

FTSE Developed ex Korea Hedged to CAD Indices

v1.8



**FTSE
RUSSELL**

An LSEG Business

Contents

Section 1 Introduction	3
Section 2 Management responsibilities	5
Section 3 FTSE Russell index policies	6
Section 4 Capping.....	8
Section 5 Hedging.....	10
Appendix A Further information	11

Section 1

Introduction

1. Introduction

1.1 This document sets out the Ground Rules for the application of the capping and hedging of the FTSE Developed ex Korea Hedged to CAD Indices.

1.1.1 The FTSE Developed ex Korea Hedged CAD Sector Indices do not take account of ESG factors in their design.

1.1.2 The FTSE Developed ex Korea Hedged to CAD Indices consist of the following indices:

Index	Underlying Universe
FTSE Developed ex Korea Banks Capped 100% Hedged to CAD	FTSE Developed Large/Mid Cap Banks Index
FTSE Developed ex Korea Insurance Capped 100% Hedged to CAD	FTSE Developed Large/Mid Cap Insurance Index
FTSE Developed ex Korea Consumer Discretionary Capped 100% Hedged to CAD	FTSE Developed Large/Mid Cap Consumer Discretionary Index
FTSE Developed ex Korea Consumer Staples Capped 100% Hedged to CAD	FTSE Developed Large/Mid Cap Consumer Staples Index

1.2 All other changes to the indices will be treated in line with the underlying sector index. This document should be read in conjunction with the FTSE Global Equity Index Series Ground Rules which can be accessed using the following link:

[FTSE Global Equity Index Series.pdf](#)

1.3 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.

1.4 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.

- 1.5 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.¹

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

- maintain records of the index weightings of all constituents;
- make changes to the constituents and their weightings in accordance with the Ground Rules;
- disseminate the Index.

2.2 Amendments to these Ground Rules

2.2.1 These Ground Rules and those of the Component Indices 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 the Ground Rules for the Component Indices will be subject to consultation with FTSE Russell advisory committees and other stakeholders if appropriate. The feedback from these consultations will be considered by the FTSE Russell Index Governance Board before approval is granted.

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

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

Section 3

FTSE Russell index policies

3. FTSE Russell index policies

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

3.1 Corporate Actions and Events Guide

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

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

3.2 Queries and Complaints

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

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

3.3 Index Policy for Trading Halts and Market Closures

3.3.1 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](#)

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

3.4.1 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](#)

3.5 Policy for Benchmark Methodology Changes

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

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

3.6 FTSE Russell Governance Framework

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

[FTSE Russell Governance Framework.pdf](#)

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

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

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

3.7 Real Time Status Definitions

3.7.1 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](#)

Section 4

Capping

4. Capping

- 4.1 The FTSE Developed ex Korea Hedged to CAD Indices are capped on a quarterly basis using the capping methodology shown in Rule 4.4.
- 4.2 Companies are capped using prices as at the close of business on the second Friday in March, June, September and December and shares in issue and free float adjusted for corporate actions as at the Monday after the third Friday in each of those months.
- 4.3 The capping is implemented after the close of business on the third Friday of March, June, September and December.

4.4 Capping is applied to the constituents of an Index by the following methodology:

The constituents in the index are ranked by investible market capitalisation and the weight for each constituent in the Index is determined.

Stage 1

Any companies whose weights are greater than 10% are capped at 10%. The weights of all lower ranking companies are increased correspondingly. The weights of lower ranking companies are then checked and if they exceed 10% they are also capped at 10%. This process is repeated until no constituent weight exceeds 10%.

If the total index weight of those companies whose individual weights exceed 5% is greater than 40% in aggregate, the procedure moves onto Stage 2 below. Otherwise, no further capping is required.

Stage 2

a. Capping the largest company at 10%

If more than one company is capped at 10% in Stage 1, then weights of all subsequent companies previously capped at 10% are changed in accordance with the rules detailed below.

For example, if the second largest company is capped at 10% its weight will be reduced to 9% as detailed in Stage 2b below. Thus only one company will have a 10% weight in the index.

b. Capping the second largest company at 9%

If the weight of the second largest company is greater than 9% the company's weight is capped at 9% and the weights of the remaining companies are increased correspondingly.

Following this procedure if the total index weight of those companies whose individual weights exceed 5%, is NOT greater than 40% then no further capping is required.

However, if the total index weight of those companies whose individual weights exceed 5%, IS greater than 40% then the procedure moves onto stage 2c.

Please note: Where the 40% threshold is breached we move to stage 2c even if the second largest company has not been capped.

c. Capping the third largest company at 8%

If the weight of the third largest company is greater than 8% the company's weight is capped at 8% and the weights of the remaining companies are increased correspondingly.

Following this procedure if the total index weight of those companies whose individual weights exceed 5%, is NOT greater than 40% then no further capping is required.

However, if the total index weight of those companies whose individual weights exceed 5%, IS greater than 40% then the procedure moves onto stage 2d.

Please note: Where the 40% threshold is breached we move to stage 2d even if the third largest company has not been capped.

d. Capping the fourth largest company at 7%

If the weight of the fourth largest company is greater than 7% the company's weight is capped at 7% and the weights of the remaining companies are increased correspondingly.

Following this procedure if the total index weight of those companies whose individual weights exceed 5%, is NOT greater than 40% then no further capping is required.

However, if the total index weight of those companies whose individual weights exceed 5%, IS greater than 40% then the procedure moves onto stage 2e.

Please note: Where the 40% threshold is breached we move to stage 2e even if the fourth largest company has not been capped.

e. Capping the fifth largest company at 6%

If the weight of the fifth largest company is greater than 6% the company's weight is capped at 6% and the weights of the remaining companies are increased correspondingly.

Following this procedure if the total index weight of those companies whose individual weights exceed 5%, is NOT greater than 40% then no further capping is required.

However, if the total index weight of those companies whose individual weights exceed 5%, IS greater than 40% then the procedure moves onto stage 2f.

Please note: Where the 40% threshold is breached we move to stage 2f even if the fifth largest company has not been capped.

f. Capping the sixth largest company at 4%

If the weights of the sixth largest company and any lower ranking companies are greater than 4% those companies' weights are capped at 4% and the weights of lower ranking companies are increased correspondingly.

The process then moves to Stage 3.

Stage 3

Following the application of Stage 2, the weights of each company are checked. If the total index weight of those companies whose individual weights exceed 5% is greater than 40% in aggregate, then further capping is required and Stage 2 is repeated.

Companies are capped using prices as at the close of business on the second Friday in March, June, September and December and shares in issue and free float adjusted for corporate actions as at the Monday after the third Friday. The capping is implemented after the close of business on the third Friday of March, June, September and December.

Section 5

Hedging

5. Hedging

5.1 The FTSE Developed ex Korea Hedged to CAD Indices are 100% hedged to CAD.

5.1.1 Hedging takes place on a monthly basis on the last business day of the month.

Further details can be found in the Currency Hedging Methodology using the following link:

[Currency Hedging Ground Rules.pdf](#)

Appendix A

Further information

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

[Glossary.pdf](#)

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

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

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