

Treatment of Company Suspensions - Update to Corporate Actions and Events Guide for Market Capitalisation Weighted Indexes

28 June 2018

In response to feedback from the January 2018 consultation on the Treatment of Suspensions, the FTSE Russell Product Governance Board has approved the following methodology change which is effective immediately (changes are highlighted in bold).

Section 3: Treatment of Index Events

4.18 Suspended Companies*

If a constituent is suspended, FTSE Russell will determine its treatment as follows:

- If a constituent is declared bankrupt without any indication of compensation to shareholders, the last traded price will be adjusted down to zero value⁺ and it will subsequently be removed from the index **with appropriate notice (typically T+2)**.
- In all other cases, the constituent will continue to be included in the index for a period of up to 20 business days at its last traded price.
- If the constituent continues to be suspended at the end of that period, it will be subject to review and a decision will be taken to either allow the constituent to remain in the index for a further period of up to 20 business days or to remove it at zero value. In making this determination, FTSE Russell will take into account the stated reasons for the suspension. These reasons may include announcements made by the company regarding a pending acquisition or restructuring, and any stated intentions regarding a date for the resumption of trading.
- **If the suspension period reaches 60 business days the constituent will be removed from the index at zero value at the next index review, subject to the the 60th business day of suspension falling on or before the Friday four weeks prior to the index review implementation date. Where the 60th business day of suspension falls after such date the constituent will be reviewed for removal at a subsequent index review.**
- In certain limited circumstances where the index weight of the constituent is significant and FTSE Russell determines that a market-related value can be established for the suspended constituent, for example because similar company securities continue to trade, deletion may take place at the market-related value instead. In such circumstances, FTSE Russell will set out its rationale for the proposed treatment of the constituent at the end **of the 60 business day period**.
- **If following the end of the 60 business day period, a suspended constituent resumes trading in advance of the index review lock-down period (i.e. the two week period prior to the index review effective date) in March, June, September or December, the deletion notice will be rescinded and the constituent will be retained**

in the index. However, where the constituent resumes trading during the index review lock-down period, the constituent will continue to be removed from the index as previously announced but in these circumstances the deletion will instead be implemented at market value unless there are barriers that render a market value irreplicable. In this event, the company will continue to be removed at zero.

- If a constituent has been removed from the index and trading is subsequently restored, the constituent will only be re-considered for inclusion after a period of 12 months from its deletion. For the purposes of index eligibility it will be treated as a new issue.

*The Suspended Companies policy also applies to constituents which have a price that FTSE Russell considers to be unreliable. This includes Indonesian constituents that have reached the minimum allowable trade price of IDR 50 per share.

An updated copy of the Corporate Actions and Events Guide for Market Capitalisation Weighted Indexes (v3.7) is now available on the FTSE Russell website: www.ftserussell.com

The following ground rule documents have also been updated:

FTSE MIB

FTSE JSE Africa Index Series

FTSE JSE All Africa Index Series

FTSE China A-H 50 Index

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