

# FTSE Bursa Malaysia Index Series

v5.8



**FTSE  
RUSSELL**  
An LSEG Business



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## Section 1

# Introduction

## 1. Introduction

### 1.1 General

- 1.1.1 This document sets out the Ground Rules for the construction and management of the FTSE Bursa Malaysia Index Series. Copies of the Ground Rules are available from FTSE, Bursa Malaysia (see appendix B) and on the websites [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/) and [www.bursamalaysia.com](http://www.bursamalaysia.com).
- 1.1.2 The FTSE Bursa Malaysia Index Series is designed to represent the performance of companies, providing investors with a comprehensive and complementary set of indices, which measure the performance of the major capital and industry segments of the Malaysian and regional market.
- 1.2 The FTSE Bursa Malaysia Index Series does not take account of ESG factors in its index design.
- 1.3 The base currency of the benchmark is MYR. Index values may also be published in other currencies.

### 1.4 Headline FTSE Bursa Malaysia Index Series

Indices based on the main market:

- 1.4.1 FTSE Bursa Malaysia KLCI  
This index comprises the largest 30 companies by full market capitalisation that meet stated eligibility requirements.
- 1.4.2 FTSE Bursa Malaysia Mid 70 Index  
This index comprises the next 70 companies by full market capitalisation that meet stated eligibility requirements.
- 1.4.3 FTSE Bursa Malaysia Top 100 Index  
This index comprises the constituents of the FTSE Bursa Malaysia KLCI and the FTSE Bursa Malaysia Mid 70 Index.
- 1.4.4 FTSE Bursa Malaysia Small Cap Index  
This index comprises those eligible companies within the top 98% of the main market by full market capitalisation that meet stated eligibility requirements but are not constituents of the FTSE Bursa Malaysia Top 100 Index.
- 1.4.5 FTSE Bursa Malaysia MidS Cap Index  
This index comprises those eligible companies of the FTSE Bursa Malaysia EMAS Index that meet stated market capitalisation requirements.
- 1.4.6 FTSE Bursa Malaysia EMAS Index  
This index comprises the constituents of the FTSE Bursa Malaysia Top 100 Index and the FTSE Bursa Malaysia Small Cap Index.

1.4.7 FTSE Bursa Malaysia EMAS Industry Indices

The indices comprise the constituents of the FTSE Bursa Malaysia EMAS Index categorised into 10 industry (new ICB 11), 19 supersector (new ICB 20) and 39 sector indices (new ICB 45). These industries, supersectors and sectors are defined in the Industry Classification Benchmark (ICB).

1.4.8 FTSE Bursa Malaysia EMAS Shariah Index

This index comprises the constituents of the FTSE Bursa Malaysia EMAS Index that are Shariah compliant according to the Securities Commission's Shariah Advisory Council (SAC) screening methodology.

1.4.9 FTSE Bursa Malaysia Hijrah Shariah Index

This index comprises the largest 30 companies by full market capitalisation of the FTSE Bursa Malaysia EMAS Index that follow Yasaar and the SAC screening methodology.

1.4.10 FTSE Bursa Malaysia Small Cap Shariah Index

This index comprises the constituents of the FTSE Bursa Malaysia Small Cap Index that are Shariah compliant according to the SAC screening methodology.

1.4.11 FTSE Bursa Malaysia MidS Cap Shariah Index

This index comprises the constituents of the FTSE Bursa Malaysia MidS Cap Index that are Shariah compliant according to the SAC screening methodology.

1.4.12 FTSE Bursa Malaysia Fledgling Index

This index comprises the main market companies that meet stated eligibility requirements but are not in the top 98% by full market capitalisation and are not constituents of the FTSE Bursa Malaysia EMAS Index.

1.4.13 FTSE Bursa Malaysia Palm Oil Plantation Index

This index comprises the constituents of the FTSE Bursa Malaysia EMAS Index that derive substantial revenue from palm oil activities that meet the stated eligibility requirements.

Index based on the ACE market:

1.4.14 FTSE Bursa Malaysia ACE Index

This index comprises all the companies listed on the ACE Market. Constituents are required to meet the eligibility requirements.

Index based on the regional Asia Pacific market:

1.4.15 FTSE Bursa Malaysia Asian Palm Oil Plantation Index

This index comprises the companies from the universes of developed, advanced emerging and secondary emerging countries as classified by FTSE in the Asia Pacific region excluding Japan, Australia and New Zealand that derive substantial revenue from palm oil activities. Constituents are required to meet the eligibility requirements.

1.5 The following variants are, or if requested may be, calculated for certain indices within the index series.

- Capital and total return indices.
- Net total return indices based on specified withholding tax rates.
- Indices calculated in currencies other than the base currency (MYR).
- Capped indices; for full details see the FTSE Russell capping methodology guide.
- Constituent size bands – large, mid and small capitalisation indices.
- Sector indices.

Additional customised variants can be calculated on request including indices with industry and sector exclusions. Selected indices are calculated and disseminated on a real-time basis.

## **1.6 IOSCO**

1.6.1 FTSE considers that the FTSE Bursa Malaysia Index Series meets the IOSCO principles for financial benchmarks as published in July 2013.

Full details can be accessed at [www.iosco.org](http://www.iosco.org).

Details of FTSE Russell's Statement of Compliance with respect to the IOSCO Principles can be accessed using the following link:

[IOSCO Statement of Compliance](#)

## **1.7 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.

1.8 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 that use the benchmark to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index series.

1.9 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 due to 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 series<sup>1</sup>.

- 2.1.2 FTSE is responsible for the daily calculation, production and operation of the index series, and will:
- calculate all the indices in the FTSE Bursa Malaysia Index Series in real time;
  - 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 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.
- 2.1.3 FTSE is also responsible for monitoring the performance of the FTSE Bursa Malaysia Index Series throughout the day and will determine whether the status of each index should be firm, indicative, held or closed.

### 2.2 Bursa Malaysia responsibilities

2.2.1 Bursa Malaysia will liaise with and assist FTSE where required on changes to index and constituent data.

### 2.3 FTSE Bursa Malaysia Index advisory committee

2.3.1 Committee responsibilities

The purpose of the committee is to provide a forum for FTSE Russell to interact with index users and other stakeholders with a view to enhancing the underlying methodologies of this index series. In particular, the committee will:

- A. discuss proposed changes to the Ground Rules; and
- B. comment on the index reviews presented by FTSE Russell.

The terms of reference of the FTSE Bursa Malaysia Index advisory committee are set out on the FTSE Russell website and can be accessed using the following link:

[FTSE Bursa Malaysia Index Advisory Committee.pdf](#)

<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).

## **2.4 Amendments to these Ground Rules**

- 2.4.1 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.
- 2.4.2 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.

## 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 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 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 A constituent or prospective constituent company (or professional adviser acting on behalf of the company), a national organisation or a group of no fewer than 10 users of the indices 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](#)

### 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 Bursa Malaysia 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 e-mailing [info@ftserussell.com](mailto:info@ftserussell.com).

[Recalculation Policy and Guidelines Equity Indices.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 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 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 For indices that are calculated in real time, please refer to the following guide for details of real time status definitions:

[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

# Index construction

## 4. Index construction

### 4.1 Eligible securities

- 4.1.1 All classes of ordinary shares in issue are eligible for inclusion in the FTSE Bursa Malaysia Index Series, subject to conforming to all other rules of eligibility, free float and liquidity.
- 4.1.2 Companies that are listed on the main market of Bursa Malaysia are eligible for inclusion in the following indices:
- FTSE Bursa Malaysia KLCI
  - FTSE Bursa Malaysia Mid 70 Index
  - FTSE Bursa Malaysia Top 100 Index
  - FTSE Bursa Malaysia Small Cap Index
  - FTSE Bursa Malaysia EMAS Index
  - FTSE Bursa Malaysia MidS Cap Index
  - FTSE Bursa Malaysia EMAS Shariah Index
  - FTSE Bursa Malaysia Hijrah Shariah Index
  - FTSE Bursa Malaysia Small Cap Shariah Index
  - FTSE Bursa Malaysia MidS Cap Shariah Index
  - FTSE Bursa Malaysia Fledgling Index
  - FTSE Bursa Malaysia Palm Oil Plantation Index
- 4.1.3 Companies that are listed on a stock exchange or recognised market from the universes of developed, advanced emerging and secondary emerging countries in the Asia Pacific region excluding Japan, Australia and New Zealand are eligible for inclusion in the FTSE Bursa Malaysia Asian Palm Oil Plantation Index. For a full list of eligible securities, please see appendix B in the FTSE Global Equity Index Series Ground Rules. Where a company does not list all its shares in an eligible class or does not list an entire class, the unlisted shares are not eligible for the index, but they may be included in the review universe.
- 4.1.4 Companies that are listed on the ACE Market of Bursa Malaysia are eligible for inclusion in the FTSE Bursa Malaysia ACE Index.
- 4.1.5 For the purposes of the FTSE Bursa Malaysia Index Series, where a security is listed on Bursa Malaysia and is traded on Bursa Malaysia's trading system, that security will be considered as Malaysian for the purposes of nationality and therefore eligible for the FTSE Bursa Malaysia Index Series, subject to conforming to all other eligibility criteria.
- 4.1.6 Convertible preference shares and loan stocks are excluded until converted.

- 4.1.7 Companies whose business is that of holding equity and other investments (e.g. investment trusts) that are classified by the Industry Classification Benchmark (ICB)<sup>5</sup> as subsector equity investment Instruments (8985) (new ICB closed end investments (30204000)) and non-equity investment instruments that are classified by the ICB as subsector non-equity investment instruments (8995) (new ICB 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.
- 4.1.8 Securities that are subject to surveillance by the stock exchange and have been assigned to PN17 of the main market or GN3 of the ACE market will not be eligible for index inclusion. Where an existing constituent is assigned to PN17 or GN3 it will normally be deleted from the index quarterly, after the close of business on the third Friday of March, June, September and December. The company will only be reconsidered for index inclusion after a period of 12 months from its deletion subject to it no longer being under surveillance. For the purposes of the index eligibility, it will be treated as a new issue.
- 4.1.9 Securities that are assigned to PN17 or GN3 after the review announcement date but before the index review effective date are assessed on a case-by-case basis, which may generally result in scheduled index review additions, investability weight and shares in issue changes no longer being implemented at the forthcoming review.

## 4.2 Free float

Constituents of the FTSE Bursa Malaysia Index Series are adjusted for free float.

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

[Free Float Restrictions.pdf](#)

### A. Initial weighting

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

Companies with a free float of 15% or below are excluded from the index.

## 4.3 Liquidity

Securities must be sufficiently liquid to be traded. The following criteria are used to ensure that illiquid securities are excluded.

### 4.3.1 Reliable price

An accurate and reliable price must exist for the purpose of determining the market value of a company. A security may be excluded from the FTSE Bursa Malaysia Index Series if an accurate and reliable price is not available. The FTSE Bursa Malaysia Index Series uses the last available prices from Bursa Malaysia when available. Where both foreign and domestic quotes are listed, the domestic quote is used.

### 4.3.2 Size – full market cap

The largest eligible companies ranked by full market capitalisation, i.e. before the application of any investability weightings, comprising 98% of all companies will be included in the FTSE Bursa Malaysia EMAS Index. The implementation will take place after the close of business on the third Friday in June and December.

For the FTSE Bursa Malaysia Asian Palm Oil Plantation Index, only companies valued at more than USD 100 million (at the date at which the data for the review is taken) will be included in the review universe.

### 4.3.3 Liquidity

This rule is applicable to all indices in the FTSE Bursa Malaysia Index Series (except for the FTSE Bursa Malaysia Fledgling Index and the FTSE Bursa Malaysia ACE Index).

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<sup>5</sup> FTSE indices migrated to the new ICB classification system in March 2021.

Each security will be tested for liquidity semi-annually in June and December by calculation of its monthly median of daily trading volume. When calculating the median of daily trading volume per month of any security, a minimum of five trading days in that month must exist, otherwise the month will be excluded from the test.

Liquidity will be calculated for the June review from the first business day of June of the previous year to the review cut-off date in May and for the December review from the first business day of December of the previous year to the review cut-off date in November.

For each month, the daily trading volume for each security is calculated as a percentage of the shares in issue for that day adjusted by the free float at the review cut-off date. These daily values are then ranked in descending order and the median is taken by selecting the value for the middle ranking day if there is an odd number of days and the mean of the middle two if there is an even number of days.

Daily totals with zero trades are also included in the ranking; therefore, a security that fails to trade for more than half of the days in a month will have a zero median trading volume for that month.

Any period of suspension will not be included in the test.

The liquidity test will be applied on a pro-rata basis where the testing period is less than 12 months.

A non-constituent that does not turnover at least 0.05% of their shares in issue (after the application of any investability weightings) based on their median daily trading volume per month for at least 10 of the 12 months prior to the semi-annual review will not be eligible for inclusion in the index.

- A. An existing constituent that does not turnover at least 0.04% of its shares in issue (after the application of any investability weightings) based on its median daily trading volume per month for at least eight of the 12 months prior to the semi-annual review will be removed.
- B. New issues that do not have a 12-month trading record must have a minimum 20 days' trading record when reviewed. They must turnover at least 0.05% of their shares in issue (after the application of any investability weightings\*) based on their median daily trading volume each month, on a pro-rata basis since listing. This rule will not apply to new issues added under rule 6.3.

\*When testing liquidity, the free float weight as at the last date in the testing period will be used for the calculation for the whole of that period.

- C. At the sole discretion of FTSE Russell, the above percentage figures may be adjusted by up to 0.01% at a market review so that, in FTSE Russell's opinion, the index better reflects the liquid investable market of the region. This discretion may only be exercised across the whole of a region and may not be applied to individual securities or countries.

#### **4.4 Shariah screening methodology by the SAC**

4.4.1 The general criteria stipulate that the SAC Shariah-compliant companies must not be involved in any of the following core activities.

- A. Financial services based on riba (interest)
- B. Gambling
- C. Manufacture or sale of non-halal products or related products
- D. Conventional insurance
- E. Entertainment activities that are non-permissible according to Shariah
- F. Manufacture or sale of tobacco-based products or related products
- G. Stockbroking or share trading in Shariah non-compliant securities
- H. Other activities deemed non-permissible according to Shariah

Further details on the SAC can be obtained from the Securities Commission website at [www.sc.com.my](http://www.sc.com.my).

#### **4.5 Shariah screening methodology by Yasaar**

4.5.1 Yasaar will ensure that all constituents and potential constituents are screened quarterly to determine their Shariah status. An overview of the Yasaar/FTSE Russell stock screening criteria is listed below.

4.5.2 Companies involved in the following activities will be non-permitted business sectors:

- A. conventional finance (non-Islamic banking, finance and insurance, etc);
- B. alcohol;
- C. pork-related products and non-halal food production, packaging and processing or any other activity related to pork and non-halal food;
- D. entertainment (casinos, gambling, cinema, music, pornography and hotels);
- E. tobacco; and
- F. weapons, arms and defence manufacturing.

This list is not exhaustive and is provided as a basic guidance to the broad principles involved.

4.5.3 After companies have been screened by their business sector activity, the remaining companies are further examined on their finances to ensure that those companies are Shariah compliant. Only those companies that pass the following financial ratios will be considered Shariah compliant.

- A. Debt is less than 33.333% of total assets.
- B. Cash and interest-bearing items are less than 33.333% of total assets.
- C. Accounts receivable and cash are less than 50% of total assets.
- D. Total interest and non-compliant activities income should not exceed 5% of total revenue.

Companies that change financial compliance between two successive quarters will be monitored to check if their debt and/or cash/interest bearing ratios fall within 33.333% +/- 5% (i.e. below 31.667% and 35% or above). If, during the monitoring period, any company remains above or below 33.333% +/- 5% for two consecutive quarters, the compliance of that company will change accordingly.

Appropriate purification of dividends is at 5%. This ratio calculates the recommended purification amount to be paid by the investor.

#### **4.6 Index qualification criteria**

4.6.1 FTSE Bursa Malaysia EMAS Index

The FTSE Bursa Malaysia EMAS Index will represent 98% of the full market capitalisation, i.e. before the application of any investability weightings, of all ordinary securities listed on the main market of Bursa Malaysia that qualify under rules 4.1 to 4.3 as eligible for inclusion in the index.

4.6.2 FTSE Bursa Malaysia KLCI

The FTSE Bursa Malaysia KLCI will consist of the largest 30 companies ranked by full market capitalisation, i.e. before the application of any investability weightings, in the FTSE Bursa Malaysia EMAS Index. The number of constituents in this index is fixed.

4.6.3 FTSE Bursa Malaysia Mid 70 Index

The FTSE Bursa Malaysia Mid 70 Index will consist of the next 70 companies ranked by full market capitalisation, i.e. before the application of any investability weightings, in the FTSE Bursa Malaysia EMAS Index. The number of constituents in this index is fixed.

4.6.4 FTSE Bursa Malaysia Top 100 Index

The FTSE Bursa Malaysia Top 100 Cap Index comprises the FTSE Bursa Malaysia KLCI and FTSE Bursa Malaysia Mid 70 Indices aggregated. The number of constituents in this index is fixed.

4.6.5 FTSE Bursa Malaysia Small Cap Index

The FTSE Bursa Malaysia Small Cap Index will consist of all constituents of the FTSE Bursa Malaysia EMAS Index that are not constituents of the FTSE Bursa Malaysia Top 100 Index.

4.6.6 FTSE Bursa Malaysia MidS Cap Index

The FTSE Bursa Malaysia MidS Cap Index comprises constituents from the FTSE Bursa Malaysia EMAS Index with a full market capitalisation range of MYR 200 million to MYR two billion, subject to buffers applied to provide stability in the selection of constituents at the periodic reviews.

4.6.7 FTSE Bursa Malaysia EMAS Industry Indices

The FTSE Bursa Malaysia EMAS Industry Indices will consist of all constituents in the FTSE Bursa Malaysia EMAS Index classified into 10 industry, 19 supersector and 39 sector indices. These industries, supersectors and sectors are defined in the Industry Classification Benchmark (ICB).

4.6.8 FTSE Bursa Malaysia EMAS Shariah Index

The FTSE Bursa Malaysia EMAS Shariah Index will consist of all constituents of the FTSE Bursa Malaysia EMAS Index that are Shariah compliant according to the SAC screening methodology as detailed in rule 4.4.

4.6.9 FTSE Bursa Malaysia Hijrah Shariah Index

The FTSE Bursa Malaysia Hijrah Shariah Index will consist of the largest 30 companies ranked by full market capitalisation, i.e. before application of any investability weightings, in the FTSE Bursa Malaysia EMAS Index that are compliant according to the SAC and Yasaar screening methodology as detailed in rules 4.4 and 4.5 respectively. The Yasaar selection of companies is compliant in accordance with the SAC principles.

4.6.10 FTSE Bursa Malaysia Small Cap Shariah Index

The FTSE Bursa Malaysia Small Cap Shariah Index will consist of all constituents of the FTSE Bursa Malaysia Small Cap Index that are Shariah compliant according to the SAC screening methodology as detailed in rule 4.4.

4.6.11 FTSE Bursa Malaysia MidS Cap Shariah Index

The FTSE Bursa Malaysia MidS Cap Shariah Index will consist of all constituents of the FTSE Bursa Malaysia MidS Cap Index that are Shariah compliant according to the SAC screening methodology detailed in rule 4.4.

4.6.12 FTSE Bursa Malaysia Fledgling Index

The FTSE Bursa Malaysia Fledgling Index comprises the main market companies that meet stated eligibility requirements but are not in the top 98% by full market capitalisation and are not constituents of the FTSE Bursa Malaysia EMAS Index. The FTSE Bursa Malaysia Fledgling Index constituents are not screened for liquidity (see rules 4.3.2 and 4.3.3), but must qualify under rules 3.1, 3.2 and 3.3.1 as eligible for inclusion in the index.

4.6.13 FTSE Bursa Malaysia ACE Index

This index comprises all the companies listed on the ACE market. Constituents are not screened for liquidity (see rules 4.3.2 and 4.3.3), but must qualify under rules 4.1, 4.2 and 4.3.1 as eligible for inclusion in the index.

4.6.14 FTSE Bursa Malaysia Palm Oil Plantation Index

The FTSE Bursa Malaysia Palm Oil Plantation Index comprises all the constituents from the FTSE Bursa Malaysia EMAS Index that derive their substantial revenue from palm oil activities that meet the stated eligibility requirements as outlined in rule 5.4.

4.6.15 FTSE Bursa Malaysia Asian Palm Oil Plantation Index

The FTSE Bursa Malaysia Asian Palm Oil Plantation Index will represent 98% of the full market capitalisation, i.e. before the application of any investability weightings, of all companies from the universes of developed, advanced emerging and secondary emerging countries as classified by FTSE in the Asia Pacific region excluding Japan, Australia and New Zealand constituents that derive their substantial revenue from palm oil activities that meet the stated eligibility requirements as outlined in rule 5.5.

## Section 5

# Periodic review of constituent companies

## 5. Periodic review of constituent companies

### 5.1 Review dates

- 5.1.1 The semi-annual review of the FTSE Bursa Malaysia Index Series constituents takes place in June and December using data from the close of business on the Monday four weeks prior to the review effective date. Any constituent changes will be implemented after close of business on the third Friday (i.e. effective Monday) of June and December.
- 5.1.2 The SAC will announce the Shariah-compliant companies semi-annually on the last Friday of May and November. These companies will form the basis of the FTSE Bursa Malaysia EMAS Shariah Index, the FTSE Bursa Malaysia Small Cap Shariah Index and the FTSE Bursa Malaysia MidS Cap Shariah Index and will be implemented after close of business on the third Friday (i.e. effective Monday) of June and December respectively.
- 5.1.3 Yasaar will determine the Shariah-compliant companies semi-annually on the Monday four weeks prior to the review effective date. Any changes to the FTSE Bursa Malaysia Hijrah Shariah Index arising from Yasaar and the SAC semi-annual reviews will be implemented after close of business on the third Friday (i.e. effective Monday) of June and December respectively.
- 5.1.4 Details of the outcome of the review and the dates, on which any changes are to be implemented, will be published after the close of business on the Thursday before the first Friday of June and December to give users of the index sufficient notification of the changes before their implementation.

### 5.2 Responsibilities and reporting

- 5.2.1 FTSE Russell is responsible for conducting the semi-annual review of constituents for the FTSE Bursa Malaysia Index Series.
- 5.2.2 FTSE Russell is responsible for publicising the outcome of the semi-annual review.

### 5.3 Rules for insertion and deletion at the semi-annual review

- 5.3.1 The rules for inserting and deleting companies at the semi-annual review are designed to provide stability in the selection of constituents of the FTSE Bursa Malaysia Index Series while ensuring that the index continues to be representative of the market by including or excluding those companies that have risen or fallen significantly.
- 5.3.2 No company can be a member of more than one of the following indices simultaneously:
- FTSE Bursa Malaysia KLCI
  - FTSE Bursa Malaysia Mid 70 Index
  - FTSE Bursa Malaysia Small Cap Index
  - FTSE Bursa Malaysia Fledgling Index



- 5.3.3 A security will be inserted at the periodic review if it rises above the position stated below for the relevant index when the eligible Main Market securities are ranked by full market value:
- |  |   |                        |
|--|---|------------------------|
| FTSE Bursa Malaysia KLCI                 | – | Risen to 25th or above |
| FTSE Bursa Malaysia Mid 70 Index         | – | Risen to 85th or above |
| FTSE Bursa Malaysia Hijrah Shariah Index | – | Risen to 25th or above |
- 5.3.4 A security will be deleted at the periodic review if it falls below the position stated below for the relevant index when the eligible main market securities are ranked by full market value:
- |  |   |                          |
|--|---|--------------------------|
| FTSE Bursa Malaysia KLCI                 | – | Fallen to 36th or below  |
| FTSE Bursa Malaysia Mid 70 Index         | – | Fallen to 116th or below |
| FTSE Bursa Malaysia Hijrah Shariah Index | – | Fallen to 36th or below  |
- 5.3.5 Companies deleted from the FTSE Bursa Malaysia KLCI at the periodic review will normally be added to the FTSE Bursa Malaysia Mid 70 Index. Companies added to the FTSE Bursa Malaysia KLCI at the periodic review will normally be deleted from the FTSE Bursa Malaysia Mid 70 Index.
- 5.3.6 Companies deleted from the FTSE Bursa Malaysia Mid 70 Index at the periodic review will normally be added to the FTSE Bursa Malaysia Small Cap Index. Companies added to the FTSE Bursa Malaysia Mid 70 Index at the periodic review will normally be deleted from the FTSE Bursa Malaysia Small Cap Index.
- 5.3.7 A constant number of constituents will be maintained for the following indices:
- FTSE Bursa Malaysia KLCI
  - FTSE Bursa Malaysia Mid 70 Index
  - FTSE Bursa Malaysia Hijrah Shariah Index
- Where a greater number of companies qualify to be inserted in an index than those qualifying to be deleted, the lowest-ranking constituents presently included in the index will be deleted to ensure that an equal number of companies are inserted and deleted at the periodic review. Likewise, where a greater number of companies qualify to be deleted than those qualifying to be inserted, the securities of the highest-ranking companies that are presently not included in the index will be inserted to match the number of companies being deleted at the periodic review.
- 5.3.8 A constant number of constituents will not be maintained for the following indices:
- FTSE Bursa Malaysia Small Cap Index
  - FTSE Bursa Malaysia MidS Cap Index
  - FTSE Bursa Malaysia EMAS Index
  - FTSE Bursa Malaysia EMAS Shariah Index
  - FTSE Bursa Malaysia Small Cap Shariah Index
  - FTSE Bursa Malaysia MidS Cap Shariah Index
  - FTSE Bursa Malaysia Fledgling Index
  - FTSE Bursa Malaysia ACE Index
  - FTSE Bursa Malaysia Palm Oil Plantation Index
  - FTSE Bursa Malaysia Asian Palm Oil Plantation Index
- Stocks that fall out of the above indices due to suspension, takeover, etc will not be replaced, nor will a constituent of these indices be removed to accommodate new issues or new companies arising from restructuring of constituents, etc.

- 5.3.9 The SAC's list of Shariah-compliant companies will be used to analyse the status of each FTSE Bursa Malaysia EMAS Index constituent using the methodology described in rule 4.4. Any change will be implemented in the FTSE Bursa Malaysia EMAS Shariah Index and the FTSE Bursa Malaysia Small Cap Shariah Index at the periodic review.
- 5.3.10 Yasaar and the SAC list of Shariah-compliant companies will be used to analyse the status of each FTSE Bursa Malaysia EMAS Index constituent using the methodology described in rules 4.4 and 4.5. Any change will be implemented in the FTSE Bursa Malaysia Hijrah Shariah Index at the periodic review so that the largest 30 companies by full market value that are Yasaar and SAC Shariah compliant can be selected.
- 5.3.11 Where a company is deleted from either the FTSE Bursa Malaysia KLCI, the FTSE Bursa Malaysia Mid 70 or the FTSE Bursa Malaysia Hijrah Shariah Indices after FTSE Russell has announced periodic changes to the indices but before the periodic changes have been implemented, the highest-ranking company from the new reserve list, excluding current index constituents, will replace the deleted company.
- 5.3.12 Buffers will be applied to provide stability in the selection of constituents of the FTSE Bursa Malaysia EMAS Index. Non-constituents that are ranked within the top 97% of the main market universe will be included in the FTSE Bursa Malaysia EMAS Index providing they meet the eligibility requirements as outlined in section 4. Non-constituents that are ranked below the top 97% of the main market universe will be included in the FTSE Bursa Malaysia Fledgling Index, providing they meet the requirements as outlined in section 4 (excluding rule 4.3.3). Existing constituents of the FTSE Bursa Malaysia EMAS Index that are ranked below 99% of the main market universe will be excluded from the FTSE Bursa Malaysia EMAS Index and included in the FTSE Bursa Malaysia Fledgling Index, providing they meet the requirements as outlined in section 3 (excluding rule 4.3.3). FTSE Bursa Malaysia Fledgling constituents that rank between the 97% and 99% of the main market universe cut-offs will remain eligible for inclusion providing they meet the requirements as outlined in section 4 (excluding rule 4.3.3).
- 5.3.13 For the FTSE Bursa Malaysia MidS Cap Index and the FTSE Bursa Malaysia MidS Cap Shariah Index, a company will be excluded if its full market capitalisation has fallen to MYR 180 million or below or has risen to more than MYR 2.2 billion and above.

#### **5.4 FTSE Bursa Malaysia Palm Oil Plantation Index criteria**

- 5.4.1 The FTSE Bursa Malaysia Palm Oil Plantation Index represents the performance of Malaysian companies in the FTSE Bursa Malaysia EMAS Index that have a substantial percentage of their revenue from palm oil activities.
- 5.4.2 To be eligible, constituents must be a member of the FTSE Bursa Malaysia EMAS Index at the periodic review.
- 5.4.3 For a non-constituent to be included in the index, it is required to have revenue from palm oil related activities to be greater than 30% of total revenue.
- 5.4.4 An existing index constituent will no longer be eligible if its revenue from palm oil related activities falls below 20%.

#### **5.5 FTSE Bursa Malaysia Asian Palm Oil Plantation Index criteria**

- 5.5.1 The FTSE Bursa Malaysia Asian Palm Oil Plantation Index represents 98% of the full market capitalisation, i.e. before the application of any investability weightings, of companies from the universes of developed, advanced emerging and secondary emerging countries as classified by FTSE Russell in the Asia Pacific region excluding Japan, Australia and New Zealand that have a substantial percentage of their revenue from palm oil activities.
- 5.5.2 Buffers will be applied to provide stability in the selection of constituents of the FTSE Bursa Malaysia Asian Palm Oil Plantation Index. Non-constituents that are ranked within the top 97% of the eligible review universe by full market value will be included.
- 5.5.3 Existing constituents of the FTSE Bursa Malaysia Asian Palm Oil Plantation Index that are ranked below 99% of the eligible review universe by full market value will be excluded.

- 5.5.4 Companies whose revenue from the production, ownership or operation of palm oil and palm oil plantations is less than 10% are excluded from the eligible universe.
- 5.5.5 For a non-constituent to be included in the index, it is required to have its revenue from palm oil related activities to be greater than 30% of total revenue.
- 5.5.6 An existing index constituent will no longer be eligible if its revenue from palm oil related activities falls below 20%.
- 5.5.7 For a country to be eligible in the FTSE Bursa Malaysia Asian Palm Oil Plantation Index, its companies aggregated together must have an index weighting of greater than 2%.
- 5.5.8 A country will be excluded from the FTSE Bursa Malaysia Asian Palm Oil Plantation Index if its companies aggregated together have an index weighting of less than 1.5%.
- 5.5.9 The FTSE Bursa Malaysia Asian Palm Oil Plantation Index is capped at 18% on a quarterly basis. Following capping, the weight of each constituent in the Index moves freely in line with price movements. See section 10 for further details of the capping process.

## **5.6 Monitoring of eligible companies**

- 5.6.1 The market capitalisation of companies eligible for inclusion in the FTSE Bursa Malaysia Index Series is monitored by FTSE Russell. All listed ordinary securities on Bursa Malaysia will be included in the periodic reviews.

## **5.7 Reserve lists**

- 5.7.1 FTSE Russell will be responsible for publishing the five highest-ranking non-constituents of the FTSE Bursa Malaysia KLCI and the FTSE Bursa Malaysia Hijrah Shariah Indices and the 10 highest-ranking non-constituents of the FTSE Bursa Malaysia Mid 70 Index at the time of the periodic review. The appropriate reserve list will be used if one or more constituents are deleted from the FTSE Bursa Malaysia KLCI, the FTSE Bursa Malaysia Mid 70 Index or the FTSE Bursa Malaysia Hijrah Shariah Index during the period up to the next semi-annual review.

## Section 6

# Changes to constituent companies

## 6. Changes to constituent companies

### 6.1 Removal and replacement

- 6.1.1 If a constituent is delisted from Bursa Malaysia, ceases to have a firm quotation, is subject to a takeover or has ceased to be a viable constituent as defined by the Ground Rules, it will be removed from the list of constituents.
- 6.1.2 If a constituent is delisted from its relevant stock exchange, ceases to have a firm quotation, is subject to a takeover 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 FTSE Bursa Malaysia Asian Palm Oil Plantation Index and will not be replaced until the next semi-annual review.
- 6.1.3 Where the company to be removed is a constituent of the following indices:  
FTSE Bursa Malaysia KLCI  
FTSE Bursa Malaysia Mid 70 Index  
FTSE Bursa Malaysia Hijrah Shariah Index
- The vacancy will be filled by selecting the highest-ranking security by full market value in the appropriate reserve list as at the close of the index calculation two days prior to the deletion and related indices adjusted in accordingly.
- When the company is removed from the following indices, no replacement company will be found for the:  
FTSE Bursa Malaysia Small Cap Index  
FTSE Bursa Malaysia MidS Cap Index  
FTSE Bursa Malaysia EMAS Index  
FTSE Bursa Malaysia EMAS Shariah Index  
FTSE Bursa Malaysia Small Cap Shariah Index  
FTSE Bursa Malaysia MidS Cap Shariah Index  
FTSE Bursa Malaysia Fledgling Index  
FTSE Bursa Malaysia ACE Index  
FTSE Bursa Malaysia Palm Oil Plantation Index  
FTSE Bursa Malaysia Asian Palm Oil Plantation Index
- 6.1.4 Changes to the FTSE Bursa Malaysia KLCI, the FTSE Bursa Malaysia Mid 70 Index and the FTSE Bursa Malaysia Small Cap Index will be made automatically to the FTSE Bursa Malaysia Top 100 and the FTSE Bursa Malaysia EMAS Indices.
- 6.1.5 The removal and replacement are effected simultaneously with the provision of a minimum two days' notice.

- 6.1.6 A company deleted following a takeover, with a remaining free float of 15% or less, will not be reconsidered for index inclusion until completion of a one-year trading record.
- 6.1.7 Constituents removed in accordance with rule 6.1.3, but which continue to trade thereafter, will be considered for re-inclusion to the index at the next review, subject to section 4 and that at least six months has passed between deletion and the implementation date of the changes arising from the review.
- 6.1.8 Constituents that are transferred to a different board in the FTSE Bursa Malaysia Index Series will be immediately deleted in their current index. The deleted constituent will not be eligible to be included in the new index until the next periodic review.

## **6.2 Mergers, restructuring and complex takeovers**

- 6.2.1 If the effect of a merger or takeover is that one constituent in the FTSE Bursa Malaysia KLCI, the FTSE Bursa Malaysia Mid 70 Index or the FTSE Bursa Malaysia Hijrah Shariah Index is absorbed by another constituent, the resulting company will remain a constituent of the appropriate index and a vacancy will be created. This vacancy will be filled by selecting the highest-ranking security by full market value in the appropriate reserve list as at the close of the index calculation two days prior to the deletion and related indices adjusted in accordance with rule 6.1. The vacancy will not be filled for the FTSE Bursa Malaysia Small Cap Index, the FTSE Bursa Malaysia MidS Cap Index, the FTSE Bursa Malaysia EMAS Index, the FTSE Bursa Malaysia EMAS Shariah Index, the FTSE Bursa Malaysia Small Cap Shariah Index, the FTSE Bursa Malaysia MidS Cap Shariah Index, the FTSE Bursa Malaysia Fledgling Index, the FTSE Bursa Malaysia Palm Oil Plantation Index and the FTSE Malaysia Asian Palm Oil Plantation Index.
- 6.2.2 If a constituent of the FTSE Bursa Malaysia Palm Oil Plantation Index, the FTSE Bursa Malaysia Asian Palm Oil Plantation Index, the FTSE Bursa Malaysia MidS Cap Index and the FTSE Bursa Malaysia MidS Cap Shariah Index is acquired by another constituent, the constituent being acquired will be deleted on the effective date of the acquisition. The enlarged company will remain a constituent of the respective index.
- 6.2.3 If a constituent company in the FTSE Bursa Malaysia KLCI, the FTSE Bursa Malaysia Mid 70 Index or the FTSE Bursa Malaysia Hijrah Shariah Index is taken over by a non-constituent company, the original constituent will be removed and replaced by the highest-ranking non-constituent in the appropriate reserve list. Any eligible company resulting from the takeover, subject to section 4, will be eligible to become the replacement company if it is ranked higher than any company on the reserve list. Any eligible company resulting from the takeover, subject to section 4, will be eligible for the FTSE Bursa Malaysia Small Cap Index if their respective full market capitalisations are equal or greater than 0.1% of the full market value of the FTSE Bursa Malaysia Small Cap index i.e. before the application of any investability weightings. If smaller than 0.1% they will be added to the FTSE Bursa Malaysia Fledgling index (excluding rule 4.3.3). Any eligible company in the ACE Market resulting from the take-over, subject to section 4 (excluding rule 4.3.3), will be eligible to for inclusion in the FTSE Bursa Malaysia ACE Index respectively.
- 6.2.4 If a constituent of the FTSE Bursa Malaysia Palm Oil Plantation Index and the FTSE Bursa Malaysia Asian Palm Oil Plantation Index acquires or merges with a non-constituent, the acquiring constituent will remain in the Index respective index providing it qualifies under rules 5.4 and 5.5.
- 6.2.5 If a constituent of FTSE Bursa Malaysia MidS Cap Index acquires or merges with a non-constituent, the acquiring constituent will remain in the index respective index providing it remains a constituent of the FTSE Bursa Malaysia EMAS Index.
- 6.2.6 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 appropriate FTSE Bursa Malaysia Indices providing their respective full market capitalisation(s) (i.e. before the application of any investability weightings) is larger than the smallest existing constituent in the relevant index and if they qualify in all other respects. Where two or more of the new companies remain eligible for a fixed-number constituent index, the smallest constituent(s) will be removed, to retain the consistent fixed number of constituents.
- 6.2.7 If none of the companies resulting from a split remain eligible for the FTSE Bursa Malaysia Index, the original constituent will be replaced if necessary by the highest ranking company eligible on the reserve list (see rule 6.1) as at the close of the index calculation two days prior to the deletion.

- 6.2.8 Index constituent changes resulting from the split will be determined based on market values at close on the day of the split. The changes will then be applied two days later. Consequently, any fixed-number constituent index may have more than that fixed number of companies for three days. For example, a FTSE Bursa Malaysia KLCI constituent split into two companies may result in one or both companies remaining in the FTSE Bursa Malaysia KLCI. Where both companies remain in the FTSE Bursa Malaysia KLCI, the smallest FTSE Bursa Malaysia KLCI constituent will become a constituent of the FTSE Bursa Malaysia Mid 70 Index and the lowest-ranking constituent in the FTSE Bursa Malaysia Mid 70 Index will, in turn, become a constituent of the FTSE Bursa Malaysia Small Cap Index. Companies resulting from a split that are smaller than the lowest-ranking FTSE Bursa Malaysia Mid 70 Index constituent, will become a constituent of the FTSE Bursa Malaysia Small Cap Index if their respective full market capitalisations are equal or greater than 0.1% of the full market value of the FTSE Bursa Malaysia Small Cap index. If smaller than 0.1% they will be added to the FTSE Bursa Malaysia Fledgling Index. Any eligible company in the ACE Market resulting from a split will be eligible for inclusion in the FTSE Bursa Malaysia ACE Index.
- 6.2.9 If a constituent of the FTSE Bursa Malaysia Plantation Indices is split 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 under rules 5.4 and 5.5 and they are larger than the smallest company in the index by full market value.
- 6.2.10 If a constituent of the FTSE Bursa Malaysia EMAS Shariah Index, the FTSE Bursa Malaysia Small Cap Shariah Index or the FTSE Bursa Malaysia MidS Cap Shariah Index merges or is taken over by a non-Shariah compliant company then it will remain in the index, subject to it being compliant with the SAC's Shariah criteria.
- 6.2.11 If a constituent of the FTSE Bursa Malaysia Hijrah Shariah Index merges or is taken over by a non-Shariah compliant company then it will remain in the index, subject to it being compliant with Yasaar and the SAC Shariah criteria.
- 6.2.12 If a constituent of the FTSE Bursa Malaysia EMAS Shariah Index, the FTSE Bursa Malaysia Small Cap Shariah Index or the FTSE Bursa Malaysia MidS Cap Shariah Index is split to form two or more companies, the resulting companies will remain eligible for inclusion in the relevant indices until the next semi-annual review where the Shariah status of the resulting companies will be reassessed.
- 6.2.13 If a constituent of the FTSE Bursa Malaysia Hijrah Shariah Index is split to form two or more companies, the resulting companies will remain eligible for inclusion in the index, providing they are larger than the smallest constituent based on their respective full market capitalisations, until the next semi-annual review where the Shariah status of the resulting companies will be reassessed. The smallest constituent will therefore be removed from the index.

### **6.3 New issues**

- 6.3.1 If a new issue is so large (i.e. its full market capitalisation amounts to 2% or more of the full capitalisation of the FTSE Bursa Malaysia EMAS Index, before the application of individual constituent investability weightings) that the effectiveness of the index as a market indicator would be significantly and adversely affected by its omission, the new issue will be included as a constituent of the FTSE Bursa Malaysia KLCI and the remaining FTSE Bursa Malaysia Indices that it qualifies for after the close of business on the fifth day of trading and eligibility will be determined using the closing price on the first day of trading. In all cases, advance notification confirming the timing of the inclusion of the new constituent will be given accordingly. The security that is the lowest-ranking constituent of the indices in the FTSE Bursa Malaysia KLCI, the FTSE Bursa Malaysia Mid 70 Index and the FTSE Bursa Malaysia Hijrah Shariah Index will be selected for removal and related indices adjusted in accordance with rules 6.1.3 and 6.1.4. In the event of the fifth day of trading occurring during the week of the index review, an eligible fast entrant will be added to the index concurrent with the review effective date.

Please note: only those shares being offered for sale in the IPO will be included within the index weighting at the time of fast entry inclusion (subject to not being categorised as restricted shares as defined within the free float restrictions document).

- 6.3.2 Variable, best effort and direct listing initial public offerings (IPOs)\* are not considered for fast entry inclusion since FTSE Russell is:
- unable to confirm if the minimum free float requirement has been met; and
  - unable to assign an accurate free float for the purposes of the index calculation.
- 6.3.3 Variable, best effort and direct listing IPOs will be considered for index inclusion at the next semi-annual review if, by the review cut-off date, a public disclosure\* (which has been published post-IPO) is available confirming the updated shareholder structure. Index inclusion remains subject to meeting all other eligibility criteria. If the post IPO shareholder structure has not been disclosed by the review cut-off date, the evaluation of the company will be deferred to a subsequent semi-annual review.
- \*A public disclosure is typically by way of a company filing, stock exchange notice or shareholding regulatory announcement.
- 6.3.4 New issues with a secondary market listing on Bursa Malaysia (i.e. where there is a primary listing on another exchange) will be considered for inclusion at the next semi-annual review.
- 6.3.5 If the FTSE Russell decides to include a new issue as a constituent security other than as part of the normal periodic review procedure, this decision must be publicly announced at the earliest practicable time.
- 6.3.6 New issues, including demutualisations, that do not qualify as early entrants to the FTSE Bursa Malaysia Index Series as defined under rule 6.3.1, will become eligible for inclusion at the next semi-annual review of constituents (except the FTSE Bursa Malaysia Fledgling Index and the FTSE Bursa Malaysia ACE Index), providing they meet the eligibility requirements as outlined in section 4.
- 6.3.7 The inclusion of early entries as defined under rule 6.3.1, excluding demutualisations, will not require a minimum trading record.
- 6.3.8 If a constituent is added to the FTSE Bursa Malaysia EMAS Index, it will be eligible for inclusion in the FTSE Bursa Malaysia EMAS Shariah Index and the FTSE Bursa Malaysia Hijrah Shariah Index at the next semi-annual review, subject to the constituent passing the SAC's screening methodology and Yassar's screening methodology respectively, as described in rules 4.4 and 4.5.
- 6.3.9 If a constituent is added to the FTSE Bursa Malaysia EMAS Index, it will be eligible for inclusion in the FTSE Bursa Malaysia Palm Oil Plantation Index subject to the constituent passing the criteria as described in rule 5.4.
- 6.3.10 New issues will be eligible for inclusion in the FTSE Bursa Malaysia Fledgling Index, the FTSE Bursa Malaysia ACE Index or the FTSE Bursa Malaysia Asian Palm Oil Plantation Index at the next semi-annual review.

## Section 7

# Corporate actions and events

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## 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);
- 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

7.2.1 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 Suspension of dealing

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



## Section 8

# Industry Classification Benchmark (ICB)

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## 8. Industry Classification Benchmark (ICB)

### 8.1 Classification structure<sup>6</sup>

8.1.1 The FTSE Bursa Malaysia 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/](http://www.lseg.com/en/ftse-russell/)) and can be accessed using the following link:

[Industry Classification Benchmark](#)

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<sup>6</sup> FTSE indices migrated to the new ICB classification system in March 2021.

## Section 9

# Index calculation

## 9. Index calculation

9.1 All indices within the FTSE Bursa Malaysia Index Series will be displayed to two decimal points.

9.2 The FTSE Bursa Malaysia Index Series is calculated using the following formula:

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

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.

## Section 10

# Capping algorithm

## 10. Capping algorithm

10.1 The capping level is fixed at 10% for the FTSE Bursa Malaysia Palm Oil Plantation Index and at 18% for the FTSE Bursa Malaysia Asian Palm Oil Plantation Index.

10.1.1 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).

10.1.2 The calculation will consider 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.

10.1.3 Corporate actions/events announced after the second Friday of the review month that become effective up to and including the review effective date will not result in any further adjustment.

10.2 Upon completion of the above steps the capping procedure is applied using the following algorithm.

Please note: the algorithm is applied to each constituent that requires capping, e.g. any constituent whose uncapped weight is greater than 10%.

The constituent capping factor  $c_i$  is given by:

$$c_i = \frac{Z}{I \times (p_i \times s_i \times f_i)} \sum_{j \in J} (p_j \times s_j \times f_j)$$

Where:

- $i$  denotes the security to be capped;
- $j$  denotes an uncapped security;
- $J$  is the subset of securities that are uncapped;
- $p_k$  is the official closing price of the  $k^{\text{th}}$  security;
- $s_k$  is the number of shares in issue of the  $k^{\text{th}}$  security;
- $f_k$  is the free float factor of the  $k^{\text{th}}$  security;
- $I$  is the percentage of the index represented by all uncapped constituents; and
- $Z$  is the percentage capping level.

\*The constituent capping factor is calculated for all constituents whose uncapped weight after the application of investability weightings is greater than 18% of the FTSE Bursa Malaysia Asian Palm Oil Plantation Index. The weights of the capped and uncapped constituents in the index are then calculated. If following the application of this capping procedure other constituents have moved above 18% of the FTSE Bursa Malaysia Asian Palm Oil Plantation Index then the process is repeated, now including the new constituent(s) that require capping. This process is then repeated until no further constituents require capping.

## Appendix A

# Status of indices

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Each index in the FTSE Bursa Malaysia Index Series is calculated in real time (except for the FTSE Bursa Malaysia EMAS Industry Indices, which are available on an end-of-day basis only).

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 FTSE Bursa Malaysia Index Series are in line with the trading hours on Bursa Malaysia's trading system. Variations to the official hours of the indices are published by FTSE Russell and Bursa Malaysia as appropriate.

The FTSE Bursa Malaysia Index Series is calculated on all days when Bursa Malaysia is open for trading.

The FTSE Bursa Malaysia Asian Palm Oil Plantation Index is calculated in US Dollars and Ringgit Malaysia on all days when one or more of the constituent markets are open for trading.

Price and total return indices are published at the end of the working day. The total return indices are based on ex-dividend adjustments.

US Dollar, Euro, UK Sterling and Japanese Yen values will be calculated on an end-of-day basis.

A net of tax index is also calculated for the FTSE Bursa Malaysia Asian Palm Oil Plantation Index based on the maximum withholding tax rates applicable to dividends received by institutional investors who are not resident in the same country as the remitting company and who do not benefit from double taxation treaties.

## Appendix B

# Further information

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

[Glossary.pdf](#)

Further information on the FTSE Bursa Malaysia Index Series is available from FTSE Russell and Bursa Malaysia.

Contact details for FTSE Russell can be found on [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/) or by e-mail on [info@ftserussell.com](mailto:info@ftserussell.com).

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