

# FTSE IOB Index

v3.9

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## Section 1

# Introduction

## 1. Introduction

- 1.1 This document sets out the Ground Rules for the construction and management of the FTSE IOB Index. Copies of the Ground Rules are available from [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/).
- 1.2 The FTSE IOB Index represents the performance of companies trading on the London Stock Exchange's International Order Book (IOB) under the form of depositary receipts (DRs).<sup>1</sup>
- 1.3 The FTSE IOB Index does not take account of ESG factors in its index design.
- 1.4 A Price Index is calculated in real-time and published in US dollars.
- 1.5 A Total Return Index is published at the end of each working day. The Total Return Index includes income based on ex dividend adjustments.
- 1.6 The FTSE IOB Index has a starting value of 1000, as at 22 September 2006.
- 1.7 **FTSE Russell**
  - 1.7.1 FTSE Russell is a trading name of FTSE International Limited, Frank Russell Company, FTSE Global Debt Capital Markets Limited (and its subsidiary FTSE Global Debt Capital Markets Inc.,) FTSE Fixed Income LLC, FTSE (Beijing) Consulting Limited.
  - 1.7.2 FTSE Russell hereby notifies users of the index 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 and therefore, any financial contracts or other financial instruments that reference the index or investment funds which 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.
  - 1.7.3 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 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 or any constituent data.

<sup>1</sup> Prior to March 2020 the FTSE IOB Index was known as the FTSE Russia IOB Index.

## Section 2

# Management responsibilities

## 2. Management responsibilities

### 2.1 FTSE International Limited (FTSE)

2.1.1 FTSE is the benchmark administrator of the index.<sup>2</sup>

2.1.2 FTSE is responsible for the daily calculation, production and operation of the FTSE IOB 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;
- carry out the periodic index reviews of the index 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.

2.1.3 The weightings of constituents in the real time Index shall be used in the calculation of the end of day Index.

2.1.4 FTSE is also responsible for monitoring the performance of the FTSE IOB Index throughout the day and will determine whether the status of the Index should be Firm, Closed, Indicative or Held (see Appendix B).

### 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. 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>2</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).

## 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 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 Policy for Benchmark Methodology Changes

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

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

### **3.7 FTSE Russell Governance Framework**

- 3.7.1 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>3</sup>, the European benchmark regulation<sup>4</sup> and the UK benchmark regulation<sup>5</sup>. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE Russell Governance Framework.pdf](#)

### **3.8 Real Time Status Definitions**

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

[Real Time Status Definitions.pdf](#)

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<sup>3</sup> IOSCO Principles for Financial Benchmarks Final Report, FR07/13 July 2013.

<sup>4</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>5</sup> The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019.

## Section 4

# Eligible companies

## 4. Eligible companies

4.1 All depositary receipts trading on the London Stock Exchange's International Order Book are eligible for inclusion in the FTSE IOB Index.

4.1.1 The eligible securities are published monthly on the London Stock Exchange website.

4.1.2 Eligible securities must have an accurate and reliable price.

### 4.2 Free float

4.2.1 Constituents of the FTSE IOB Index are adjusted for free float and foreign ownership limits.

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

[Free Float Restrictions.pdf](#)

### 4.2.2 Initial weighting

Companies with a free float of 5% or below are excluded from the index.

### 4.2.3 Foreign ownership limits

FTSE Russell's index methodology takes account of the restrictions placed on the equity holdings of foreign investors in a company where these have been imposed by a government, regulatory authority or the company's constitution.

Where the presence of a foreign ownership restriction creates a limit on foreign ownership (the Foreign Ownership Limit or FOL) that is more restrictive than the calculated free float for a company, the precise Foreign Ownership Limit is used in place of the free float for the purposes of calculating the company's investability weight.

4.2.4 If the foreign ownership limit is less restrictive or equal to the free float restriction, the free float restriction is applied.

4.2.5 Minimum foreign headroom requirement

FTSE Russell defines "foreign headroom" as the percentage of shares available to foreign investors as a proportion of the company's Foreign Ownership Limit (FOL), i.e.  $(FOL - \text{foreign holdings})/FOL$ .

For example, if a company has a foreign ownership limit, of 49%, of which 39% is held by foreign investors, the foreign headroom will be calculated as 20.41% i.e.  $(49\% - 39\%)/49\%$ .

Further details of the Minimum Foreign Headroom Requirement can be accessed using the following link:

[Foreign Ownership Restrictions and Minimum Foreign Headroom Requirement.pdf](#)

## Section 5

# Periodic review of constituents

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## 5. Periodic review of constituents

### 5.1 Review dates

- 5.1.1 The FTSE IOB Index is reviewed quarterly in March, June, September and December. The Index constituents will be compiled using data available after the close of business on the Monday 4 weeks prior to the review effective date.
- 5.1.2 Changes arising from the reviews are implemented after the close of business on the third Friday (i.e. effective Monday) of March, June, September and December.
- 5.1.3 The FTSE IOB Index will comprise of all depositary receipts trading on the London Stock Exchange's International Order Book.



## Section 6

# Changes to constituent companies

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## 6. Changes to constituent companies

### 6.1 New issues

6.1.1 New issues will become eligible for inclusion at the next periodic review of constituents.

### 6.2 Removal

6.2.1 An existing constituent is removed from the FTSE IOB Index if it is no longer a part of the eligible universe as detailed in Section 4.0. For example, a constituent would be deleted from the Index if it no longer trades on the IOB platform.

## Section 7

# Corporate actions and events

## 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](#)

7.1.1 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 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 Mergers, restructuring and complex takeovers

7.4.1 If a FTSE IOB Index constituent is acquired by a non-constituent, it will be replaced with the acquiring company providing it meets the eligibility criteria as defined in Section 4.

7.4.2 If an Index constituent has a complex reorganisation or demerger, the newly spun-off company will not be considered for inclusion in the Index unless it remains part of the eligible universe (see Section 4.0).

### 7.5 Suspension of dealing

7.5.1 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)<sup>6</sup>

### 8.1 Classification structure

- 8.1.1 The FTSE IOB Index constituents are classified into Industries, Supersectors, Sectors and sub-sectors, as defined by the Industry Classification Benchmark (ICB).
- 8.1.2 Details of the Industry Classification Benchmark 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:  
[ICB](#)

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

## Section 9

# Indices algorithm and calculation method

## 9. Indices algorithm and calculation method

### 9.1 Prices

9.1.1 Automatic trade prices will be used in the intra-day pricing in the FTSE IOB Index. The closing prices used in the FTSE IOB Index will be the London Stock Exchange's International Order Book (IOB) Official Closing Prices.

### 9.2 Dividends

9.2.1 The FTSE IOB Index uses dividends reported by the relevant DR depositary bank and applied on the ex-date specified by that bank.

### 9.3 Index calculation

9.3.1 The Index will be displayed to two decimal points. The Index is calculated using the algorithm described below:

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

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.
- $d$  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.

### 9.4 Index calculation frequency

9.4.1 A Price Index will be calculated on a real-time basis in US Dollars. A Price and Total Return Index will also be calculated on an end of day basis in US Dollar, Sterling and Euro.

# Appendix A

## Index opening and closing hours

The Index is calculated during the opening hours of the London Stock Exchange’s International Order Book (IOB).

Index	Open	Close
FTSE IOB Index		
Monday to Friday	08:00	15:40

Notes:

1. The IOB continuous trading hours starts at 09:00 in which orders are automatically executed against one another. The continuous trading hours ends with a closing auction where an official closing price is set at 15:40.
2. Timings are UK hours.
3. Thomson Reuters real time exchange rates are used in the real-time index calculations.
4. The Index will not be calculated on UK Public Holidays.

## Appendix B

# Status of index

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A Price Index will be calculated on a real-time basis in US Dollars. A Price and Total Return Index will also be calculated on an end of day basis in US Dollar, Sterling and Euro.

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 the FTSE IOB Index are set out in Appendix A. Variations to the official hours of the Index will be published by FTSE Russell.

## Appendix C

# 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 IOB 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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