

# FTSE Global Equity Index Series – Minimum Free Float - Ground Rule Update

27 November 2019

Further to the announcement [Consultation on Minimum Free Float - Next Steps](#) published on 31 October 2019 FTSE Russell would like to inform clients that the following sections of the FTSE Global Equity Index Series Ground Rules have now been updated.

Section 6: Screens Applied to Eligible Securities - Rule 6.2 (**update in bold**)

## 6.2 Investability Weightings Screen

Constituents of the FTSE Global Equity Index Series are adjusted for free float and foreign ownership limits.

### A. Initial Weighting

Free float is calculated using available published information rounded to 12 decimal places.

**Except where the investable market capitalisation of the security exceeds 10 times the regional inclusion percentage level (see Rule 7.6.2), securities with a free float of 5% or below are excluded from the index,**

Section 8: Additions Outside of a Review - Rule 8.1.1 (**updates in bold**)

## 8.0 Additions Outside of a Review

### 8.1 Definition of Fast Entry Thresholds

- a) **Large Cap Inclusion Level** - Full market capitalisation of the smallest company that falls wholly within the top 68% of the Index Universe by full market capitalisation of the respective region when ranked according to Rule 7.3.
- b) **Mid Cap Inclusion Level** - Full market capitalisation of the smallest company that falls wholly within the top 86% of the Index Universe by full market capitalisation of the respective region when ranked according to Rule 7.3.

#### 8.1.1 **A security with a free float of 5% or below must have an investable market capitalisation that exceeds 10 times the regional inclusion percentage level (see Rule 7.6.2) to be eligible for fast entry. Such securities will be assigned to the Large Cap index.**

**A security with a free float exceeding 5%** must meet both a full market capitalisation threshold at company level and an investable market capitalisation threshold at security level in order to be eligible for fast entry.

- The full market capitalisation threshold is defined as 1.5 times the Mid Cap inclusion level (see 8.1b).

For example, if the 86% Mid Cap inclusion level is 10bn USD. The full market capitalisation

fast entry threshold at company level will be  $10\text{bn} * 1.5 = 15\text{bn USD}$

- The investable market capitalisation threshold is defined as 0.5 times the Mid Cap inclusion level.

For example, if the 86% Mid Cap inclusion level is 10bn USD. The investable market capitalisation fast entry threshold at security level will be  $10\text{bn} * 0.5 = 5\text{bn USD}$ .

Where a security passes both the full market capitalisation and investable market capitalisation test, it will be assigned to the Large Cap index subject to its full market capitalisation breaching the Large Cap inclusion level (see 8.1a), otherwise it will be assigned to the Mid Cap index.

Note: only shares offered at the time of the IPO will be included within the investable market capitalisation calculation for the purposes of evaluating fast entry eligibility, and if eligible, the offering shares only will be included within the index calculation.

Note: Foreign investors are prohibited from participating in China A IPO's via the Stock Connect access route, hence China A Share IPO's will be assessed for index eligibility at the next index review, subjecting to meeting the requirements detailed in 8.1.3 B Shares being offered as a greenshoe (over allotment option) and locked-up shares will be excluded from the investable market capitalisation calculation and excluded from the index calculation at the time of fast entry.

An updated copy of the FTSE Global Equity Index Series Ground Rules (v9.0) is now available using the following link: [FTSE\\_Global\\_Equity\\_Index\\_Series](#)

Or on the FTSE Russell website: [www.ftserussell.com](http://www.ftserussell.com)

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