FTSE Global Equity Index Series

Thailand NVDR Rule Update

24 June 2016

At the June 2016 meeting the FTSE Russell Governance Board approved the following revision to the FTSE Global Equity Index Series Ground Rules. This change is effective from the September 2016 index review.

New Rule

Section 6 Investability Weighting

6.1.F **Thailand Non-Voting Depositary Receipts**

A Non-Voting Depositary Receipt (NVDR) is a trading instrument issued by the Thai NVDR Company Ltd to overcome foreign investment barriers such as foreign investment limits. NVDRs entitle holders to the same financial benefits as those who invest directly in a company's ordinary shares, except that they have no voting rights. The NVDR price is equal to the price of the underlying securities on the Local Board.

If NVDRs are available FTSE Russell may, under certain circumstances, represent them in the index in order to fully represent the investable shares available to foreign investors.

i. Where a security is **not** subject to a foreign ownership restriction, it is included in the index at its calculated free float.

ii. Where a security is subject to a foreign ownership restriction, there is no NVDR or the NVDR does not satisfy the minimum foreign headroom requirement as outlined in Section E, and its Foreign Board share passes liquidity, it is included at its Foreign Board price with an investability weight equivalent to its FOL or calculated free float, whichever is more restrictive.

For example, Company A has an FOL of 25% and a free float of 90%. It has a maximum NVDR issuance limit of 35%, of which 30% has already been issued. As the NVDR fails the minimum foreign headroom requirement of 20%, the Foreign Board share is included with an investabiity weight of 25%.

iii. Where a security is subject to a foreign ownership restriction and an NVDR is available which satisfies the minimum foreign headroom requirement as outlined in Section E, both the Foreign Board share and the NVDR are included in the index.

The Foreign Board share is included in the index with an investability weight equivalent to the FOL and the separate NVDR with an investability weight equivalent to its NVDR limit or the difference between its Free Float and FOL, whichever is more restrictive.

For example, Company A has an FOL of 49% and a free float of 80%. It has a maximum NVDR issuance limit of 35%, of which 20% has already been issued. It passes the minimum foreign headroom requirement.

Company A will be included in the index with 2 separate lines:

- Foreign Board share is included in the index with an investability weight of 49% (FOL)
- NVDR is included in the index at an investability weight of 31% (i.e. 80%-49%), as it is more restrictive than its NVDR limit of 35%

iv. Where a security is subject to a foreign ownership restriction and its Foreign Board share fails liquidity, subject to the Local share passing all eligibility screenings and the NVDR satisfying the minimum foreign headroom requirement as outlined in Section E, the Local share is included with an investability weighting equivalent to its FOL + NVDR or its calculated free float, whichever is more restrictive.

    For example, Company A has an FOL of 49% and a free float of 60%. There is no limit on its NVDR issuance, so effectively its can be 100% invested. Therefore the Local share is included in the index at an investability weight of 60%.

FTSE Russell will provide indicative turnover breakdowns near to the effective date.

An updated version of the FTSE Global Equity Index Series Ground Rules is now available on the FTSE Russell website.

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