

FTSE ASEA Pan Africa Index Series

v3.3



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Section 1

Introduction

1. Introduction

- 1.1 This document sets out the Ground Rules for the construction and management of the FTSE ASEA Pan Africa Index Series. Copies of the Ground Rules are available from FTSE Russell.
- 1.2 The FTSE ASEA Pan Africa Index Series is designed as a regional index representing the stock exchanges that make up the African Securities Exchanges Association (ASEA). The index will follow FTSE Russell standard rules.
- 1.3 The FTSE ASEA Pan Africa Index Series is made up of the following indices.
- 1.3.1 FTSE ASEA Pan Africa Index ex South Africa**
- The FTSE ASEA Pan Africa Index ex South Africa will consist of companies in an ASEA country excluding South Africa that pass the eligibility criteria and will have a maximum country weight of 20%. The maximum number of constituents eligible for inclusion per country in the index is 30.
- 1.4 The FTSE ASEA Pan Africa Index Series does not take account of ESG factors in its index design.
- 1.5 The FTSE ASEA Pan Africa Index Series is calculated in US Dollars.
- 1.6 Price return and total return indices are published at the end of each working day. The total return Indices are based on ex-dividend adjustments.
- 1.7 FTSE Russell**
- 1.8 FTSE Russell is a trading name of FTSE International Limited, Frank Russell Company, FTSE Global Debt Capital Markets Limited (and its subsidiaries FTSE Global Debt Capital Markets Inc. and FTSE Fixed Income Europe Limited), FTSE Fixed Income LLC, FTSE (Beijing) Consulting Limited, Refinitiv Benchmark Services (UK) Limited, Refinitiv Limited and Beyond Ratings.
- 1.9 FTSE Russell hereby notifies users of the index series that it is possible that circumstances, including external events beyond the control of FTSE Russell, may necessitate changes to, or the cessation of, the index series and therefore any financial contracts or other financial instruments that reference the index series or investment funds which use the index series to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index series.
- 1.10 Index users who choose to follow this index or to buy products that claim to follow this index should assess the merits of the index's rules-based methodology and take independent investment advice before investing their own or client funds. No liability whether as a result of negligence or otherwise is accepted by FTSE Russell for any losses, damages, claims and expenses suffered by any person as a result of:
- any reliance on these Ground Rules;
 - any inaccuracies in these Ground Rules;
 - any non-application or misapplication of the policies or procedures described in these Ground Rules; and/or
 - any inaccuracies in the compilation of the index or any constituent data.

Section 2

Management responsibilities

2. Management responsibilities

2.1 FTSE International Limited (FTSE)

2.1.1 FTSE is the benchmark administrator of the index series¹.

2.1.2 FTSE is responsible for the daily calculation, production and operation of the index series, and will:

- maintain records of the index weightings of all constituents;
- make changes to the constituents and their weightings in accordance with the Ground Rules;
- carry out the periodic index reviews of the index series and apply the changes resulting from the reviews as required by the Ground Rules;
- publish changes to the constituent weightings resulting from their ongoing maintenance and the periodic reviews; and
- disseminate the indices.

2.2 Amendments to these Ground Rules

2.2.1 These Ground Rules shall be subject to regular review (at least once a year) by FTSE Russell to ensure that they continue to best reflect the aims of the index series. Any proposals for significant amendments to these Ground Rules will be subject to consultation with FTSE Russell advisory committees and other stakeholders if appropriate. The feedback from these consultations will be considered by the FTSE Russell Index Governance Board before approval is granted.

2.2.2 As provided for in the Statement of Principles for FTSE Russell Equity indices, where FTSE Russell determines that the Ground Rules are silent or do not specifically and unambiguously apply to the subject matter of any decision, any decision shall be based as far as practical on the Statement of Principles. After making any such determination, FTSE Russell shall advise the market of its decision at the earliest opportunity. Any such treatment will not be considered as an exception or change to the Ground Rules, or to set a precedent for future action, but FTSE Russell will consider whether the Ground Rules should subsequently be updated to provide greater clarity.

¹ The term administrator is used in this document in the same sense as it is defined in [Regulation \(EU\) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds](#) (the European Benchmark Regulation) and [The Benchmarks \(Amendment and Transitional Provision\) \(EU Exit\) Regulations 2019](#) (the UK Benchmark Regulation).

Section 3

FTSE Russell index policies

3. FTSE Russell index policies

These Ground Rules should be read in conjunction with the following policy documents, which can be accessed using the links below.

3.1 Corporate Actions and Events Guide

3.1.1 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide using the following link:

[Corporate Actions and Events Guide.pdf](#)

3.2 Statement of Principles for FTSE Russell Equity Indices (the Statement of Principles)

3.2.1 Indices need to keep abreast of changing markets and the Ground Rules cannot anticipate every eventuality. Where the Ground Rules do not fully cover a specific event or development, FTSE Russell will determine the appropriate treatment by reference to the guiding principles, which summarises the ethos underlying FTSE Russell's approach to index construction. The Statement of Principles is reviewed annually and any changes proposed by FTSE Russell are presented to the FTSE Russell Policy Advisory Board for discussion before approval by the FTSE Russell Index Governance Board.

The Statement of Principles can be accessed using the following link:

[Statement of Principles.pdf](#)

3.3 Queries and Complaints

3.3.1 FTSE Russell's complaints procedure can be accessed using the following link:

[Benchmark Determination Complaints Handling Policy.pdf](#)

3.4 Index Policy for Trading Halts and Market Closures

3.4.1 Guidance for the treatment of index changes in the event of trading halts or market closures can be found using the following link:

[Index Policy for Trading Halts and Market Closures.pdf](#)

3.5 Index Policy in the Event Clients are Unable to Trade a Market or a Security

3.5.1 Details of FTSE Russell's treatment can be accessed using the following link:

[Index Policy in the Event Clients are Unable to Trade a Market or a Security.pdf](#)

3.6 Policy for Benchmark Methodology Changes

3.6.1 Details of FTSE Russell's policy for making benchmark methodology changes can be accessed using the following link:

[Policy for Benchmark Methodology Changes.pdf](#)

3.7 FTSE Russell Governance Framework

3.7.1 To oversee its indices, FTSE Russell employs a governance framework that encompasses product, service and technology governance. The framework incorporates the London Stock Exchange Group's three lines of defence risk management framework and is designed to meet the requirements of the IOSCO Principles for Financial Benchmarks², the European benchmark regulation³ and the UK benchmark regulation⁴. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE_Russell_Governance_Framework.pdf](#)

3.8 Real Time Status Definitions

3.8.1 Please refer to the following guide for details of real time status definitions for indices which are calculated in real time.

[Real Time Status Definitions.pdf](#)

² IOSCO Principles for Financial Benchmarks Final Report, FR07/13 July 2013

³ Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds

⁴ The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019

Section 4

Eligible securities

4. Eligible securities

4.1 Companies are eligible for inclusion in the FTSE ASEA Pan Africa Index Series if they are incorporated and listed on the main board of a stock exchange in an ASEA country as defined in rule 4.2. Multiple lines are aggregated and the full market capitalisation of the company is used for the purpose of defining the eligible universe.

4.2 The FTSE ASEA Pan Africa Index Series covers the following markets:

Botswana	Libya	Tanzania
Cameroon	Mauritius	Tunisia
Cape Verde	Morocco	Uganda
Egypt	Mozambique	Zambia
Ghana	Nigeria	Zimbabwe
Ivory Coast	Rwanda	
Kenya	Sudan	

FTSE Russell and ASEA may agree to add or remove countries to the FTSE ASEA Pan Africa Index Series where a country is a member of ASEA.

4.3 The shares, free float weightings and treatment of secondary lines of stock of constituents will be provided by FTSE Russell. Where two or more lines of a company are maintained separately within these indices, they will be treated as individual securities for the purpose of these rules.

4.4 Where a company's shares are issued partly, or nil, paid and the call dates are already determined and known, the market price will, for the purposes of calculating its market capitalisation, be adjusted so as to include all such calls (i.e. the fully paid price).

4.5 Convertible preference shares and loan stocks are excluded until converted.

4.6 Companies whose business is that of holding equity and other investments (e.g. investment trusts), which are classified by the Industry Classification Benchmark⁵ (ICB) as ICB subsector closed end investments (30204000) and non-equity investment instruments that are classified by the ICB as ICB subsector open end and miscellaneous investment vehicles (30205000) will not be eligible for inclusion. For further details on the ICB, please visit the FTSE Russell website.

⁵ FTSE indices migrated to the new ICB classification system in March 2021.

Section 5

Index qualification criteria

5. Index qualification criteria

5.1 The FTSE ASEA Pan Africa Index Series is adjusted for free float and foreign ownership limits.

Further details on free float restrictions can be accessed using the following link:

[Free Float Restrictions.pdf](#)

A. Initial weighting

Free float is calculated using available published information rounded to 12 decimal places. Companies with a free float of 15% or below are excluded from the index.

Please note: where public information is unavailable, a company's free float will default to 0%. Once free float information becomes available, any resulting change will be updated at the next quarter.

B. Foreign ownership restrictions

FTSE Russell's index methodology takes account of the restrictions placed on the equity holdings of foreigners in a company where these have been imposed by a government, regulatory authority or the company's constitution.

Where the presence of a foreign ownership restriction creates a limit on foreign ownership (the foreign ownership limit or FOL) that is more restrictive than the calculated free float for a company, the precise foreign ownership limit is used in place of the free float for the purposes of calculating the company's investability weight.

If the foreign ownership restriction is less restrictive or equal to the free float restriction, the free float restriction is applied, subject to rule 5.1A.

5.2 Multiple lines

5.2.1 Where there are multiple lines of equity capital in a company, all are included and priced separately, provided that:

- the secondary line's full market capitalisation (i.e. before the application of any investability weightings) is greater than 25% of the full market capitalisation of the company's principal line and the secondary line is eligible in its own right in all respects under section 6;
- should the full market capitalisation of a secondary line that is already a constituent of the FTSE ASEA Pan Africa Index Series fall below 20% of the full market capitalisation of the company's principal line at the semi-annual review, the secondary line will be deleted from the FTSE ASEA Pan Africa Index Series unless its full market capitalisation remains above the qualification level for continued inclusion as a constituent of the index;
- all partly paid classes of equity are priced on a fully paid basis if the calls are fixed and are payable at known future dates. Those where future calls are uncertain in either respect are priced on a partly paid basis.

- 5.3 Securities must be sufficiently liquid to be traded. The following criteria are used to ensure that illiquid securities are excluded:
- A. price – there must be an accurate and reliable price for the purposes of determining the market value of a company;
 - B. size – a non-constituent or an existing constituent will need to have a full market capitalisation greater than or equal to the median full market capitalisation of all the eligible companies in the country exchange to be eligible for inclusion in the FTSE ASEA Pan Africa Index Series. FTSE Russell and ASEA are not obliged to include securities in the FTSE ASEA Pan Africa Index Series where a reliable and consistent pricing source is not available;
 - C. liquidity – securities must be sufficiently liquid to be traded. A non-constituent or an existing constituent will need to have a six-month daily average value traded greater than or equal to the median six month daily average value traded of all the eligible companies in the country exchange to be eligible for inclusion in the FTSE ASEA Pan Africa Index Series. Securities that have no trading volume over the six months will not be included in the liquidity screening and therefore not eligible for the FTSE ASEA Pan Africa Index Series. FTSE Russell and ASEA are not obliged to include securities in the FTSE ASEA Pan Africa Index Series where a reliable and consistent pricing source is not available;
 - D. new issues that do not have a six-month trading record must have a minimum three-month trading record when reviewed. They must have a daily average value traded greater than the median daily average value traded of all the eligible companies in the country exchange to be eligible for inclusion in the FTSE ASEA Pan Africa Index Series.

Section 6

Periodic review of constituents

6. Periodic review of constituents

6.1 Review dates

6.1.1 The FTSE ASEA Pan Africa Index Series will be reviewed on a semi-annual basis in June and December using market data at the close of the last trading day in April and October respectively.

6.1.2 Changes to the index will be implemented after close of business on the third Friday in June and December respectively.

6.2 Rules for insertion and deletion at the semi-annual review

6.2.1 The underlying universe for the FTSE ASEA Pan Africa Index Series is the stocks that are incorporated in and have a listing in an ASEA country.

6.2.2 Screen all the stocks for free float, multiple line and liquidity criteria. Please see rules 5.1 to 5.3.

6.2.3 The number of companies that can be eligible for inclusion in each country is 30 companies. Companies will be ranked by full market capitalisation (before the application of any investability weighting) for countries that breach the 30 company limit. The largest 30 eligible companies will be included in the FTSE ASEA Pan Africa Index Series. If there are less than 30 companies in a country, then all eligible constituents will be included in the FTSE ASEA Pan Africa Index Series.

6.2.4 Whilst selecting a stock within a country that already has 30 constituents, buffers will be in place. For entry, constituents need to be ranked 27th and above within a country to be included in the FTSE ASEA Pan Africa Index Series. For exit, constituents need to be ranked below 33rd within a country to be removed from the FTSE ASEA Pan Africa Index Series.

6.3 Responsibilities and reporting

6.3.1 FTSE Russell is responsible for conducting the semi-annual review of constituents and will publish any constituents to be inserted or deleted as part of the review as soon as possible after the review is held. All eligible securities will be ranked by their current full market capitalisations (i.e. before the application of any investability weightings).

6.4 Capping

6.4.1 The FTSE ASEA Pan Africa Index Series will be capped. FTSE Russell will be responsible for capping the countries to 20% at the time of the semi-annual review.

6.4.2 The calculation of the constituent capping factors (c) will be based on prices at close on the second Friday of the review month using shares in issue and investability weights as designated to take effect after close on the third Friday of the review month (i.e. taking effect on the review effective date).

6.4.3 The calculation will take into account any corporate actions/events that take effect after close on the second Friday of the review month up to and including the review effective date if they have been announced and confirmed by the second Friday of the review month.

- 6.4.4 Corporate actions/events announced after the second Friday of the review month that become effective up and including the review effective date will not result in any further adjustment.
- 6.4.5 Each constituent in the capped country will be treated equally therefore they will receive the same capping factor.
- 6.5 New issues**
- 6.5.1 New issues will not be eligible for inclusion intra-review. Any new issues will only be considered for inclusion in the FTSE ASEA Pan Africa Index Series at the time of the next semi-annual review.

Section 7

Corporate actions and events

7. Corporate actions and events

7.1 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide using the following link:

[Corporate Actions and Events Guide.pdf](#)

A corporate action is an action on shareholders with a prescribed ex-date. The share price will be subject to an adjustment on the ex-date. These include the following:

- capital repayments;
- rights issues/entitlement offers;
- stock conversion;
- splits (sub-division)/reverse splits (consolidation); and
- scrip issues (capitalisation or bonus issue).

A corporate event is a reaction to company news (event) that may impact the index depending on the index rules. For example, a company announces a strategic shareholder is offering to sell their shares (secondary share offer) – this could result in a free float weighting change in the index. Where an index adjustment is required, FTSE Russell will provide notice advising of the timing of the change.

7.2 Shares in issue

Changes to the number of shares in issue for constituent securities are covered in the Corporate Actions and Events Guide.

7.3 Investability weightings

7.3.1 Changes to free float for constituent securities are covered in the Corporate Actions and Events Guide.

7.4 Removals

7.4.1 If a constituent is delisted, or ceases to have a firm quotation, or is subject to a takeover offer that has been declared wholly unconditional or has, in the opinion of FTSE Russell, ceased to be a viable constituent as defined by the Ground Rules, it will be removed from the list of constituents.

7.4.2 The removals are effected simultaneously, with the provision of a minimum two days' notice period.

7.4.3 In the event where a company has been deleted from the index but retains a listing with a float greater than 15%, it will be considered for index eligibility as a new issue following a period of 12 months.

7.5 Mergers, restructuring and complex takeovers

- 7.5.1 If the effect of a merger or takeover is that one constituent is absorbed by another constituent in the FTSE ASEA Pan Africa Index Series, the resulting company will remain a constituent of the relevant index.
- 7.5.2 If a constituent company is taken over by a non-constituent company, the original constituent will be removed from the relevant index. Any eligible company resulting from the takeover will be considered for eligibility in the next semi-annual review.
- 7.5.3 If a constituent company is split so as to form two or more companies, then the resulting companies will be eligible for inclusion as index constituents in the FTSE ASEA Pan Africa Index Series based on their respective full market capitalisation(s) i.e., before the application of any investability weighting and if they qualify in all other respects.

7.6 Suspension of dealing

- 7.6.1 Suspension of dealing rules can be found within the Corporate Actions and Events Guide.

Section 8

Industry Classification Benchmark (ICB) system

8. Industry Classification Benchmark (ICB) System⁶

8.1 Classification of constituents

8.1.1 The FTSE ASEA Pan Africa Index Series constituents are classified into industries, supersectors, sectors and subsectors, as defined by the ICB.

8.1.2 Details of the ICB are available from FTSE Russell and published on the FTSE Russell website (www.lseg.com/en/ftse-russell/) and can be accessed using the following link:

[Industry Classification Benchmark](#)

⁶ FTSE indices migrated to the new ICB classification system in March 2021.

Section 9

Algorithm and calculation method

9. Algorithm and calculation method

9.1 Prices

9.1.1 The FTSE ASEA Pan Africa Index Series uses actual trade prices for securities with local stock exchange quotations. WM/Reuters Spot Rates are used in the indices calculation.

9.1.2 The FTSE ASEA Pan Africa Index Series receives share prices and currency spot rates at the end of day.

9.2 Calculation frequency

9.2.1 The FTSE ASEA Pan Africa Index Series is published at the end of day using last trade prices.

9.3 Algorithm

9.3.1 The FTSE ASEA Pan Africa Index Series is calculated using the algorithm described below.

$$\sum_{i=1}^N \frac{(p_i \times e_i \times s_i \times f_i \times c_i)}{d}$$

Where:

- $i=1,2,\dots,N$;
- N is the number of securities in the index;
- p_i is the latest trade price of the component security (or the price at the close of the index on the previous day);
- e_i is the exchange rate required to convert the security's currency into the index's base currency;
- s_i is the number of shares in issue used by FTSE Russell for the security, as defined in these Ground Rules;
- f_i is the investability weighting factor to be applied to a security to allow amendments to its weighting, expressed as a number between 0 and 1, where 1 represents a 100% free float. This factor is published by FTSE Russell for each security in the underlying index;
- c_i is the capping factor to be applied to a security to correctly weight that security in the index. This factor maps the investable market capitalisation of each stock to a notional market capitalisation for inclusion in the index; and
- d is the divisor, a figure that represents the total issued share capital of the index at the base date. The divisor can be adjusted to allow changes in the issued share capital of individual securities to be made without distorting the index.

Appendix A

Further information

A Glossary of Terms used in FTSE Russell's Ground Rule documents can be found using the following link:

[Glossary.pdf](#)

Further information on the FTSE ASEA Pan Africa Index Series is available from the FTSE Russell website:

www.lseg.com/en/ftse-russell/

For further information on African Securities Exchanges Association, please refer to the website: www.africansea.org.

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