Ground Rules

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# FTSE US Innovators 100 Index

v1.0

FTSE RUSSELL
An LSEG Business

lseg.com/en/ftse-russell

# Contents

# Section 1
# Introduction

## 1. Introduction

1.1 This document sets out the Ground Rules for the construction and management of the FTSE US Innovators 100 Index.

1.2 These Ground Rules should be read in conjunction with the FTSE Global Equity Index Series Ground Rules, the FTSE ADR Index Series Ground Rules, and the FTSE Russell Capping Methodology. These rules are available on www.lseg.com/en/ftse-russell/

1.3 The FTSE US Innovators 100 Index designed to represent the performance of the largest 100 Nasdaq-listed, non-financial and non-real estate companies. The index applies RIC 22.5/45 capping.

1.4 The FTSE US Innovators 100 Index does not take account of ESG factors in its index design.

1.5 The FTSE US Innovators 100 Index is calculated in US dollars. Indices may also be disseminated in other currencies.

1.6 Price, total return and net of tax indices are published at the end of each working day. The indices include income based on ex dividend adjustments. All dividends are applied as declared in the FTSE Total Return Index.

Net-of-tax total return indices are calculated based on the maximum withholding tax rates applicable to dividends received by institutional investors who are not resident in the same country as the remitting company and who do not benefit from double taxation treaties. Net-of-tax total return indices based on specified withholding tax rates (see Section 8) may be calculated.

**1.7 FTSE Russell**

1.7.1 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 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 International Limited (FTSE)

2.1.1 FTSE is the benchmark administrator of the index.[1]

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;
- 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. 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.

[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 Statement of Principles for FTSE Russell Equity Indices (the Statement of Principles)**

Indices need to keep abreast of changing markets and the Ground Rules cannot anticipate every eventuality. Where the Ground 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 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 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 US Innovators 100 Index 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.

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[2], the European benchmark regulation[3] and the UK benchmark regulation[4]. 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 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

[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.

Section 4

# Eligible securities

## 4. Eligible securities

4.1 Securities that are constituents of the FTSE USA Index and the FTSE All-World ex US ADR Index[5] which satisfy Rules 4.2 and 4.3 are eligible for inclusion in the FTSE US Innovators 100 Index.

4.2 **Listing exchange eligibility**

4.2.1 Securities must be listed on eligible segments of the Nasdaq exchange in the USA, as detailed in Appendix A of the FTSE Global Equity Index Series Ground Rules.

4.3 **ICB Industry eligibility**

4.3.1 Securities classified under the following ICB Industries are excluded:

- Financials (ICB Industry code 30)
- Real Estate (ICB Industry code 35)

[5] FTSE All-World ex US ADR Index became eligible universe (in addition to FTSE USA Index) for the FTSE US Innovators 100 Index starting March 2011 review.

Section 5

# Periodic review of constituents

## 5. Periodic review of constituents

### 5.1 Review dates

5.1.1 The review of the FTSE US Innovators 100 Index takes place quarterly in March, June, September and December.

The constituents will be reviewed using data from the close of business on the Wednesday before the first Friday of the review month and implemented after the close of business on the third Friday of the review month (i.e. effective the following Monday).

### 5.2 Review process

5.2.1 At review, all constituents of the indices under the FTSE US Innovators 100 Index must be existing or pending constituents of the underlying indices as per Rule 4.

5.2.2 Companies are ranked by their full market capitalisation (before the application of any investability weightings) in descending order. For eligible ADRs, the full market capitalisation (with share conversion applied) associated with the ADR line will be applied.

5.2.3 For the first index review only, a company will be added to the FTSE US Innovators 100 Index if it ranks within the top 100 positions when the eligible constituents are ranked according to Rule 5.2.2.

5.2.4 For subsequent reviews:

A company will be inserted into the Index at the periodic review if it rises to 80th position or above when the eligible companies are ranked according to Rule 5.2.2.

A company in the Index will be deleted at the periodic review if it falls to 121st position or below when the eligible companies are ranked according to Rule 5.2.2.

5.2.5 The FTSE US Innovators 100 Index will maintain exactly 100 companies at each index review. After applying the inclusion and deletion rules (Rule 5.2.4), any remaining vacancies will be filled by adding the next highest-ranked eligible companies from 5.2.2. If there are excess constituents, the lowest-ranked companies will be removed until the index contains 100 companies.

### 5.3 Constituent Capping

5.3.1 The FTSE US Innovators 100 Index applies a quarterly capping methodology (RIC 22.5/45) according to Section 4 in the FTSE Russell Capping Methodology.

5.3.2 The Index is further subject to a single review at the end of each calendar quarter to ensure that index constituent weights do not breach set thresholds, according to the Section 4 in the FTSE Russell Capping Methodology.

5.3.3 Following capping, the weight of each constituent in the index moves freely in line with price movements.

Section 6

# Changes to constituent companies

## 6. Changes to constituents companies

**6.1 Fast entry[6]**

6.1.1 Where an eligible non-constituent of the FTSE US Innovators 100 Index undertakes an Initial Public Offering of a new equity security, that security will be eligible for fast entry inclusion to the FTSE US Innovators 100 Index providing it meets the following conditions:

- The security is a fast entrant into the FTSE Global Equity Index Series;
- The security satisfies all eligibility criteria listed in Rule 4; and
- The security's full market capitalisation using the closing price on the first day of trading ranks within the top 40 of the current constituents in the FTSE US Innovators 100 Index.

6.1.2 The fast entry inclusion will be implemented concurrent with the related fast entrant addition into the FTSE Global Equity Index Series (i.e. after the close of business on the fifth day of trading).

6.1.3 Where a fast entrant is added to the FTSE US Innovators 100 Index, no existing constituent will be removed. The number of companies may temporarily raise above 100 until the next quarterly review.

6.1.4 Constituents of the Index will be capped according to Rule 5.3.1 (RIC 22.5/45) at the time of a fast entry inclusion implementation, using prices adjusted for corporate events as at the close of business on the third day of official trading based on the constituents, shares in issue and free float on the next trading day following the fifth day of official trading.

**6.2 Intra-review additions**

6.2.1 Except for fast entry (Rule 6.1) and spin-offs (Rule 7.5.3), additions to each underlying index (see Rule 4) will be considered for inclusion at the next review of the FTSE US Innovators 100 Index.

**6.3 Intra-review deletions**

A constituent will be removed from the FTSE US Innovators 100 Index if it is also removed from its corresponding underlying indices (see Rule 4). There will be no replacement for the vacancy until the next review of the relevant index and the deletion will be concurrent with the deletion from the underlying index and its weight will be distributed pro-rata amongst the remaining constituents in the FTSE US Innovators 100 Index.

**6.4 Changes to constituent classification**

6.4.1 When a constituent undergoes changes to its ICB Industry classification, it will remain in the index until the next quarterly reivew.

[6] Fast entry rules effective from 1 June 2026.

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

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 Russell will provide notice advising of the timing of the change.

**7.2 Shares in issue**

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

**7.3 Investability weightings**

Changes to free float for constituent securities are covered in the Corporate Actions and Events Guide.

**7.4 Suspended companies**

7.4.1 Suspension of dealing rules can be found within the Corporate Actions and Events Guide.

7.4.2 A suspended security deleted from the FTSE US Innovators 100 Index will not be replaced until the next quarterly review.

## 7.5 Mergers, restructuring and complex takeovers

7.5.1 If the effect of a merger or takeover is that one constituent in the FTSE US Innovators 100 Index is absorbed by another constituent, the resulting company will remain a constituent of the index and a vacancy will be created. This vacancy will not be filled until the next quarterly review.

7.5.2 If a constituent company is taken over by a non-constituent company, the original constituent will be removed. The vacancy will be filled at the next quarterly review.

7.5.3 If a constituent company of the FTSE US Innovators 100 Index is split so as to form two or more companies, then the resulting companies will remain in the FTSE US Innovators 100 Index until the next quarterly review. During this period, the index may temporarily contain more than 100 companies until the next review.

Section 8

# Treatment of dividends

## 8. Treatment of dividends

8.1 Declared dividends are used to calculate the Standard Total Return Index of the FTSE US Innovators 100 Index. All dividends are applied as at the ex-div date.

8.2 Net-of-tax total return indices are calculated based on the maximum withholding tax rates applicable to dividends received by institutional investors who are not resident in the same country as the remitting company and who do not benefit from double taxation treaties. Net-of-tax total return indices based on specified withholding tax rates may also be calculated (see link to FTSE Russell Withholding Tax Guide below).

Withholding tax rates used in the net-of-tax indices can be accessed using the following link:

Withholding_Tax_Service

Please also refer to the FTSE Russell Withholding Tax Guide, which can be accessed using the following link:

FTSE_Russell_Withholding_Tax_Guide

Section 9

# Algorithm and calculation method

## 9. Algorithm and calculation method

**9.1 Prices**

9.1.1 The FTSE US Innovators 100 Index uses the closing prices detailed in Guide to Closing Prices used for Index Calculation which can be accessed using the following link:

Closing_Prices_Used_For_Index_Calculation.pdf

**9.2 Foreign exchange rates**

9.2.1 WMR FX Benchmarks real-time exchange rates are used in the index calculations, which are disseminated in real time. Exchange rates used in the end-of-day calculations are WMR Closing Spot Rates™, collected at 16:00 London time.

**9.3 Algorithm**

9.3.1 For details on the algorithm and calculation methods used for the FTSE US Innovators 100 Index, see the FTSE Global Equity Index Series Guide to Calculation Methods and the FTSE ADR Index Series Ground Rules.

9.3.2 The performance of the FTSE US Innovators 100 Index on a given day is determined by calculating the percentage difference between:

– the index's market capitalisation as at the close of that day and

– the market capitalisation at the start of that day

'Start of the day' is defined as the previous day's close adjusted for capital changes, investability weight changes, additions and deletions.

9.3.3 Adjustments are applied whenever capital changes take place, so that the performance of the FTSE US Innovators 100 Index reflects the experience of investors (for further details see the Corporate Actions and Events Guide).

Appendix A

# Index opening and closing hours

| Index | Open | Close |
|---|---|---|
| FTSE US Innovators 100 Index | EST 09:30 | EST 16:15 |

Notes:

1. Timings are Eastern Standard Time, subject to early closures on applicable US holidays
2. The Index is calculated Monday through Friday, except for official US market closures
3. The Index will not be calculated on 1 January

Appendix B

# Further information

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

Glossary.pdf

For further information on the FTSE US Innovators 100 visit www.lseg.com/en/ftse-russell/ or e-mail info@ftserussell.com. Contact details can also be found on this website.

## Disclaimer



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