



FTSE Italia PIR PMI Index - Ground Rule Update

03 August 2023

FTSE Russell would like to inform clients of the following update to the FTSE Italia PIR PMI Index Series Ground Rules which are effective immediately:

Section 5: Eligible Securities

The Rules have been updated to clarify that All Italian stocks are eligible for inclusion in the index providing they meet the requirements of PIR law and that savings shares are not eligible for the index.

Section 5: Index Qualification Criteria

5.4 Minimum Voting Rights

New Rule

- 4.5.1 Companies are required to have greater than 5% of the company's voting rights (aggregated across all of its equity securities, including, where identifiable, those that are not listed or trading) in the hands of unrestricted shareholders or they will be deemed ineligible for index inclusion.

Old Rule

- 4.5.1 Companies are required to have greater than 5% of the company's voting rights (aggregated across all of its equity securities, including, where identifiable, those that are not listed or trading) in the hands of unrestricted shareholders or they will be deemed ineligible for index inclusion.

Existing constituents which do not currently meet the above requirement have a 5 year grandfathering period to comply. If subsequently they continue to fail the minimum voting rights requirement they will be removed from the Index at the September 2022 review.

Section 5: Index Qualification Criteria

New Rule

- 5.2.1 Liquidity is measured by the stock's 6-month value traded in euro on Borsa Italiana order book markets, and by number of days traded.

Old Rule

- 5.2.1 Each security is tested for liquidity on a quarterly basis by calculation of its monthly median daily trading volume.

For each month, the daily trading volume for each security is calculated as a percentage of the shares in issue for that day adjusted by the free float at the review cut off date. These daily values are then ranked in descending order and the median is taken by selecting the value for the middle ranking day if there is an odd number of days and the mean of the middle two if there is

an even number of days.

Daily totals with zero trades are included in the ranking; therefore a security that fails to trade for more than half of the days in a month will have a zero median trading volume for that month.

- 5.2.2 Share which do not turnover at least 0.025% of their shares in issue (after the application of any investability weightings) based on their median daily trading volume per month in ten of the twelve months prior to a full market review, are not eligible for inclusion in the Index Series.
- 5.2.3 An existing constituent which does not turnover at least 0.02% of its shares in issue (after the application of any investability weightings) based on their median daily trading volume per month in eight of the twelve months prior to a full market review, will not be eligible for inclusion in the Index Series.
- 5.2.4 Newly listed shares will become eligible for inclusion at the next quarterly review providing they trade a minimum of 20 days. They must turnover at least 0.025% of their shares in issue (after the application of any investability weightings) based on their median daily trading volume per month. New issues will have their liquidity assessed on a pro-rata basis.

Section 8: Index Maintenance

New Rule

Where a rights issue is deemed Highly Dilutive, defined as rights issues where the K factor produced by BIt is below 0.30, and there is no rolling settlement of the rights*, the below treatment will be followed: On the ex-date, two additional temporary lines will be added to the index:

- 1) a separate temporary line to track the market value of the rights using the rights line market price; and
- 2) a temporary dummy line at a fixed value to reflect the subscription cash.

The shares in issue of the existing ordinary line, of the rights line and of the dummy line will be adjusted so that the index weight immediately prior to the rights issue ex-date is maintained at the open of the ex-date.

Once trading of the rights has concluded, the rights line will be priced using the theoretical rights value based on the ordinary line price until the conclusion of the subscription period. (if negative, the price will be set at zero).

Upon receipt of an announcement by the company regarding the number of shares subscribed to and being issued, the two temporary lines will firstly be amalgamated into the ordinary line with no divisor change. Then, the shares in issue number will be increased with a minimum of two days' notice, to reflect the actual number of shares issued in the rights issue. This share increase will be implemented at market price.

** Highly Dilutive Rights issues with a rolling exercise of rights will be implemented in accordance with Sections A and B above.*

Old Rule

Following the new Borsa Italiana's regulation of highly dilutive right issues, defined as rights issues where the K factor produced by BIt is below 0.30, introducing a rolling exercise of rights, all rights issues performed by constituents of FTSE Italia PIR PMI Index will be managed according to art. 8.5.2.

Section 10: Index Calculation

Rule 10.6 has been updated to reflect that the exchange rate used in the ECB exchange rate as of the cum day.

Appendix A: Index Opening and Closing Hours

Updated to reflect current open and close times.

An updated copy of the FTSE Italia PIR PMI Index Series Ground Rules (v2.3) is now available using the following link: [FTSE_Italia_PIR_PMI_Ground_Rules.pdf](#)

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