



## FTSE Shariah Global Equity Index Series - Methodology Update

1 June 2012

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FTSE announces as part of the Shariah compliance checks that are carried out to ensure the financial compliance of positive business screened companies for the FTSE Shariah Global Equity Index Series, the financial ratios have been refined to use a true third, i.e. a change from 33% to 33.333%.

In addition, to reduce turnover at periodic index reviews, a 5% buffer will be introduced on debt, and/or cash/interest bearing ratios for companies that change financial compliance between two successive quarters.

Updated rule:

4.2.2 After companies have been screened by their business sector activity, the remaining companies are further examined on their finances to ensure that those companies are Shariah compliant.

Only those companies that pass the following financial ratios will be considered Shariah compliant:

- a) Debt is less than **33.333%** of total assets
- b) Cash and Interest bearing items are less than **33.333%** of total assets
- c) Accounts receivable and cash are less than 50% of total assets
- d) Total interest and non compliant activities income should not exceed 5% of total revenue

Appropriate purification of dividends at 5%. This ratio calculates the recommended purification amount to be paid by the investor.

### **Additional rule to 4.2.2:**

Companies that change financial compliance between two successive quarters will be monitored to check if their debt, and/or cash/interest bearing ratios fall within 33.333% +/- 5% (i.e. below 31.667% and 35% or above). If during the monitoring period any company remains above or below 33.333% +/- 5% for two consecutive quarters, the compliance of that company will change accordingly.

An updated version of the FTSE Shariah Global Equity Index Series Ground Rules is now available on the FTSE website, [www.ftse.com/shariah](http://www.ftse.com/shariah).

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