



FTSE Global Equity Index Series: Foreign Ownership Limits – Methodology Change

19 June 2014

At the June 2014 meeting the FTSE Governance Board approved the following methodology change with effect from September 2014. This change is designed to allow index benchmark changes to be more easily replicated when there is limited foreign room available.

New Rule 7.4.1

H. Minimum Foreign Head Room Requirement

FTSE defines “foreign headroom” as the percentage of shares available to foreign investors as a proportion of the underlying investability weight (i.e. share availability / investability weight).

For example, if a company has a foreign ownership limit of 49%, of which 39% is held by foreign investors, the foreign headroom will be calculated as 20.41% - i.e. $(49\% - 39\%) / 49\%$

- For a new security that is subject to a foreign ownership limit, a minimum headroom of 20% must be available in order to be eligible for inclusion in the index.
- Where the headroom of an existing constituent falls below 10%, its investability weight will be reduced by 10% at the next semi-annual review. The investability weight will continue to be reduced at subsequent semi-annual reviews in increments of 10% until the headroom level increases above 10%. Should the investability weight fall to 5% or below under this process, the security will no longer be eligible to remain in the index.
- The investability weight of an existing constituent which has been subject to headroom adjustments will be increased by increments of 10% at semi-annual reviews subject to the headroom remaining above 20%.

An updated version of the FTSE Global Equity Index Series Ground Rules is now available on the FTSE website.

Please note:

1. FTSE will maintain a list of affected securities which will be published on the FTSE website semi-annually in March and September.
2. The above treatment will also apply to all indices associated with the FTSE Global Equity Index Series, including custom indices.

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