

# FTSE techMARK Index Series

v5.2



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## Section 1

# Purpose of index

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## 1. Purpose of index

- 1.1 The FTSE techMARK All-Share Index is designed to represent the performance of all constituents listed on the London Stock Exchange's techMARK.
- 1.2 techMARK is a market for innovative technology companies. Further details are available in Appendix B.
- 1.3 The FTSE techMARK Focus Index is designed to represent the performance of those techMARK companies not already widely covered within existing portfolios.
- 1.4 The FTSE techMARK mediscience Index is designed to represent the performance of those techMARK companies listed within the techMARK mediscience segment but not already widely covered within existing general UK equity portfolios. A list of the automatically qualifying subsectors for the mediscience segment is available in Appendix B.
- 1.5 The FTSE techMARK Focus Index and FTSE techMARK mediscience Index use the FTSE techMARK All-Share Index as their universe of potential stocks.
- 1.6 The FTSE techMARK Index Series does not take account of ESG factors in its index design.
- 1.7 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.
- 1.8 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 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;
  - 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.

## Section 2

# Management responsibilities

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## 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 index 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; and
- 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 Equity 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 Ground Rules should subsequently be updated to provide greater clarity.

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<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).

## Section 3

# FTSE Russell Index policies

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### 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 Statement of Principles for FTSE Russell Equity Indices (the Statement of Principles)

- 3.1.1 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](#)

#### 3.2 Queries, Complaints and Appeals

- 3.2.1 A constituent or prospective constituent company (or professional advisor acting on behalf of the company), a national organisation or a group of no fewer than 10 users of the Indices from different organisations acting in their professional capacity may appeal against decisions taken by FTSE Russell.

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

[Benchmark\\_Determination\\_Complaints\\_Handling\\_Policy.pdf](#)

FTSE Russell's Appeal Process can be accessed using the following link:

[Appeals\\_Against\\_Decisions.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:

[FTSE\\_Russell\\_Index\\_Policy\\_in\\_the\\_Event\\_Clients\\_are\\_Unable\\_to\\_Trade\\_a\\_Market\\_or\\_a\\_Security.pdf](#)

### **3.5 Recalculation Policy and Guidelines**

- 3.5.1 Where an inaccuracy is identified, FTSE Russell will follow the steps set out in the FTSE Russell Index recalculation guidelines when determining whether an index or index series should be recalculated and/or associated data products reissued. Users of the FTSE techMARK Index Series will be notified through appropriate media.

For further information, refer to the FTSE Russell Recalculation Policy and Guidelines document, which is available from the FTSE Russell website using the link below or by contacting [info@ftserussell.com](mailto:info@ftserussell.com).

[Recalculation Policy and Guidelines Equity Indices.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>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](#)

### **3.8 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>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 and weightings

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## 4. Eligible securities and weightings

- 4.1 All constituents of the London Stock Exchange's techMARK are eligible for inclusion in the FTSE techMARK Index Series, whether domestic or foreign issues, with a premium or standard listing and in any currency for which FTSE Russell can obtain an accurate price.
- 4.2 Constituents have the same investability weightings as in the FTSE UK Index Series. The treatment of secondary lines of an individual constituent will be the same as in the FTSE UK Index Series. Copies of the Ground Rules for the construction and management of the FTSE UK Index Series, which govern these weightings, are available from FTSE Russell.
- 4.3 Constituents of the FTSE techMARK Index Series who are not constituents of the FTSE UK Index Series will have their share and investability weightings determined by FTSE Russell, who will, where appropriate use weightings from other FTSE Indices, primarily the FTSE All-World Indices.
- 4.4 Liquidity for all eligible constituents to the FTSE techMARK Focus Index will be tested in accordance with the liquidity rules of the FTSE UK Index Series.
- 4.5 Constituents of the FTSE techMARK Focus Index and FTSE techMARK All-Share Index will be capped at the quarterly review.

## Section 5

# Index qualification criteria

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## 5. Index qualification criteria

- 5.1 The FTSE techMARK All-Share Index comprises all companies in the London Stock Exchange's techMARK.
- 5.2 Only premium-listed companies, under £4 billion by full market capitalisation (i.e. before the application of any investability weightings or capping restrictions), on the London Stock Exchange's techMARK comprise the FTSE techMARK Focus Index. This capitalisation limit may be adjusted annually in December by FTSE Russell, although exceptionally FTSE Russell may decide to review it quarterly.
- 5.3 Constituents who subsequently rise in value above the capitalisation limit will continue as constituents of the FTSE techMARK Focus Index.
- 5.4 The FTSE techMARK mediscience index comprises all companies in the FTSE techMARK All-Share that are within the techMARK mediscience segment (please see Appendix B) and are not constituents of the FTSE 100 Index or are non-UK companies of a similar size. Constituents of the FTSE 100 Index, as the result of the quarterly review of the FTSE UK Index Series, are excluded from the index. Foreign companies that would, nationality notwithstanding, have been FTSE 100 constituents at each review, will also be excluded. In practice this means that foreign companies in the index will be removed if they reach a capitalisation larger than that of the 90th-ranked UK company and foreign companies not in the index will be included if their capitalisation falls below that of the 110th ranked UK company and they are otherwise eligible.



## Section 6

# Periodic review of constituents (FTSE techMARK All-Share)

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## 6. Periodic review of constituents (FTSE techMARK All-Share)

- 6.1 The FTSE techMARK All-Share Index will consist of all companies in the London Stock Exchange's techMARK. There will be no review of the index constituents; companies joining techMARK will be included in the FTSE techMARK All-Share Index after the close of business on the first day of official trading. Companies delisted from techMARK will be immediately removed from the FTSE techMARK Index Series.
- 6.1.1 At the quarterly review, the constituents of the FTSE techMARK All-Share Index are capped. See Appendix D for further details.
- 6.2 The calculation of the constituent capping factors (c) will be based on prices at close on the second Friday of the review month using shares in issue and investability weights as designated to take effect after close on the third Friday of the review month (i.e. taking effect on the review effective date).
- 6.3 The calculation will take into account any corporate actions/events that take effect after close on the second Friday of the review month up to and including the review effective date if they have been announced and confirmed by the second Friday of the review month.
- 6.4 Corporate actions/events announced after the second Friday of the review month that become effective up and including the review effective date will not result in any further adjustment.

## 6.5 Periodic review of constituents (FTSE techMARK Focus Index & FTSE techMARK mediscience)

- 6.5.1 The FTSE techMARK Focus Index and the FTSE techMARK mediscience Index will be reviewed quarterly in December, March, June and September. The constituent reviews will be based on data collected after the close of business on the Monday four weeks prior to the review effective date. Constituent changes will be implemented after the close of business on the third Friday (i.e. effective Monday) of December, March, June and September.
- 6.6 Liquidity for all eligible constituents to the FTSE techMARK Focus Index will be tested annually in accordance with the requirements of the FTSE UK Index Series.
- 6.6.1 New issues to techMARK, including demutualisations, which do not qualify as early entrants to the FTSE techMARK Focus Index as defined under rule 8.9.1, will become eligible for inclusion at the next quarterly review of constituents providing they have, since the commencement of official non-conditional trading, a minimum trading record of at least 20 trading days prior to the date of the review and turnover in accordance with the requirements of the FTSE UK Index Series.

For this rule, an eligible security transferring from AIM to a premium UK (main market) listing will be considered as a new issue and will be subject to normal eligibility rules and a minimum, 20-day trading record based on turnover undertaken on the main market only.

6.7 The share and investability weightings of an individual constituent (unless it is capped) will be the same as in the FTSE UK Index Series. Constituents of the FTSE techMARK Index that are not constituents of the FTSE UK Index Series will have their share and investability weightings determined by FTSE Russell.

The periodic review of constituents of the FTSE techMARK Focus index will be conducted using the following steps, using a database of all constituents of the FTSE techMARK All-Share Index:

- 6.7.1 remove from the database those companies with full market capitalisations i.e. before the application of any investability weightings above £4 billion (or the limit set at that review) that are not existing constituents of the FTSE techMARK Focus Index;
- 6.7.2 include all remaining companies that pass the liquidity test (see rule 6.6) in the FTSE techMARK Focus Index;
- 6.7.3 cap the constituents of the FTSE techMARK Focus index at the quarterly review. See Appendix D for further details; and
- 6.7.4 calculate the constituent capping factors (c) based on prices at close on the second Friday of the review month using shares in issue and investability weights as designated to take effect after close on the third Friday of the review month (i.e. taking effect on the review effective date).

The calculation will take into account any corporate actions/events that take effect after close on the second Friday of the review month up to and including the review effective date if they have been announced and confirmed by the second Friday of the review month.

Corporate actions/events announced after the second Friday of the review month that become effective up and including the review effective date will not result in any further adjustment.

6.8 The periodic review of constituents of the FTSE techMARK mediscience index will be conducted using the following steps, using a database of all constituents of the FTSE techMARK All-Share Index:

- 6.8.1 remove companies not part of the techMARK mediscience segment (see Appendix B);
- 6.8.2 remove from the database any constituent changes to the FTSE 100 Index as announced by the FTSE Russell Europe/Middle East/Africa regional equity advisory committee at its quarterly meetings and will therefore be conducted before the implementation date of these changes;
- 6.8.3 remove any non-constituent foreign companies listed on techMARK, whose capitalisation is greater than that of the 90th-ranked UK company (i.e. one that would be eligible for the FTSE 100 if a UK company); and
- 6.8.4 remove any constituent foreign company whose capitalisation is greater than that of the 111th ranked UK company (i.e. one that would remain in the FTSE 100 if a constituent).

Note: the FTSE techMARK mediscience index is not capped.

## Section 7

# Changes to constituent companies other than at periodic reviews (FTSE techMARK All-Share)

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## 7. Changes to constituent companies other than at periodic reviews (FTSE techMARK All-Share)

### 7.1 Removal and replacement

- 7.1.1 If a constituent ceases to be a constituent of the London Stock Exchange's techMARK or has, in the opinion of FTSE Russell, ceased to be a viable constituent as defined by these Ground Rules, it will be removed from the FTSE techMARK All-Share Index.
- 7.1.2 The removal is effective at market close giving two days' notice.
- 7.1.3 Constituents removed in accordance with rule 7.1.1, but which continue to trade thereafter, will be considered for re-inclusion to the index, subject to Section 4 and that at least one year has passed between the deletion and the re-admission date.

## Section 8

# Corporate actions and events

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## 8. Corporate actions and events

8.1 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](#)

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); and
- 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.

### 8.2 Shares in issue

Changes to the number of shares in issue for constituent securities are covered in the Corporate Actions and Events Guide.

### 8.3 Investability weightings

8.4 The number of shares and free float weightings in the FTSE techMARK Index Series will be the same as those used for the FTSE UK Index Series, excepting foreign stocks, where the weightings will be set by FTSE Russell.

8.5 Adjustments to reflect a change in the amount or structure of a constituent company's issued capital must be made before the start of the index calculation on the day on which the change takes effect (e.g. the ex-date for a rights or capitalisation issue). Announcements of corporate events that are made after the close of the index calculation are normally deemed to be made on the following day.

8.6 Adjustments to reflect less significant changes (e.g. the issue of an additional block of shares under an employees' equity scheme) will be implemented before the start of the index calculation on the day following the announcement of the change.

8.7 All adjustments are made before the start of the index calculation on the day concerned and are carried out concurrently with the same change in the FTSE UK Index Series, unless market conditions prevent this.

## **8.8 Mergers, restructuring and complex takeovers**

- 8.8.1 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.
- 8.8.2 If a constituent company is taken over by a non-constituent company, the original constituent will be removed. Any eligible company resulting from the takeover will be immediately eligible for the FTSE techMARK All-Share Index.
- 8.8.3 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 they qualify in all other respects.

## **8.9 New issues**

- 8.9.1 Where a company, whether an existing constituent or not, undertakes an initial public offering (IPO) of a new equity security, that security will be eligible for fast entry inclusion to the FTSE techMARK Index Series when its full market capitalisation (i.e. before the application of any investability weighting) using the closing price on the first day of official non-conditional trading amounts to 2% or more of the index market capitalisation. Such inclusions do not have to fulfil the liquidity requirements detailed under rule 3.5. In the event of a fast entry, the FTSE techMARK Focus Index will be recapped.

Please note: only those shares being offered for sale in the IPO will be included within the index weighting at the time of fast entry inclusion (subject to not being categorised as restricted shares as defined within the free float restrictions document).

- 8.9.2 The addition of a new security will be implemented after the close of business on the fifth business day of trading. In the event of the fifth business 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.
- 8.9.3 New equity securities which do not qualify for early entry, but which meet the criteria for eligible securities set out in section 3, will be eligible for inclusion at the next review (see rule 8.8).
- 8.9.4 If FTSE Russell decides to include a new equity security as a constituent other than as part of the normal periodic review procedure, this decision must be publicly announced at the earliest practicable time.
- 8.9.5 Variable, best effort and direct listing IPOs\* will not be considered for fast entry inclusion since FTSE Russell would be:
- unable to confirm if the minimum free float requirement has been met; and
  - unable to assign an accurate free float for the purposes of the index calculation.
- 8.9.6 Variable, best effort and direct listing IPOs will be considered for index inclusion at the next review if, by the review cut-off date, a public disclosure\* (which has been published post-IPO) is available confirming the updated shareholder structure. Index inclusion remains subject to meeting all other eligibility criteria. If the post-IPO shareholder structure has not been disclosed by the review cut-off date, the evaluation of the company will be deferred to a subsequent review.

\*A public disclosure is typically by way of a company filing, stock exchange notice or shareholding regulatory announcement.

## **8.10 Suspension of dealing**

- 8.10.1 Suspension of dealing rules can be found in the Corporate Actions and Events Guide.

## Section 9

# Publication of information

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## 9. Publication of information

- 9.1 FTSE Russell and the London Stock Exchange shall ensure that the following information on the indices is widely published:
- A. index values (capital and total return);
  - B. list of constituents;
  - C. changes to constituents;
  - D. changes and amendments to the Ground Rules; and
  - E. details of any recalculations or calculation amendments.
- 9.2 Constituent prices, weightings and other stock data together with statistics on the indices are available from FTSE Russell. For information on contacting FTSE Russell, please see Appendix E.

## Appendix A

# Indices algorithm and calculation method

10.1 The indices will use actual trades on SETS or mid prices for securities with SETSqx quotations.

10.2 The indices will be calculated during the opening hours of the London Stock Exchange.

10.3 The indices will be displayed to two decimal points.

10.4 The indices will be calculated in Sterling, with end-of-day values also in Euros.

### 10.5 Dividends

10.5.1 The dividends used are the actual dividends for each stock, which are applied to the stock on the relevant ex-dividend date.

10.6 The indices are calculated using the following formula.

10.6.1 The actual trade price of non-Sterling constituents is converted into pounds Sterling and the indices are then calculated using the algorithm described below.

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

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);
- $e_i$  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;
- $c_i$  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

# Qualifying for inclusion in techMARK and techMARK mediscience

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- 1.1 All companies applying for techMARK and techMARK mediscience are assessed individually by the London Stock Exchange with advice from an independent panel of experts, where necessary. The constituents of techMARK and techMARK mediscience are reviewed on an ongoing basis to assess their continued suitability.
- 1.2 techMARK companies from the following Industry Classification Benchmark (ICB) subsectors currently automatically qualify for techMARK mediscience: pharmaceuticals (20103015), biotechnology (20103010), medical equipment (20102010) and medical supplies (20102015).
- 1.3 Further information about the London Stock Exchanges' admission and disclosure standards and the eligibility criteria for techMARK and techMARK mediscience are available from:  
<https://www.londonstockexchange.com/>.



## Appendix C

# Guide to calculation methods

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## 1. Introduction

- 1.1 The FTSE techMARK Index Series are arithmetic weighted indices where the weights are the investable market capitalisations of each company. The price index is the summation of the investable market values (i.e. the capitalisations after the application of any investability weightings) of all companies within the index and each constituent company is weighted by its investable market value, but see rule 4.2.

## 2. Treatment of foreign dividends

- 2.1 Dividends received in a foreign currency will be converted to Sterling using WM/Refinitiv 16:00 rates on the day preceding the XD date before entering any calculations. The value of the dividend will then be fixed and not subject to exchange rate fluctuations.

## 3. Capping

- 3.1 The indices are capped using an iterative process to adjust downwards the weight of each constituent, including fast entrants to the FTSE techMARK Focus Index, in accordance with the capping methodology detailed in Appendix D.

The FTSE techMARK mediscience index is not capped.

- 3.2 If a company is capped, corporate actions will be applied in the normal way i.e. the company's capping factor will remain unchanged.

## 4. Liquidity

- 4.1 Liquidity for all eligible constituents to the FTSE techMARK Focus Index will be tested in accordance with the liquidity rules of the FTSE UK Index Series.

- 4.2 Any period when a share is suspended will be excluded from the liquidity analysis.

## Appendix D

# Application of capping at reviews

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Capping is applied to the constituents of the FTSE techMARK All-Share Indices, if required, by the following methodology.

The constituents in the appropriate index are ranked by investable 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 company 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.

Prior to the March 2023 index review, the FTSE techMARK Focus index was capped using the capping methodology detailed above, however effective from the March 2023 index review, the FTSE techMARK Focus Index adopted the European Investment in Transferable Securities (UCITS) capping methodology detailed in the FTSE Russell Capping Methodology Guide . Under UCITS capping, no individual company in the index has a weight greater than 9% of the index at the time of the review. UCITS capping was adopted from the March 2023 index review as the number of constituents within the FTSE techMARK Focus Index had decreased below 20 constituents.

## Appendix E

# 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 techMARK Index Series 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).

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