

## FTSE Russell Global Indexes: Next Steps

18 January 2018

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In August 2017, FTSE Russell concluded a **Consultation on FTSE GEIS and Russell RGI Index Alignment**, which set out a potential path that would bring the two global index series - FTSE Global Equity Index Series (FTSE GEIS) and Russell Global Indexes (RGI) - further into alignment.

### Consultation Summary

The consultation proposed that FTSE GEIS would be extended to include micro-cap companies and that RGI would be replaced by a new global index, FTSE RGI, that would combine the constituents of the Russell 3000 (R3) with the non-R3 constituents of the extended GEIS index. The consultation included questions on how, and when, FTSE GEIS should be reconstituted and reviewed. Respondents were invited to opine on whether FTSE GEIS might move to the Russell index construction principle of having a single annual reconstitution/review in June of each year, albeit with the possibility of using a different effective date.

### Consultation Findings

Consultation participants confirmed support of a single consistent global index methodology that provided broad global coverage. They further supported a regional index build. However, respondents were not in favour of moving FTSE GEIS to a single annual review and preferred the existing practice of conducting two semi-annual reviews which they considered provided a better balance between the competing requirements for maximising index representativeness whilst minimising transaction costs and liquidity demand.

Furthermore, consultation participants did not anticipate that there would be any significant demand for the proposed FTSE RGI index. Rather, respondents supported the coexistence of both the FTSE GEIS and Russell US Indexes as their respective global and US equity market benchmarks. They embraced the FTSE GEIS concepts of comprehensive global coverage, regional relative build, semi-annual reviews and quarterly updates to shares outstanding and free float. Similarly, the Russell US Indexes, including the widely-tracked large cap Russell 1000<sup>®</sup> Index and small cap Russell 2000<sup>®</sup> Index, remained the benchmarks of choice for institutional US equity investors.

### Product Implications

Based on the feedback received from the consultation, FTSE Russell proposes to proceed as follows:

#### RGI and Russell Frontier Indexes

- Russell Global and Russell Frontier indexes will be decommissioned, and clients of RGI and Russell Frontier standard indexes will be transitioned to the FTSE GEIS and FTSE Frontier Index Series with a target of moving all clients by December 2018.
- Index methodologies that were previously derived from RGI, including Russell Global Stability, Russell RAFI, Russell-IdealRatings Islamic, will continue to be supported but will transition their starting universe from RGI to FTSE GEIS.
- FTSE Russell will work closely with clients of RGI custom indexes to transition these benchmarks either to a comparable FTSE index or to an index based on a FTSE GEIS selection universe with a view to moving affected clients by March 2019.
- Consistent with the above proposals, the Russell Global and Russell Frontier indexes will not be reconstituted in 2018.

#### FTSE GEIS

- In September 2018, FTSE Russell will launch a new set of FTSE Global Styles Indexes based on the widely adopted Russell Style Indexes methodology and using FTSE GEIS as the starting universe.
- In the first half of 2018, the FTSE Global Micro Cap Index, including securities in developed and emerging countries, will be added to FTSE GEIS. The FTSE Global All Cap Index and FTSE Global Micro Cap Index will together create the FTSE Global Total Cap Index which will fully cover the world's investable equity opportunity set.

Over the coming months, FTSE Russell will liaise with those clients known to be affected by the proposal to discontinue RGI based indexes in order to establish their optimum migration strategy. Once this further stage of consultation has been completed, individual termination notices will be sent for each index family impacted. In the meantime, if you have any questions, please forward these to [info@ftserussell.com](mailto:info@ftserussell.com).

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