

# FTSE Custom MPF All-World REITs Extended Index

v1.1

The FTSE Custom MPF All-World REITs Extended Index is not, and are not intended to be, used by supervised entities in the European Union or the United Kingdom and accordingly, the European benchmark regulation\* and the UK Benchmark Regulation# do not apply to the index. Consequently, supervised entities within the European Union and the United Kingdom are not permitted to use the indices as a benchmark as set out in article 3(1)(7) of the European benchmark regulation.

For the avoidance of doubt, neither FTSE International Limited nor any other member of the London Stock Exchange Group plc group of companies, is the benchmark administrator (as defined in article 3(1)(6) of the European benchmark regulation) of the indices.

*[\\*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 Benchmarks \(Amendment and Transitional Provision\) \(EU Exit\) Regulations 2019 \(which amends the European benchmark regulation in the United Kingdom\)](#)*

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## Section 1

# Introduction

## 1. Introduction

- 1.1 This document sets out the Ground Rules for the construction and maintenance of the FTSE Custom MPF All-World REITs Extended Index. Copies of these Ground Rules are available from FTSE Russell (see Appendix A) and [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/).
- 1.2 These Ground Rules should be read in conjunction with the FTSE MPF Index Series Ground Rules and FTSE Global Equity Index Series Ground Rules which are available at [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/)
- 1.3 The FTSE Custom MPF All-World REITs Extended Index does not take account of ESG factors in its index design.
- 1.4 The FTSE Custom MPF All-World REITs Extended Index is an extension of the FTSE MPF Indices. It is designed to reflect the performance of REITs that are compliant with the Mandatory Provident Fund regulations.
- 1.5 The FTSE Custom MPF All-World REITs Extended Index calculated on a hedged and unhedged basis. The FTSE Custom MPF All-World REITs Extended Index is currency hedged back into Hong Kong dollars, as required to meet the regulations of the Mandatory Provident Fund. Please see full details of the currency hedging methodology in Appendix C of the FTSE MPF Index Series Ground Rules.
- 1.6 The FTSE Custom MPF All-World REITs Extended Index is calculated daily.
- 1.7 The base currency of the benchmarks is Hong Kong Dollars (HKD). Index values may also be published in other currencies.
- 1.8 Capital and Total Net Return indices are available. The Total Net Return indices are calculated based on actual tax rates applicable to MPF schemes. For details on the tax rates used for each country, please contact FTSE Russell.
- 1.9 **FTSE Russell**
  - 1.9.1 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.
  - 1.9.2 Index users who choose to follow this index series or to buy products that claim to follow this index series should assess the merits of the index series' 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 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 series 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:

- 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 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;
- 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 meet the current and future requirements of investors and other index users. 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.

<sup>1</sup> FTSE is not the benchmark administrator of the Index Series as the term administrator is defined in the [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 Queries and Complaints

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

[FTSE Russell Benchmark Determination Complaints-Handling Policy](#)

### 3.2 Index Policy for Trading Halts and Market Closures

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

[FTSE Russell Index Policy for Trading Halts and Market Closures](#)

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

3.3.1 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: Ground Rules](#)

### 3.4 Policy for Benchmark Methodology Changes

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

[FTSE Russell Policy for Benchmark Methodology Changes: Ground Rules](#)

### 3.5 FTSE Russell Governance Framework

3.5.1 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](#)

<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

## 4. Eligible securities

### 4.1 Index Universe

4.1.1 The securities in the below two categories are eligible to be included in the FTSE Custom MPF All-World REITs Extended Index:

- **Category A:**  
Securities under ICB Sector 351020 (Real Estate Investment Trusts) from Hong Kong, United Kingdom, United States, Australia in the FTSE MPF All-World Index. In the FTSE MPF All-World Index, ICB Subsector 35102060 (Timber REITs) has already been excluded.

For details of the FTSE MPF All-World Index, please see FTSE MPF Index Series Ground Rules which are available at [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/).

- **Category B:**  
Securities under ICB Sector 351020 (Real Estate Investment Trusts) from Canada, France, Japan, Singapore and Netherlands in the FTSE All-World Index, excluding ICB Subsector 35102060 (Timber REITs).

For details of the FTSE All-World Index, please see FTSE Global Equity Index Series Ground Rules which are available at [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/).

### 4.2 Exclusion List

4.2.1 Invesco Hong Kong Limited (“Invesco”) will provide an exclusion list (the “Exclusion List”) on a quarterly basis in March, June, September and December by the first Friday of the month.

4.2.2 The FTSE Custom MPF All-World REITs Extended Index will exclude securities on the latest available Exclusion List at the index review.

### 4.3 Investability weighting

4.3.1 The investability weighting of an individual constituent is the same as in the FTSE All-World Index, based on the appropriate investment screens and free float weighting (see Rule Section 5.2 for capping).

## Section 5

# Periodic review of constituents

## 5. Periodic review of constituents

### 5.1 Index Review

- 5.1.1 The FTSE Custom MPF All-World REITs Extended Index will be reviewed semi-annually in March and September. The index review will be based on data after the close of business on the last business day of December and June (price cut-off date). The review will be implemented after the close of business on the third Friday of the review month (i.e. effective from the open on the following Monday).
- 5.1.2 IPOs which failed to qualify as fast entrants in the underlying index universe will be reviewed in June and December, besides being reviewed at semi-annual reviews. Any constituent changes in the FTSE Custom MPF All-World REITs Extended Index resulting from the June and December reviews are implemented after the close of business on the third Friday (i.e. effective from the open on the following Monday) of June and December.
- 5.1.3 FTSE Russell will apply the latest Exclusion List provided by Invesco on a quarterly basis in March, June, September and December. Any constituent changes resulting from the Exclusion List screening are implemented after the close of business on the third Friday (i.e. effective from the open on the following Monday) of March, June, September and December.

### 5.2 Capping Methodology

- 5.2.1 The following multi-level capping process is applied to the index:
- 5.2.1.1 Capping for Category B (defined in 4.1.1)
- 1) Group-level Capping:
- Constituents in Category B are subject to a 9% aggregate capping so that the sum of the weight of all constituents from Category B will not account for more than 9% of index on monthly basis.
- 2) Security-level Capping:
- Each constituent is subject to a 9% security-level capping so that no constituent accounts for more than 9% of the index on monthly basis.
- 5.2.1.2 Capping for Category A (defined in 4.1.1)
- 1) Security-level Capping:
- Each constituent is subject to a 9% security-level capping so that no constituent accounts for more than 9% of the index on monthly basis.
- 5.2.2 Both group-level capping and security-level capping are applied to the index on monthly basis using prices adjusted for the corporate actions available on the close of the second Friday of the month. The capping is implemented after the close of business on the third Friday of each month based on the constituents, shares in issue and free float in the index on the next trading day following the third Friday of each month.

## Section 6

# Changes to constituent companies

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## 6. Changes to constituent companies

### 6.1 Intra-review deletions

- 6.1.1 If a constituent ceases to be a constituent of underlying index universe (defined in Section 4.1), it will be removed from the FTSE Custom MPF All-World REITs Extended Index. The removal will be concurrent with its removal from the underlying index universe.
- 6.1.2 In addition, if a constituent becomes ineligible under the current or any new Hong Kong Mandatory Provident Fund regulations, it will be removed from the FTSE Custom MPF All-World REITs Extended Index. The removal will be concurrent with its removal from the FTSE MPF All-World Index after giving users of the index sufficient notification of the changes before their implementation.
- 6.1.3 Upon a deletion, such removed constituent weight will be distributed pro-rata among the remaining constituents in the FTSE Custom MPF All-World REITs Extended Index.

### 6.2 Intra-review additions

- 6.2.1 If a constituent is added to the underlying index universe (defined in Section 4.1), it will be included in the FTSE Custom MPF All-World REITs Extended Index if it passes the eligibility screening in Section 4. The inclusion in the FTSE Custom MPF All-World REITs Extended Index will be concurrent with its inclusion in the underlying index universe.

## 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 for Market Cap Weighted Indices 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 **Suspension of dealing**

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

### 7.3 **Takeovers, mergers and demergers**

The treatment of takeovers, mergers and demergers can be found within the Corporate Actions and Events Guide.

## Section 8

# Currency hedging

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## 8. Currency hedging

- 8.1 To comply with the Hong Kong Mandatory Provident Fund regulations, the FTSE Custom MPF All-World REITs Extended Hedged Index is hedged back into Hong Kong dollars, if necessary.
- 8.2 The FTSE Custom MPF All-World REITs Extended Hedged Index will follow the same currency hedging treatment as the FTSE MPF Indices.
- 8.3 The regulations stipulate that at least 30% of a fund's exposure must be to Hong Kong dollar risk assets. The index series will hedge non-Hong Kong dollar currency exposure in excess of 65% to ensure they stay well within the regulations.
- 8.4 The percentage of a fund's exposure to the Hong Kong dollar will be reviewed twice a year at the same time as the FTSE All-World Index review in March and September to determine if the index needs to be hedged in the coming six months. At each review if it is decided to hedge, a hedging factor will also be calculated and then carried forward until the next review. Please see Appendix C of the FTSE MPF Index Series Ground Rules for definition.
- 8.5 The currency hedged indices are calculated daily using one-month forward currency rates. Due to the lack of liquidity in some Hong Kong dollar forward currency rates, all hedging is calculated as a two-stage process. The respective foreign currency is first hedged into the United States dollar and then hedged from the US dollar to Hong Kong dollar.
- 8.6 Full details of the currency hedging methodology are described in Appendix C of the FTSE MPF Index Series Ground Rules.

## Appendix A

# 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 Custom MPF All-World REITs Extended Index 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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