

FTSE Global Equity Index Series - Guide to Calculation Method for the Median Liquidity Test

19 December 2019

FTSE Russell would like to inform clients of the following update to the FTSE Global Equity Index Series - Guide to Calculation Method for the Median Liquidity Test (update in bold):

3.2 Existing constituents of the FTSE Global All Cap Index Series

Current methodology

Existing constituents of the FTSE Global All Cap Index Series are required to pass at least 8 out of 12 months with a monthly median turnover of at least 0.04%* of their shares in issue (after the application of any investability weightings**).

New methodology effective at the March 2020 semi-annual review

- **Existing constituents of the FTSE Global All Cap Index Series are required to pass at least 8 out of 12 months with a monthly median turnover of at least 0.04%* of their shares in issue (after the application of any investability weightings**). Those identified as failing this test (step 1) will proceed to the next step.**
- **Step 2: Those existing constituents of the FTSE Global All Cap Index Series which fail step 1 will be subject to a further test whereby the last 6 months of the testing period will be assessed on a pro-rata basis. If the constituent passes at least 4 out of the last 6 months (equating to 8 out of 12 months on a pro-rata basis), it will be considered to have passed the liquidity test.**
- **Notes:**
 - *subject to adjustment as per 2.1(i).

** When testing liquidity, the investability weight as at the last date in the testing period will be used for the calculation for the whole of that period. However where FTSE Russell have become aware that an existing index constituent has had a change in Foreign Ownership Limit (FOL) during the testing period and the investability weight is equal to the FOL, then the FOL at the end of the month will be used for the calculation.

Illustrative tables below:

EXAMPLE A - Passes Test 1 (constituent PASS) - no further test required											
March 2020 Liquidity Testing Period						Test 2 - n/a					
Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Pass	Pass	Pass	Pass	Pass	Pass	Fail	Fail	Fail	Fail	Pass	Pass
EXAMPLE B - Fails Test 1 (move to Test 2). Passes Test 2 (constituent considered a PASS)											
March 2020 Liquidity Testing Period						Test 2 - pass					
Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Pass	Pass	Pass	Fail	Fail	Fail	Pass	Fail	Pass	Fail	Pass	Pass
EXAMPLE C - Fails Test 1 & Test 2 (constituent deleted & considered ineligible for a period of 12 months)											
March 2020 Liquidity Testing Period						Test 2 - fail					
Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Pass	Fail	Fail	Pass	Pass	Pass	Fail	Fail	Fail	Pass	Pass	Pass

- Existing constituents of the FTSE Global All Cap Index Series which fail the liquidity test will be ineligible for index inclusion for a period of 12 months after which they will be treated as a new issue.

For illustration purposes: A constituent deleted at the September 2019 semi-annual review will not be considered for index eligibility until March 2021.

- Existing constituents of the FTSE Global Small Cap Index Series which 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.

An updated copy of the FTSE Global Equity Index Series - Guide to Calculation Method for the Median Liquidity Test (v2.1) is now available using the following link:

[Guide_to_Calculation_Methods_for_GEIS_Liquidity.pdf](#)

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

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