a non-constituent and is replaced in the index by the non-constituent, only the shares received as a result of the merger will be included in the index on the merger effective date. Any shares previously attributed to the non constituent will be added in accordance with the shares in issue update policy.
- Where the constituent being acquired is paying a dividend to its existing shareholders upon completion of the merger, the new shares resulting from the merger will be included in a temporary dummy line on the effective date of the merger in order to reflect the dividend adjustment. The price of the dummy line will be updated equivalent to the acquiring company's share price less the dividend. The dummy line will be deleted and the shares amalgamated into the ordinary line after close on the effective date of the merger.

2.9 Spin-offs

- Where the split results in the inclusion of eligible securities, the eligible securities will be retained in the same index prior to the spin off and then re-ranked or, if below the exit threshold, deleted at the next quarterly review.
- Where a split results in the inclusion of an ineligible security, the ineligible security will remain in the index for 2 business days and then deleted at market price. If the ineligible security does not trade on the ex-date it will remain in the index until it commences trading and then deleted after 2 business days at market price. If it has not commenced trading after 20 business days the suspended companies rule will apply.
- FTSE will add the spin-off to indices at an estimated price. To value the spin-off, if it trades from the ex-date:

- A 'When Issued' price will be used where available;
 - If no 'When Issued' price is available company valuation will be used;
 - If a company valuation is unavailable broker estimates will be used;
 - If broker estimates are unavailable the spin-off will be added at zero.
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- If the spin-off does not trade from the ex-date:
 - Company valuation/broker estimates will be used as above;
 - If this estimated value is incorrect by >10% of the parent's value as measured at open, the spin-off valuation will be updated intraday to set the value equal to the change in parent's value. This will be measured by parent's cum-date close minus ex-date open. FTSE product files will be reissued to reflect this change.

The updated version of the FTSE Corporate Actions and Events Guide can be found on the FTSE website using the link below

http://www.ftse.com/products/downloads/FTSE_Corporate_Actions_and_Events_Guide.pdf

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