Guide to Calculation Method for UK Index Series Median Liquidity Test – Ground Rule Update

21 November 2024

FTSE Russell would like to inform clients of the following updates to the Guide to Calculation Method for the UK Index Series Median Liquidity Test, which clarify current working practise. This update is effective immediately.

Section2: Liquidity screening process

2.1.2   Liquidity screen (updates to the following bullets shown in bold below)

- When calculating the median of daily trading volume of any security for a particular month, a minimum of five trading days in that month must exist, otherwise the month will be excluded from the test. **For the avoidance of doubt, where liquidity is tested up to the index review cut-off date, the index review month (e.g. March, June, September, December) will only be included in the test if there are a minimum of five trading days up to the index review cut-off date.**

2.1.3   Liquidity thresholds

- C - new issues or newly eligible securities that do not have a 12-month trading record must have a minimum 20-day trading record when reviewed. **For illustration purposes, the first day of unconditional dealings for Company A is 10 October, the next index review cut-off date is 3 December. For the purposes of index elegibility the company will meet the mininum 20 day trading record at the index review cut off date. For the purposes of the liquidity test, only the months of October and November will be tested. There will not be a minimum 5 day trading record for the month of December up to the review cut-off date and so that month will not be included in the test.**

    New Issues must turnover at least 0.0250% of their shares in issue (after the application of any investability weightings*) based on their monthly median each month on a pro-rata basis since the eligible category listing or UK nationality assignment date if non-UK incorporated (refer to Appendix A and B).

    This rule will not apply to new issues added under the fast entry rule except for demutualisations (see

2.1.4   Nationality assignment

Multiple eligible listings

a)   A security must demonstrate that it would pass the FTSE UK Index Series liquidity test (on a pro-rata basis) to be assigned UK nationality.

Once a UK nationality has been assigned, liquidity will be tested up to the index review cut-off date **for the purposes of FTSE UK Index Series inclusion. For illustration purposes, UK nationality has been assigned on 5 November and the next index review cut-off date is 3 December. For the purposes of index elegibility the company will meet the mininum 20 day trading record at the index review cut off date. For the purposes of the liquidity test, daily trading volume from 5 November to the last business day in November will be used. There will not be a minimum 5 day trading record for the month of December up to the index review cut-off date and so that month will not be included in the test.**

They must turn over at least 0.0250% of their shares in issue (after the application of any investability weightings*) based on their monthly median each month on a pro-rata basis since the first day of unconditional dealings of the eligible category listing (where UK incorporated) or since the date of UK nationality assignment (where non-UK incorporated).

*When testing liquidity, the published free float weight on the final trading day of each month will be used for the calculation of the liquidity test for that month.

An updated copy of the Guide to Calculation Methods for UK Liquidity (v3.0) is now available using the following link:
guide-to-calculation-methods-for-uk-liquidity.pdf

Or on the FTSE Russell website: www.lseg.com/en/ftse-russell

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