

# FTSE/ASEAN 40 Index

v2.5



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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/ASEAN 40 Index. Copies of the Ground Rules are available from FTSE Russell.
- 1.2 The FTSE/ASEAN 40 Index is designed to represent the performance of the largest companies in the ASEAN region's markets. Initial markets will comprise Indonesia, Malaysia, the Philippines, Singapore and Thailand (see Section 5). Other markets may be added over time. The Index is suitable for Exchange Traded Funds (ETFs), derivatives and for other tradable products.
- 1.3 The FTSE/ASEAN Index Series does not take account of ESG factors in its index design.
- 1.4 These Ground Rules should be read in conjunction with the FTSE Global Equity Index Series and the FTSE ASEAN Index Series Ground Rules. These rules are available on [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/).
- 1.5 The FTSE/ASEAN 40 Index is calculated in real-time during the hours of calculation (see Appendix A).
- 1.6 Capital and Total Return Indexes are available. Total Return Indexes are published at the end of each working day. The Total Return Indexes are based on ex dividend adjustments.
- 1.7 The base currency for the FTSE/ASEAN 40 Index is US dollars.
- 1.8 **FTSE Russell**

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 that it is possible that factors, including external factors beyond the control of FTSE Russell, may necessitate changes to, or the cessation of, the index and therefore, any financial contracts or other financial instruments that reference the index should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index.
- 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 or the ASEAN Exchanges (or any person concerned with the preparation or publication of these Ground Rules) for any losses, damages, claims and expenses suffered by any person as a result of:
  - any reliance on these Ground Rules, and/or
  - any inaccuracies in these Ground Rules, and/or
  - 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.<sup>1</sup>

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

- maintain records of the index weightings of all constituents and reserve companies;
- make changes to the constituents and their weightings in accordance with the Ground Rules;
- carry out the periodic index reviews of the index 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;
- disseminate the indexes.

2.1.3 FTSE is also responsible for monitoring the performance of the FTSE/ASEAN 40 Index throughout the day and will determine whether the status of each index should be 'firm', 'indicative' or 'held' (See Appendix B).

### 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. 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 Product Governance Board before approval is granted.

2.2.2 As provided for in the Statement of Principles for FTSE Russell Equity Indexes, 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.

<sup>1</sup> 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 Indexes (the Statement of Principles)

3.2.1 Indexes need to keep abreast of changing markets and the Ground Rules cannot anticipate every eventuality. Where the Rules do not fully cover a specific event or development, FTSE Russell will determine the appropriate treatment by reference to the Statement of 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 Product Governance Board.

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

[Statement of Principles.pdf](#)

### 3.3 Queries, Complaints and Appeals

3.3.1 A constituent or prospective constituent company (or professional advisor acting on behalf of the company), a national organisation or a group of no fewer than ten users of the Indexes from different organisations acting in their professional capacity may appeal against decisions taken by FTSE Russell.

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

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

FTSE Russell's Appeal Process can be accessed using the following link:

[Appeals Against Decisions.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 Recalculation Policy and Guidelines**

- 3.6.1 Where an inaccuracy is identified, FTSE Russell will follow the steps set out in the FTSE Russell Index Recalculation Guidelines when determining whether an index or index series should be recalculated and/or associated data products reissued. Users of the FTSE ASEAN Index Series will be notified through appropriate media.

For further information refer to the FTSE Russell Recalculation Policy and Guidelines document which is available from the FTSE Russell website using the link below or by contacting [info@ftserussell.com](mailto:info@ftserussell.com).

[Index Recalculation Policy and Guidelines Equity Indexes.pdf](#)

### **3.7 Policy for Benchmark Methodology Changes**

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

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

### **3.8 FTSE Russell Governance Framework**

- 3.8.1 To oversee its indexes, 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 Benchmarks<sup>2</sup>, the European benchmark regulation<sup>3</sup> and the UK benchmark regulation<sup>4</sup>. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE Russell Governance Framework.pdf](#)

### **3.9 Real Time Status Definitions**

- 3.9.1 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](#)

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<sup>2</sup> IOSCO Principles for Financial Benchmarks Final Report, FR07/13 July 2013.

<sup>3</sup> 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.

<sup>4</sup> The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019.

## Section 4

# Eligible securities

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## 4. Eligible securities

- 4.1 The FTSE/ASEAN 40 Index consists of the largest 40 companies by full market capitalisation that are constituents of the FTSE All World Index from the eligible markets as set out in Appendix A.
- 4.2 The shares, free float weightings and treatment of secondary lines of stock of constituents are the same as those used in the FTSE Global Equity Index Series. Where two or more lines of a company are maintained separately within these indices, they will be treated as individual securities for the purposes of these rules.
- 4.3 Thailand companies that are selected for inclusion in the FTSE/ASEAN 40 Index will be priced off the main board and may therefore have a different line of stock than that is included in the FTSE All-World Index.
- 4.4 Securities are subject to a liquidity screen. Each security must turn over at least 20% of its shares in issue, after adjusting for free float, in the twelve months prior to the review.
- 4.5 Ground Rules for the FTSE Global Equity Index Series are available on [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/).

## Section 5

# Review of constituents

## 5. Review of constituents

### 5.1 Review dates

- 5.1.1 The FTSE/ASEAN 40 Index is reviewed annually in March.
- 5.1.2 The data on which the annual review is undertaken will be from the close of business on the Monday 4 weeks prior to the review effective date. Where all eligible markets are not open on that day, the previous business day on which all eligible markets were open will be used.
- 5.1.3 Changes arising from the annual review will be implemented after the close of business on the third Friday of March (i.e., effective Monday).

### 5.2 Rules for insertion and deletion at the annual review

The constituents of the FTSE/ASEAN 40 Index are determined by using the following methodology:

- 5.2.1 Eligible securities (See Section 4) are ranked by full market capitalisation i.e., before the application of any investability weightings.
- 5.2.2 Buffers are implemented when reviewing the Index to provide stability and reduce turnover. The objective of buffers is to exclude or include those constituents which have risen or fallen significantly.
  - A. Non-constituents which have risen to 30th position or above will be included in the Index at the annual review;
  - B. Existing constituents which have fallen to 51st position or below will be removed from the Index at the annual review;
  - C. Where a greater number of constituents qualify to be included in the Index than those qualifying to be removed, the lowest ranking constituents presently included in the Index will be removed to ensure that the number of constituents remains constant. Likewise, where a greater number of constituents qualify to be removed from the Index than those qualifying for inclusion, the highest-ranking constituents which are presently not in the Index will be included to match the number of constituents being removed at the periodic review.



## Section 6

# Changes to constituent companies

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## 6. Changes to constituent companies

### 6.1 Removal

6.1.1 If a constituent ceases to be a constituent of the FTSE Global Equity Index Series it will be removed from the FTSE/ASEAN 40 Index. The removal will be concurrent with its removal from the FTSE Global Equity Index Series. The highest-ranking non-constituent from the FTSE/ASEAN 40 Index universe will become eligible for inclusion into the Index and will be added to the Index at the same time.

### 6.2 Additions and new issues

6.2.1 If a constituent is added to the relevant FTSE Global Equity Index Series Country Index it will be considered for eligibility to the FTSE/ASEAN 40 Index at the next 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. The index will be adjusted in line with the ex date.

These include the following:

- Capital Repayments
- Rights Issues/Entitlement Offers
- Stock Conversion
- Splits (sub-division)/Reverse splits (consolidation)
- 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 Mergers, restructuring and complex takeovers

7.3.1 If the effect of a merger or takeover is that one constituent is absorbed by another, the resulting company will remain a constituent of the FTSE/ASEAN 40 Index and a vacancy will be created. This vacancy will be filled by selecting the largest eligible non-constituent security by full market capitalisation from the FTSE/ASEAN 40 Index universe at the time of the event. The removal and replacement of these stocks will be simultaneous.

7.3.2 If a constituent is taken over by an eligible non-constituent, the original constituent will be removed and replaced by the merged entity. In the event that the merged entity is ineligible for the index, it will be replaced by the largest eligible non-constituent from the FTSE/ASEAN 40 Index universe at the time of the event (see Rule 4.1). The removal and replacement of these stocks will be simultaneous.

- 7.3.3 If a constituent company is split so as to form two or more companies, the two or more companies arising from the split will be eligible for inclusion in the Index if they qualify in all respects (see Rule 4.1). If two or more of the new companies are ineligible then a vacancy(ies) will be created. If two or more companies are eligible, the smallest constituent(s) at the market close on the first day of trading of the spun-off company will be deleted giving two days' notice. As a result the FTSE/ASEAN 40 Index may contain more than 40 companies for three days (or more if the spun-off company does not trade on the effective date).
- 7.3.4 If FTSE Russell decides to include a new issue as a constituent security other than as part of the normal annual review procedure, this decision must be publicly announced at the earliest practicable time.
- 7.4 Suspension of dealing**
- 7.4.1 Suspension of dealing rules can be found within the Corporate Actions and Events Guide.
- 7.4.2 Where the company is removed from the FTSE/ASEAN 40 Index, it will be replaced with the highest-ranking non-constituent, by full market capitalisation, from the FTSE/ASEAN 40 Index universe at the same time.

## Section 8

# Index algorithm and calculation method

## 8. Index algorithm and calculation method

### 8.1 Prices

8.1.1 The FTSE/ASEAN 40 Index are calculated using actual trade prices for securities with local stock exchange quotations. Refinitiv real-time spot currency rates are used in the index calculation.

8.1.2 The FTSE/ASEAN 40 Index receives share prices and currency spot rates in real time.

### 8.2 Calculation frequency

8.2.1 The FTSE/ASEAN 40 Index is calculated in real time during the Official Index Period, using last trade prices.

### 8.3 Algorithm

8.3.1 The indexes are calculated using the algorithm described below.

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

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.
- $d$  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

# Index & market opening and closing times, pricing and exchange rates

## Hours of calculation

The FTSE/ASEAN 40 Index is calculated on Mondays to Fridays from 09:00 hours until each of the constituent markets has closed. The closing index value is calculated at 18:00 hours local Singaporean time; 10:00 hours GMT.

### Stock market trading times; Singaporean time:

	Open	Close
Indonesia	10:30	17:00
Malaysia	09:00	17:00
Philippines	09:30	15:30
Singapore	09:00	17:06
Thailand	11:00	17:30

The FTSE/ASEAN 40 Index are calculated on public holidays whenever at least one exchange is trading. The Indexes will not be calculated on 1 January.

### Constituent pricing

All exchange closing prices are sourced from Refinitiv.

Indonesia	Official Closing Price (Auction)
Malaysia	Official Closing Price (Auction)
Philippines	Official Closing Price (Auction)
Singapore	Official Closing Price (Auction)
Thailand	Official Closing Price (Auction)

### Foreign exchange rates

The foreign exchange rates used in the calculation of the FTSE/ASEAN 40 Index are Refinitiv real time spot rates.

The US dollar is the base currency for all index calculations. Non US dollar denominated constituents prices are converted into US dollars in order to calculate the Indexes.

The foreign exchange rates received from Refinitiv at 18:00 (Hong Kong time) are the bid rates and are used to calculate the final Index levels. These are termed the “closing foreign exchange rates”.

## Appendix B

# Status of index

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The FTSE/ASEAN 40 Index is calculated in real time.

For further details of real time definitions please refer to the following guide:

[Real Time Status Definitions.pdf](#)

The official opening and closing hours of the FTSE/ASEAN 40 Index are set out in Appendix A. Variations to the official hours of the indexes are published by FTSE Russell as appropriate.

The FTSE/ASEAN 40 Index is calculated on public holidays whenever at least one market is trading. The indexes will not be calculated on 1 January.

## Appendix C

# Further information

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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/ASEAN 40 Index Series Ground Rules is available from FTSE Russell.

For contact details please visit the FTSE Russell website or contact FTSE Russell client services at [info@ftserussell.com](mailto:info@ftserussell.com).

**Website:** [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/)

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