

# FTSE IdealRatings Broad US Dollar Sukuk Index Series

v1.3



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## Section 1

# Introduction

## 1. Introduction

### 1.1 FTSE IdealRatings Broad US Dollar Sukuk Index Series

1.1.1 The FTSE IdealRatings Broad US Dollar Sukuk Index Series provides a broad measure of the performance of US Dollar denominated Sukuk issued in the global markets with at least one year to maturity. Screening of the Shariah compliance of global Sukuk is based on the methodology of IdealRatings. The series comprises:

<b>FTSE IdealRatings Broad US Dollar Sukuk Index</b>	A broad measure of US Dollar denominated sukuk issued in the global markets, including investment-grade, high-yield and non-rated Sukuk
<b>FTSE IdealRatings Sukuk Index</b>	A measure of the investment-grade sukuk in the FTSE IdealRatings Broad US Dollar Sukuk Index

1.1.2 Sub-indices are available based on credit quality and maturity.

1.1.3 The FTSE IdealRatings Broad US Dollar Sukuk Index Series does not take account of ESG factors in its design.

### 1.2 FTSE Russell

1.2.1 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, The Yield Book Inc. and Beyond Ratings.

### 1.3 Index objective and intended use

1.3.1 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.

1.3.2 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's rules-based methodology and take independent investment advice before investing their own or client funds. No liability whether as a result of negligence or otherwise is accepted by FTSE Russell for any losses, damages, claims and expenses suffered by any person as a result of:

- any reliance on these Ground Rules, and/or
- any inaccuracies in these Ground Rules, and/or
- any non-application or misapplication of the policies or procedures described in these Ground Rules, and/or
- any inaccuracies in the compilation of the index or any constituent data.

## Section 2

# Management responsibilities

## 2. Management responsibilities

### 2.1 FTSE Fixed Income LLC (“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 index reviews of the index series and apply the changes resulting from the reviews as required by the Ground Rules;
- 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 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.

2.2.2 As provided for in the Statement of Principles for FTSE Russell 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 Rules should subsequently be updated to provide greater clarity.

<sup>1</sup> The term administrator is used in this document in the same sense as it is defined in Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the European Benchmark Regulation) and [The Benchmarks \(Amendment and Transitional Provision\) \(EU Exit\) Regulations 2019](#) (the UK Benchmark Regulation). FTSE Fixed Income LLC administers the Index Series in line with the third country transitional provisions contained within Article 51(5) of the European Benchmark Regulation and the third country transitional provisions as amended by Article 42(5) of 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

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

[FTSE\\_Russell\\_Benchmark\\_Determination\\_Complaints\\_Handling\\_Policy.pdf](#)

### 3.2 Statement of Principles for FTSE Fixed Income Indices (the Statement of Principles)

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 for FTSE Fixed Income Indices 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 for Fixed Income Indices can be accessed using the following link:

[Statement\\_of\\_Principles\\_Fixed\\_Income\\_Indices.pdf](#)

### 3.3 Recalculation Policy and Guidelines

The Recalculation Policy and Guidelines for Fixed Income Indices document is available from the FTSE Russell website using the link below or by contacting [info@ftserussell.com](mailto:info@ftserussell.com).

[Fixed\\_Income\\_Recalculation\\_Policy\\_and\\_Guidelines.pdf](#)

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

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

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 IdealRatings

[www.idealratings.com](http://www.idealratings.com)

### 3.7 FTSE Fixed Income Index Guide

[FTSE-Fixed-Income-Indices-Guide.pdf](#)

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

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 Please refer to the following guide for details of real time status definitions for indices that are calculated in real time.

[Real Time Status Definitions.pdf](#)

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

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

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

## Section 4

# FTSE IdealRatings Broad US Dollar Sukuk index rules

## 4. FTSE IdealRatings Broad US Dollar Sukuk index rules

**Figure 1. FTSE IdealRatings Broad US Dollar Sukuk Index design criteria**

<b>Coupon</b>	Fixed-rate, fixed-to-floating rate, and fixed-rate Sukuk that step up according to a predetermined schedule
<b>Currency</b>	USD
<b>Minimum Maturity</b>	At least one year Fixed-to-floating rate securities exit the index one year prior to their conversion to floating-rate.
<b>Minimum Issue Size</b>	USD 200 million
<b>Credit Quality</b>	The index includes investment-grade, high-yield, and non-rated sukuk and excludes defaulted Sukuk. Credit quality is assessed using ratings assigned by S&P and Moody's.
<b>Security Type</b>	Securities classified as Sukuk based on IdealRatings shariah compliance screening methodology
<b>Weighting</b>	Market capitalisation
<b>Rebalancing</b>	Once a month at the end of the month
<b>Reinvestment of cash flows</b>	Intra-month cash flows from interest and principal payments are not reinvested as part of monthly index total return calculations. <sup>5</sup>
<b>Pricing</b>	Prices are sourced from Refinitiv and are taken as of 4pm (New York time) on the bid side
<b>Calculation frequency</b>	Daily
<b>Settlement date</b>	Monthly – settlement is on the last calendar day of the month Daily – same day settlement except if the last business day of the month is not the last calendar day of the month; then, settlement is on the last calendar day of the month.
<b>Fixing date</b>	Each month, the upcoming month's index constituents are "fixed" on the profile fixing date. Each year's scheduled fixing dates are published on the website. New Sukuk must be issued at least 2 business days prior to the profile fixing date in order to be screened by IdealRatings, and therefore eligible for inclusion.
<b>Base date</b>	December 31, 2010

<sup>5</sup> Prior to 1 November 2022, reinvestment income was included in the total return calculation.

## Section 5

# FTSE IdealRatings Sukuk index rules

## 5. FTSE IdealRatings Sukuk Index Rules

**Figure 2. FTSE IdealRatings Sukuk Index design criteria**

<b>Coupon</b>	Fixed-rate, fixed-to-floating rate and fixed-rate Sukuk that step up according to a predetermined schedule <sup>6</sup>
<b>Currency</b>	USD
<b>Minimum Maturity</b>	At least one year. Fixed-to-floating rate securities exit the index one year prior to their conversion to floating-rate
<b>Minimum Issue Size</b>	USD 200 million
<b>Minimum Credit Quality</b>	BBB- by S&P or Baa3 by Moody's
<b>Security Type</b>	Securities classified as Sukuk based on IdealRatings shariah compliance screening methodology
<b>Weighting</b>	Market capitalisation
<b>Rebalancing</b>	Once a month at the end of the month
<b>Reinvestment of cash flow</b>	Intra-month cash flows from interest and principal payments are not reinvested as part of monthly index total return calculations.
<b>Pricing</b>	Prices are sourced from Refinitiv and are taken as of 4pm (New York time) on the bid side
<b>Calculation frequency</b>	Daily
<b>Settlement date</b>	Monthly – settlement is on the last calendar day of the month Daily – same day settlement except if the last business day of the month is not the last calendar day of the month; then, settlement is on the last calendar day of the month.
<b>Fixing date</b>	Each month, the upcoming month's index constituents are "fixed" on the profile fixing date. Each year's scheduled fixing dates are published on the website. New Sukuk must be issued at least 2 business days prior to the profile fixing date in order to be screened by IdealRatings, and therefore eligible for inclusion.
<b>Base date</b>	September 30, 2005

<sup>6</sup> Prior to March 31, 2021, floating rate Sukuk were eligible for inclusion to the FTSE IdealRatings Sukuk Index.



## Section 6

# Shariah compliance screening methodology

## 6. Shariah compliance screening methodology

6.1.1 Classification of a bond as a Sukuk for purposes of index inclusion is based on the research methodology of IdealRatings. The IdealRatings methodology incorporates more than 150 shariah standards to assign a pass/fail score based on a pre-determined threshold and mandatory standards set by IdealRatings ([www.idealratings.com](http://www.idealratings.com)). Shariah standards are categorised into two main categories:

- 1) **General Shariah Standards** – set of general standards that are applied on all Sukuk structures;
- 2) **Structure Specific Standards** – set of standards per shariah structure, such as Ijara standards, Mudarabah standards, and Murabaha standards

6.1.2 Each standard is weighted, with points assigned for passing a given standard and zero points assigned for failed standards. Under the IdealRatings methodology, certain standards are mandatory – failing such standards will automatically mean that the Sukuk is not shariah-compliant and it will not be included in the index.

### 6.2 Sector classification

6.2.1 Each bond in the index is assigned a Global Industry Code (GLIC) and Corporate Bond Sector (COBS) code, according to the FTSE Russell fixed income index classification scheme.

6.2.2 Sukuk that are issued on behalf of central governments or regional governments are assigned a sovereign guaranteed (SGTD) Global Industry Code (GLIC), and an Agency (AGEN) Corporate Bond Sector (COBS) code. Sukuk issued on behalf of quasi-sovereign or supranational entities, are assigned a Sovereign Government-Sponsored (SGSP) GLIC code. The COBS codes assigned to quasi-sovereign and supranational Sukuk issuers are Agency (AGEN) and Supranational (SPRA) respectively. Sukuk issued by other entities are assigned corporate sector classification codes.

For more details on these classifications, please see the FTSE Fixed Income Index Guide.

## Section 7

# Composition and design criteria

## 7. Composition and design criteria

### 7.1 Return computation

7.1.1 Total returns are computed on the assumption that each security is purchased at the beginning of the period and sold at the end of the period. An issue's total rate of return is the percentage change in its total value over the measurement period (see Figure 3). The components of total return are price change, principal payments, coupon payments and accrued interest. The total returns use each individual security's beginning-of-period market value.

**Figure 3. Total rate of return calculation methodology**

Beginning-of-period value	-	$(\text{Beginning price} + \text{Beginning accrued}) \times \text{Beginning par amount outstanding}$
End-of-period value	-	$[(\text{Ending price} + \text{Ending accrued}) \times (\text{Beginning par amount outstanding} - \text{Principal payments})] + \text{Coupon payments} + \text{Principal payments}$
Total rate of return (%)	-	$[(\text{End-of-period value} / \text{Beginning-of-period value}) - 1] \times 100$

A note on precision: Returns are computed to at least six decimal places but reported to a maximum of four. In addition, owing to rounding errors inherent in computer floating-point arithmetic, the last digit in any reported value may sometimes be off by one from its true value.

### 7.2 Data availability and accessibility

7.2.1 Index information, including index profiles, analytics and returns, and historical data, for the FTSE IdealRatings Broad US Dollar Sukuk Index Series is available on [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/). FTSE Russell also makes data for its indices available through a number of data and analytic vendors.

**Figure 4. Ticker for the FTSE IdealRatings Broad US Dollar Sukuk Index Series**

Ticker	Index
<b>SBKU</b>	FTSE IdealRatings Sukuk Index, in USD terms
<b>SBKBU</b>	FTSE IdealRatings Broad US Dollar Sukuk Index, in USD terms

### 7.3 Chronological summary of events

**Figure 5. FTSE IdealRatings Broad US Dollar Sukuk Index Series Event Summary**

Year	Highlight
2022	<b>November:</b> Intra-month cash flows from interest and principal payments are not reinvested as part of monthly index total return calculations.
2021	<b>April:</b> The FTSE IdealRatings Broad US Dollar Sukuk Index is introduced to include investment-grade, high-yield, and non-rated sukuk. The coupon type eligibility criteria for the FTSE IdealRatings Sukuk Index is changed to exclude floating rate Sukuk.
2020	<b>June:</b> Shariah compliance screening of the FTSE IdealRatings Sukuk Index is changed to incorporate IdealRatings methodology
2017	<b>September:</b> The index is rebranded to FTSE Sukuk Index following its acquisition by the London Stock Exchange Group
2012	<b>April:</b> The Dow Jones Citigroup Sukuk index is rebranded to Citi Sukuk Index
2009	<b>October:</b> The minimum issue size eligibility decreases from USD 250 million to USD 200 million
2006	<b>April:</b> The Dow Jones Citigroup Sukuk index is introduced

## 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\\_of\\_terms\\_FTSE\\_Fixed\\_Income.pdf \(ftserussell.com\)](#)

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

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

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**For more information about our indices, please visit [ftserussell.com](https://ftserussell.com).**

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