FTSE Thematic Index Series: Ground Rule Update

23 June 2022

FTSE Russell would like to inform clients of the following clarification to the FTSE Thematic Index Series Ground Rules which is effective immediately.

Section 5: Dynamic Classification Algorithm

Rule 5.3 Keyword Identification (clarified as shown below)

5.3.   Keyword Identification

5.3.1.   The FastText algorithm is applied on all the historical input data outlined in Section 4. This step creates the learned word embeddings, where words and descriptions are represented as vectors.

5.3.2   Seed words are derived from the Theme Description (see Section 7) for each target theme. Seed words are then queried through the word embedding model determined in Rule 5.3.1 to identify a broad set of relevant keywords that are commonly associated with the theme. The set of relevant keywords may contain commonly used abbreviations, spelling differences, and associated words.

5.3.3   For each theme, a broad set of relevant keywords is generated. This derived set of relevant keywords are expected to be important to and suitably representing products and services commonly associated with such theme as described in the respective Theme Description (see Section 7).

5.3.4.   This broad set of relevant keywords will be used in Rule 5.4 under the Dynamic Classification Algorithm to determine theme membership.

5.3.5   Keywords are represented as vectors which provide a mechanism by which keywords and the Data Input (see Section 4) can be compared.

5.3.6   Keywords will remain unchanged unless the evolution of the theme warrants an update. As themes evolve, the theme descriptions and set of derived seed words may be updated. Consequently, this can result in an updated set of relevant keywords. Such updated theme descriptions and set of relevant keywords will be subject to approval by FTSE Russell.

5.3.7   The approval of new keywords occurs as part of the annual review process of the FTSE Thematic Index Series.

An updated copy of the FTSE Thematic Index Series Ground Rules (v1.4) is now available using the following link: FTSE_Thematic_Index_Series_Ground_Rules.pdf

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

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