

FTSE EPRA NAREIT Global Real Estate Index Series

Ground Rule Update

28 April 2017

FTSE Russell would like to inform clients of the following updates to the FTSE EPRA NAREIT Global Real Estate Index Series Ground Rules effective from the June 2017 review:

- Free float will no longer be rounded up to the next highest whole percentage number in FTSE indexes. Free float will instead be rounded to 12 decimal places.
- Every June a constituent's free float will be updated regardless of size. No buffers will be applied.
- At the March, September and December quarterly updates, a constituent with a free float greater than 15% will have its free float updated if it moves by more than 3 percentage points above or below the existing free float.
- A constituent with a free float of 15% or below will be subject to a 1 percentage point threshold.
- Free float changes resulting from corporate events will not be subject to the buffers as detailed above.

Section 5: Qualification Criteria & Periodic Review of Constituents

5.7 Free Float

5.7.1 The FTSE EPRA/NAREIT Global Real Estate Index Series are adjusted for free float and foreign ownership limits.

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

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

A. Initial Weighting

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

Prior to June 2017, free float is rounded up to the next highest whole percentage number.

B. Quarterly Updates

June Updates

In June, a constituent's free float will be updated regardless of size. No buffers are applied.

March, September and December Updates

At the March, September and December quarterly updates, a constituent with a free float greater than 15% will have its free float updated if it moves by more than 3 percentage points above or below the existing free float. For example, Company A on a free float of 30% would trigger a change if its free float moved to above 33% or below 27%.

A constituent with a free float of 15% or below will be subject to a 1 percentage point threshold. For example, Company B on a free float of 8% would trigger a change if its free float moved to above 9% or below 7%.

Quarterly updates to free float will be applied after the close of business on the third Friday of March, June, September and December. The data cut-off for these quarterly changes will be the close of business on the third Wednesday of the month prior to the review month.

C. Updates Arising from Corporate Events

Free float changes resulting from corporate events will not be subject to the buffers as detailed above and will be implemented in line with the event. Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide.

D. Foreign Ownership Restrictions

FTSE's index methodology takes account of the restrictions placed on the equity holdings of foreign investors in a company where these have been imposed by a government, regulatory authority or the company's constitution.

Where the presence of a foreign ownership restriction creates a limit on foreign ownership (the Foreign Ownership Limit or FOL) that is more restrictive than the calculated free float for a company, the precise Foreign Ownership Limit is used in place of the free float for the purposes of calculating the company's investability weight.

If the foreign ownership restriction is less restrictive or equal to the free float restriction, the free float restriction is applied, subject to Rule 6.1A.

If a company changes its foreign ownership restriction, the change will be implemented in FTSE Russell indexes at the subsequent quarterly review, subject to rule 6.1 E - Minimum foreign headroom requirement.

Please note: In certain jurisdictions, despite foreign ownership restrictions, the acquisition of shares above stated foreign ownership limits is permitted. However, holdings of shares above the foreign ownership limit may be denied voting rights, for example in Japan.

FTSE Russell may exercise discretion in determining whether a stock should be subject to the minimum foreign headroom test.

Where discretion is being applied FTSE Russell will provide appropriate advance notice.

Updated copies of the FTSE EPRA/NAREIT Global Real Estate Index Series Ground Rules (Version 7.6) are now available on the on the FTSE Russell website : www.ftserussell.com

For further information please contact FTSE Russell Client Services at info@ftserussell.com or call:

Australia	+1800 653 680
Hong Kong	+852 2164 3333
Japan	+81 3 3581 2764
London	+44 (0) 20 7866 1810
New York	+1866 551 0617

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