

FTSE/CySE 20 Index

v4.5



**FTSE
RUSSELL**

An LSEG Business



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Section 1

Introduction

1. Introduction

- 1.1 The FTSE/CySE 20 Index has been designed to provide a real-time measure of the Cyprus Stock Market on which index-linked derivatives could be traded.
- 1.2 A price index is calculated in Euro.
- 1.3 The benchmark administrator hereby notifies users of the index that it is possible that circumstances, including external events beyond the control of the benchmark administrator, may necessitate changes to, or the cessation, of the index and therefore any financial contracts or other financial instruments that reference the index or investment funds that use the index to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index.
- 1.4 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 (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;
 - 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.
- 1.5 The FTSE CySE 20 Index does not take account of ESG factors in its index design.
- 1.6 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.

Section 2

Management responsibilities

2. Management responsibilities

2.1 There are three groups involved in the management of the FTSE/CySE 20 Index:

- Cyprus Stock Exchange (CySE);
- CySE Index advisory committee; and
- FTSE International Limited (FTSE).

2.2 Cyprus Stock Exchange (CySE)

2.2.1 The CySE is the benchmark administrator and is responsible for the daily operation of the index. CySE will monitor all corporate actions and price changes, and implement all constituent and weighting changes to the index¹.

2.3 FTSE International Limited (FTSE)

2.3.1 FTSE is responsible for monitoring changes to the index and auditing its operation and will advise the CySE on the treatment of complex corporate actions. FTSE will share an audit report with the CySE twice per year. The CySE may recommend changes to the operation of the index following consideration of the audit report. FTSE will act as auditor to the index.

2.4 CySE Index Advisory Committee

2.4.1 The CySE Index Advisory Committee has been established by the CySE to:

- comment on proposed changes to the Ground Rules of the FTSE CySE Index Series; and
- comment on the index reviews presented by the CySE for the FTSE CySE Index Series.

2.5 Amendments to these Ground Rules

2.5.1 These Ground Rules shall be subject to regular review by the benchmark administrator and FTSE Russell to ensure that they continue to best reflect the aims of the index. The review process will include consultation on any proposed changes with the CySE and the CySE Index Advisory Committee, the FTSE Russell Index Governance Board and approval by the CySE.

2.5.2 Changes to these Ground Rules can be authorised only by the benchmark administrator and FTSE Russell. If an amendment is made to any of the Ground Rules, CySE and 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 CySE together with FTSE Russell will consider whether the Ground Rules should subsequently be updated to provide greater clarity.

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

Section 3

Eligible securities

3. Eligible securities

- 3.1 All classes of ordinary shares in issue incorporated and resident in Cyprus for tax purposes are eligible for inclusion in the index, subject to conforming with rules 3.2 to 3.8.
- 3.2 Shares must be listed on either the main or alternative market of the CySE.
- 3.3 Shares trading on the under surveillance market of the CSE will be ineligible for inclusion.
- 3.4 Where a company lists multiple lines of equity capital, each line shall be eligible and priced separately.
- 3.5 Where a company's shares are issued nil paid and the call dates are already determined and known, the market price will, for the purposes of calculating its market capitalisation, be adjusted so as to include all such calls (i.e. the fully paid price).
- 3.6 Convertible preference shares and loan stocks will be excluded until converted.
- 3.7 Non-corporate investment entities such as exchange traded funds (ETFs), currency funds and those funds whose prices are a direct derivation of their underlying holdings e.g. unit trusts and open ended investment companies (OEICs) will be excluded.
- 3.8 Eligible securities are subject to investability screens.
- Free float – 15% of the stock's shares in issue must, in the opinion of the benchmark administrator, be publicly available for investment and must not be in the hands of a single party or parties acting in concert. Stocks with less than 15% free float will be ineligible for the index.
- Price – the benchmark administrator must be satisfied that an accurate and reliable price for the purposes of determining the market value of a company must exist.
- Liquidity – securities (other than new issues) that do not trade on at least 15% of the business days in the six calendar months preceding the review will not be eligible for inclusion in the index. Any period when a share is suspended will be excluded from the above calculation. Newly listed companies will have their liquidity assessed on a pro-rata basis.
- In exceptional market conditions, if trading volumes are very low, the benchmark administrator may reduce the liquidity figure stated above to avoid a large number of constituents being removed from the FTSE/CySE 20 Index. This discretion may not be applied to individual companies. If this discretion is exercised, a public statement to that effect prior to the periodic review implementation must be made.
- Trading record – securities must have traded for a minimum of 20 trading days before the review data collection date.
- 3.9 Free float restrictions will be calculated using available published information. For equity shares of companies that have been admitted to the Index that have a free float greater than 15%, the actual free float will be rounded up to the next highest whole percentage number. Companies with a free float below 15% are not eligible for inclusion in the index.

- 3.10 Following the application of an initial free float restriction, a constituent's free float will only be changed if its rounded free float moves to more than three percentage points above or below the existing rounded free float. Where a company's actual free float moves to above 99%, it will not be subject to the three percentage points threshold and will be rounded to 100%.
- 3.11 If a company is subject to restructuring under specific provisions, such as receiving capital injection by way of an equity issue from the state and or other agencies or bodies, and the company's free float falls below the 15% minimum requirement, then the company should be eligible for inclusion in the index.

Section 4

Index qualification criteria

4. Index qualification criteria

- 4.1 The largest 20 securities valued by full market capitalisation after applying all investability screens will be eligible for inclusion in the index.

Section 5

Periodic review of constituents

5. Periodic review of constituents

- 5.1 The constituent reviews will be based on data collected as at the end of April and October respectively. Constituent changes will be implemented after the close of business on the third Friday of June and December respectively.
- 5.2 The periodic review of constituents will be conducted using the following steps:
- A. create database of all securities listed on the CySE;
 - B. apply all liquidity tests set out in the Ground Rules;
 - C. exclude securities that do not fulfil criteria set out in Ground Rules;
 - D. rank all eligible securities by market capitalisation, largest first and smallest last;
 - E. securities that have risen to position 10 or above will qualify to be included in the index at the periodic review;
 - F. existing constituents which have fallen to position 31 or below will qualify to be removed from the index at the periodic review;
 - G. where a greater number of securities qualify to be included in the index than those qualifying to be removed, the lowest-ranking securities presently included in the index will be removed to ensure that the number of securities remains constant. Likewise, where a greater number of securities qualify to be removed from the index than those qualifying for inclusion, the highest-ranking securities that are presently not in the index will be included to match the number of securities being removed at the periodic review; and
 - H. adjust share weightings for availability to all investors.
- 5.3 Reserve list**
- 5.3.1 The CySE is responsible for publishing the five highest-ranking eligible non-constituent securities of the FTSE/CySE 20 Index following each semi-annual review. This reserve list will be used if one or more constituent securities is deleted from the FTSE/CySE 20 Index during the period up to the next semi-annual review of the index.
- 5.3.2 Where a security is removed from the index after the announcement of the index review but before the semi-annual changes have been implemented, the highest-ranking eligible security by full market capitalisation from the new reserve list (excluding current Index constituents) will replace the deleted security.

5.4 Capping

- 5.4.1 At the semi-annual review, any constituents whose weights are greater than 25% are capped at 25% using prices adjusted for corporate actions as at the close of business one week prior to the third Friday of June and December. The weights of all lower-ranking constituents are increased correspondingly. The weights of lower-ranking constituents are then checked and if they exceed 25%, they are also capped at 25%. This process is repeated until no constituent weight exceeds 25%.
- 5.4.2 The benchmark administrator reserves the right to adjust the capping factors should there be an extraordinary market event outside the semi-annual rebalance, such as an addition to and/or deletion from the index. The market will be notified of any capping factor alterations via press releases announcing the upcoming Index change, two business days before the event.

Section 6

Changes to constituent companies

6. Changes to constituent companies

6.1 Removal and replacement

- 6.1.1 If a constituent is delisted, ceases to have a firm quotation or is subject to a takeover offer that has been declared wholly unconditional or has ceased to be a viable constituent as defined by the Ground Rules, it will be removed from the list of constituents and replaced by the reserve list security ranking highest by full market capitalisation as at close of business two days preceding the inclusion of the replacement security.
- 6.1.2 The removal and replacement are effected simultaneously, before the start of business on the day following the day on which the event justifying removal was announced. Announcement after close of business is normally deemed to be made on the following business day. In the case of a takeover, the qualifying event is an announcement that the offer has been declared wholly unconditional.

6.2 Mergers, restructuring and complex takeovers

- 6.2.1 If the effect of a merger or takeover is that one constituent is absorbed by another constituent, the resulting company will remain a constituent of the index and a vacancy will be created. This vacancy will be filled by selecting the highest-ranking security from the reserve list as at close of business two days preceding the inclusion of the replacement security.
- 6.2.2 If a constituent company is taken over by a non-constituent company, the original constituent will be removed and replaced by the merged entity. If the merged entity is ineligible for the FTSE/CySE 20 Index, it will be replaced by the highest-ranking security from the reserve list as at close of business two days preceding the removal of the original constituent.
- 6.2.3 If a constituent company is split to form two or more companies, then the resulting companies will be eligible for inclusion as index constituents if their market capitalisation(s) are large enough to qualify and if they qualify in all other respects. The lowest ranking constituent of the index is removed.

6.3 New issues

- 6.3.1 If, in the view of the benchmark administrator, a new issue is so large (i.e. amounting to 5% or more of the total capitalisation of the index) that the effectiveness of the index as a market indicator would be significantly and adversely affected by its omission, the benchmark administrator may decide to include the new issue as a constituent of the index at the earliest practicable opportunity. In such a case, the timing of the inclusion of the new constituent will be at the discretion of the benchmark administrator, although it will usually be on the fourth day of trading. In the event of the fourth 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.
- 6.3.2 The security that is the lowest-ranking constituent of the index will be selected for removal.
- 6.3.3 New issues of companies that do not qualify for early entry but that meet the criteria for eligible securities set out in section 3 will be eligible for inclusion in the next review.
- 6.3.4 If the benchmark administrator 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.

6.4 Suspension of dealing

- 6.4.1 Where a suspension of a constituent lasts for more than 30 calendar days and in the opinion of the benchmark administrator is unlikely to return to the market, it will be deleted from the index on the 31st day at a price of zero. When a stock is otherwise removed following suspension of its quote, the stock will be removed at its suspension price unless otherwise decided by the benchmark administrator.

6.5 Suspension pending acquisition or restructuring

- 6.5.1 If the constituent continues to be suspended at the end of that period, it will be subject to review and a decision will be taken to either allow the constituent to remain in the index for a further period of up to 30 calendar days or to remove it at zero value. To make this decision, the benchmark administrator will take into account the stated reasons for the suspension. These reasons may include pending announcements to be made by the Issuer regarding an acquisition or restructuring, and any stated intentions regarding a date for the resumption of trading.
- 6.5.2 This procedure will be repeated at successive 30 calendar day intervals thereafter until either trading recommences or the suspension period reaches 60 calendar days.
- 6.5.3 If the suspension period reaches 60 calendar days and the constituent has not fulfilled its listing obligations, the benchmark administrator will provide notice that the constituent will be removed at zero value following the expiry of the 60-calendar day period.

6.6 Special trading conditions

- 6.6.1 Where a company remains on special trading conditions placed by the CySE or its shares are traded in the surveillance market of the CySE for more than 30 calendar days, it will be removed from the index on the 31st day at its closing price.

6.7 Treatment of relisting companies

- 6.7.1 Securities that were removed from the FTSE/CySE 20, which on relisting after a period of suspension of less than three months, are larger than the smallest constituent of the index, shall be re-instated in the index at the price at which they were removed and the lowest-ranking constituent of the index will be selected for removal. The addition and deletion of stocks occur simultaneously, such that there are always 20 constituent companies.
- 6.7.2 Securities that, on relisting after a period of suspension of less than three months, are smaller than the smallest constituent of the index shall then be re-instated in the same index at the price at which they were removed after the close of the index calculation on the trading day prior to relisting. After the close of the index calculation on the first day of trading following relisting, the security shall be deleted from the index. Consequently, the FTSE/CySE 20 Index may have 21 constituents for one day only.

Section 7

Changes to constituent weightings

7. Changes to constituent weightings

- 7.1 Adjustments to reflect a major change in the amount or structure of a constituent company's issued capital must be made before the start of business on the day on which the change takes effect (e.g. the ex-date for a rights or capitalisation issue).
- 7.2 Adjustments to reflect less significant changes (e.g. the issue of an additional block of shares under an employees' equity scheme) would be implemented as soon as possible following the announcement of the change.

Section 8

Publication of information

8. Publication of information

- 8.1 FTSE and the CySE shall ensure that the following information on the indices is widely published:
- A. Index values
 - B. List of constituents
 - C. Changes to constituents
 - D. Changes and amendments to the Ground Rules
 - E. Details of any recalculations or calculation amendments
- 8.2 Constituent prices, weightings and other stock data together with statistics on the indices are available from FTSE and the CySE.

Appendix A

Indices algorithm and calculation method

9. Prices

- 9.1 The index will use last trade prices for securities. Prices are sourced from the CySE.

10. Calculation frequency

- 10.1 The index will be calculated every minute during the opening hours of the CySE using real-time prices (currently 10:30 to 17:20, Cyprus time).

11. Index calculation

- 11.1 The index will be displayed to two decimal points.
- 11.2 The index is calculated using the following formula:

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

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);
- s_i is the number of shares in issue used by FTSE Russell for the security, as defined in these Ground Rules;
- f_i is the investability weighting factor to be applied to a security to allow amendments to its weighting, expressed as a number between 0 and 1, where 1 represents a 100% free float. This factor is published by FTSE Russell for each security in the underlying index;
- c_i is the capping factor to be applied to a security to correctly weight that security in the index. This factor maps the investable market capitalisation of each stock to a notional market capitalisation for inclusion in the index; and
- d is the divisor, a figure that represents the total issued share capital of the index at the base date. The divisor can be adjusted to allow changes in the issued share capital of individual securities to be made without distorting the index.

Appendix B

Capping algorithm

The capping level is fixed at 25% for the FTSE/CySE 20 Index.

1. The capping procedure is applied to the indices semi-annually at the close of business one week prior to the third Friday in June and December. The capping is implemented using prices adjusted for corporate events as at the close of business on the third Friday in June and December based on the constituents, shares in issue and free float. This process sets the capping factors for each index.
2. Any changes in constituents or corporate actions/events that take place on the following business day will be considered before the capping procedure is applied.
3. The free float and investability weightings for each index are considered before the capping procedure is applied.
4. On 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, i.e. any constituent who's uncapped weight is greater than 25%.

The constituent capping factor c_i is given by:

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^{th} security;
- s_k is the number of shares in issue of the k^{th} security;
- f_k is the free float factor of the k^{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 25% for the FTSE/CySE 20 Index. The weights of the capped and uncapped constituents in the indices are then calculated. If following the application of this capping procedure other constituents have moved above 25% then the process is repeated, now including the new constituent(s) which require capping. This process is then repeated until no further constituents require capping.

Appendix C

Further information

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/CySE 20 Index is available from FTSE Russell.

For contact details, please visit the FTSE Russell website or e-mail FTSE Russell client services at info@ftserussell.com.

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

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