



FTSE Global Equity Index Series - Ground Rule Clarification

30 May 2019

FTSE Russell would like to inform clients of the following clarification to the FTSE Global Equity Index Series which is effective immediately:

Section 6: Screens Applied to Eligible Securities (Update highlighted in bold)

6.3.2 Liquidity Thresholds:

- A. An existing constituent of the FTSE Global All Cap Index Series which, based on its median daily trading volume per month does not turnover at least 0.04% of its shares in issue (after the application of any free float weightings*) for at least eight of the twelve months prior to a full market review will be removed from the Index Series.

An existing constituent of the FTSE Global Micro Cap Index Series which, based on its median daily trading volume per month does not turnover at least 0.02% of its shares in issue (after the application of any free float weightings*) for at least eight of the twelve months prior to a full market review will be removed from the Index Series.

- B. A non-constituent of the FTSE Global All Cap Index Series which, based on its median daily trading volume per month, does not turnover at least 0.05% of its shares in issue (after the application of any free float weightings*) for at least ten of the twelve months prior to a full market review will continue to be excluded from the Index Series.

A non-constituent of the FTSE Global Micro Cap Index Series which does not turnover at least 0.025% of its shares in issue (after the application of any free float weightings*) for at least ten of the twelve months prior to a full market review will continue to be excluded from the Index Series.

- C. New issues which do not have a twelve month trading record must have a minimum three month trading record when reviewed.
- For entry to the FTSE Global All Cap Index Series they must turnover at least 0.05% of their shares in issue (after the application of any free float weightings)* based on their median daily trading volume each month, on a pro-rata basis since listing.
 - For entry to the FTSE Global Microcap Index Series they must turnover at least 0.025% of their shares in issue (after the application of any free float weightings)* based on their median daily trading volume each month, on a pro-rata basis since listing. This rule will not apply to new issues added under the Fast Entry Rule (see Rule 8.1.3).

Newly eligible securities will be treated as new issues and liquidity will be tested from the date of eligibility. Trading records prior to this date will not be taken into account.

- D. This rule will not apply to new issues added under the Fast Entry Rule (see Rule 8.1.3).
- E. Existing FTSE Global Small Cap Index Series constituents that fail the liquidity rule but pass

all other eligibility criteria will not be eligible for inclusion in the FTSE Global Micro Cap Index Series until the next periodic review.

- F. In the event that a company fails the liquidity test based on its underlying shares, and the company has an equivalent Depositary Receipt (DR) then the DR may be considered for inclusion in the index if it passes the liquidity test in its own right and is traded on an exchange within a similar regional time-zone as the underlying shares.

Where a company has both DR and underlying shares listed, both lines will be tested separately for liquidity. The underlying share will be included as long as they pass the liquidity test in their own right. The DR will only be eligible for inclusion if the underlying shares fail the liquidity test and the DR passes in its own right.

Where the DR has been included it will remain in the index until such time it either fails the liquidity test or the underlying shares pass the liquidity test for two future consecutive reviews.

- G. The above percentage figures may be adjusted by 0.01% at a market review so that, the index better reflects the liquid investable market of the region. This discretion may only be exercised across the whole of a region and may not be applied to individual securities or countries.

Please note: although discretion is normally applied to lower the liquidity thresholds of both constituents and non-constituents of a region, FTSE Russell reserves the right (for example, where one or more markets is changing country classification status) to determine if discretion should only apply to non-constituents. Where any discretion is exercised FTSE Russell would provide advance notification prior to implementation.

For further details please refer to the FTSE Global Equity Index Series - Guide to Calculation Method for the Median Liquidity Test which can be accessed using the following link:

[Guide_to_Calculation_Methods_for_GEIS_Liquidity.pdf](#)

An updated copy of the FTSE Global Equity Index Series Ground Rules (v8.8) is now available using the following link: [FTSE_Global_Equity_Index_Series.pdf](#)

Or on the FTSE Russell website: www.ftserussell.com

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