



## FTSE Global Equity Index Series Change to Liquidity Rule

22 December 2006

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The FTSE Equity Indices Committee has approved a change to the liquidity rule which is applied to determine eligibility of constituents in the FTSE Global Equity Index Series.

The current method of basing a company's liquidity criteria on its monthly trading total will be changed to being based on its median daily trading total per month.

The following rule will become effective at the next Global Equity Index Series Regional Review. The next regional review will be Asia Pacific (ex-Japan), effective 19 March 2007.

### **6.5 Screen Two – Liquidity**

Each security will be tested for liquidity by calculation of its median daily trading per month. The median trade is calculated by ranking each daily trade total and selecting the middle ranking day. 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 trade.

- A Securities which do not turnover at least 0.05% of their shares in issue (after the application of any investability weightings) based on their median daily trade per month in ten of the twelve months prior to a full market review, will not be eligible for inclusion in the Index Series.
  
- B An existing constituent failing to trade at least 0.04% of its shares in issue (after the application of any investability weightings) based on its median daily trade per month for more than four of the twelve months prior to a full market review will be removed.
  
- C New issues which do not have a twelve month trading record must have a minimum three month trading record when reviewed. They must turnover at least 0.05% of their shares in issue (after the application of any investability weightings) based on their median daily trade per month in each month since their listing. This rule will not apply to new issues added under the Fast Entry Rule (see Ground Rule 7.1)
  
- D In assessing liquidity, data will be obtained from the exchange in the country

in which the company is classified by FTSE. Where there is more than one exchange in the country of classification, trading volumes will be aggregated. If the company fails the liquidity screen on this basis, data may also be obtained from Depository Receipt (DR) trades. For the purpose of this rule, where the majority of trading is in the DR, 100% of DR trading will be aggregated with 50% of the trades in the country of classification. Where the majority of trading is in the country of classification, 50% of DR trading will be aggregated with 100% of the trades in the country of classification. Trading volumes from other markets will not normally be considered unless the majority of the liquidity is met from the constituent's exchange in the country in which the company is classified. When considering whether to include liquidity from other markets, the Regional Committee will take into account factors such as currency risk and time zone difference.

- E At the sole discretion of a FTSE Regional Committee, the above percentage figures may be adjusted by up to 0.01% at a market review so that, in the Committee's opinion, the index better reflects the liquid investable market of the region. This discretion may only be exercised across the whole of a region and may not be applied to individual securities or countries.

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