

# Russell Conscious Currency Index Series

v2.5



**FTSE  
RUSSELL**

An LSEG Business

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## Section 1

# Introduction

## 1. Introduction

### 1.1 Russell Conscious Currency Index (RCCI) Series

1.1.1 The Russell Conscious Currency<sup>®</sup> Index (RCCI) Series is designed to reflect the performance of common foreign currency market factors Carry, Value and Trend. These indices are built based on transparent and objective rules and provide investors non-discretionary benchmarks when investing in the foreign exchange market. The RCCI series is presented as naïve representations of the currency markets, and may serve, individually or in combination, as appropriate benchmarks for currency managers. Taken together as a combined index, the Russell Conscious Currency Index may be used as a benchmark to describe the behavior of the currency market as a whole.

1.2 The Russell Conscious Currency Index Series does not take account of ESG factors in its index design.

### 1.3 Available indices

1.3.1 The Russell Conscious Currency Index Series includes the following four indices:

- Russell Conscious Currency Index
- Russell Conscious Currency Carry Index
- Russell Conscious Currency Value Index
- Russell Conscious Currency Trend Index

1.4 The base currency of the benchmark is US Dollars. Index values may also be published in other currencies.

1.5 The Russell Conscious Currency Index is calculated as a total return index.

### 1.6 FTSE Russell

1.6.1 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, FTSE (Beijing) Consulting Limited, Refinitiv Benchmark Services (UK) Limited, Refinitiv Limited and Beyond Ratings.

1.6.2 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.

1.6.3 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 Construction and Methodology, and/or

- any inaccuracies in these Construction and Methodology, and/or
- any non-application or misapplication of the policies or procedures described in these Construction and Methodology, and/or
- any inaccuracies in the compilation of the index or any constituent data.

## 1.7 Index design

### Value index

Value aims to capture long exposure to undervalued currencies and short positions in overvalued currencies.

### Trend index

Trend aims to capture long exposure to positive trend currencies and short positions in the lowest or negative trend currencies.

### Russell Conscious Currency Index (RCCI)

- The combined Russell Conscious Currency Index is constructed by weighting the Carry, Value and Trend indices equally, giving each component index a weight of 1/3.
- Each index differs in strength and explanatory power.
- Factors are weighted equally to represent a naïve benchmark measure.

### Carry index

Carry aims to capture long exposure to high-yielding currencies and short positions in low-yielding currencies.

## 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 Russell 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 Methodology;
- carry out the periodic index reviews of the index series and apply the changes resulting from the reviews as required by the Methodology;
- 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 This Methodology shall be subject to regular review (at least once a year) by FTSE Russell to ensure that they best reflect the aims of the index. Any proposals for significant amendments to this Methodology 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.

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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 Queries and Complaints

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

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

### 3.2 Policy for Benchmark Methodology Changes

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

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

### 3.3 FTSE Russell Governance Framework

3.3.1 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](#)

### 3.4 Real Time Status Definitions

3.4.1 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](#)

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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

# Defining the currency universe

## 4. Defining the currency universe

4.1.1 Currencies currently eligible to be constituents of the Russell Conscious Currency Index Series, representing major developed market currencies, are:

AUD	Australian Dollar
CAD	Canadian Dollar
CHF	Swiss Franc
EUR	Euro
GBP	Pound Sterling
JPY	Japanese Yen
NOK	Norwegian Kroner
NZD	New Zealand Dollar
SEK	Swedish Kroner
USD	United States Dollar

## Section 5

# Constructing the Index

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## 5. Steps in constructing the Russell Conscious Currency Index

- 5.1.1 Gather forward rates, spot rates, and PPP data for each currency. Note: For spot rates, currency/USD is used to calculate carry and value metrics; USD/currency is used to calculate the trend metric.
- 5.1.2 Calculate Carry, Value and Trend metrics for each currency.
- 5.1.3 Rank currencies for each component index based on corresponding metrics, i.e. use Carry metric to determine currency's rank in Carry Index, etc. For Carry and Trend, the currency with the highest metric is assigned to the top rank and the currency with the lowest metric is assigned to the bottom rank. For Value, the most undervalued currency is assigned to the top rank and the most overvalued currency is assigned to the bottom rank.
- 5.1.4 Allocate 1/3 long position to each of the three top-ranked currencies and 1/3 short position to each of the three bottom-ranked currencies.
- 5.1.5 Allocate a weight of 1/3 to each component index to create the composite RCCI. Note, when one component index goes long a currency and a different component index goes short the same currency, the net position of the currency in the RCCI is zero.



## Section 6

# Calculation of metrics

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## 6. Calculation of metrics

- 6.1.1 **Carry metric:** The Carry metric is represented by the 1-month forward rate divided by the spot rate, averaged over 10 days, i.e. 10-day average of (1-month forward rate / spot rate)
- 6.1.2 **Value metric:** The Value metric is represented by the spot rate averaged over 20 days, divided by PPP, i.e. (20-day average of spot rate) / PPP.
- 6.1.3 **Trend metric:** The Trend metric is represented by the difference of the spot rate averaged over 50 days and the spot rate averaged over 200 days, divided by the spot rate averaged over 200 days, i.e. [(50-day average of spot rate) – (200-day average of spot rate)] / (200-day average of spot rate)

## Section 7

# Index maintenance

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## 7. Index maintenance

- 7.1.1 Russell Conscious Currency Indices are proactively maintained and reflect daily changes in the global currency market. The RCCI series is reconstituted monthly. Index membership is determined based on market information 5 business days prior to month-end, implemented following the currency market close of the last business day of the month, observing WMR FX Benchmark holidays.
- 7.2 Russell Conscious Currency Indices are calculated whenever WMR FX Benchmarks currency rates are published (Monday to Friday) on an end of day basis only, with the exceptions of 1 January, Good Friday and 25 December each year, as well as during service alteration days specified by the WMR FX Benchmarks policy. National holidays in the following four financial centres are monitored by WMR FX Benchmarks: US, UK, Germany and Japan. WMR FX Benchmarks Rates are produced as normal if two or more of these centres are open. If only one centre is open, the normal policy is that no fixings are produced and the rates from previous fixings are used - in which case, Russell Conscious Currency Indices will not be calculated. Where national holidays occur, but two or more of the financial centres monitored by WMR FX Benchmarks are open, Russell Conscious Currency Indices will be calculated as normal with any unavailable rate being replaced by the previous rate used in the Russell Conscious Currency Index calculation.
- 7.3 In the event that any component price is not published (e.g. because of a public holiday), then the previously published price is used.

## Section 8

# Historical construction rules

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## 8. Historical construction rules

- 8.1.1 Index history from November 30, 1999 through March 29, 2013 was constructed based on a 5-day business week calendar (Monday-Friday), without accounting for WMR FX Benchmarks holidays.
- 8.1.2 Historical PPP was updated annually as of December of each year.

## Section 9

# Data sources

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## 9. Data sources

- 9.1.1 Daily closing spot and closing forward rates are provided by WMR FX Benchmarks. The calculation of these closing rates based on 16:00 London time. However, if applicable WM may provide a different official closing time due to national holidays, failure of the supply source, or special market conditions. Russell will use the price WM determines as official. WRM FX Benchmarks is the primary source of foreign exchange rates. Other sources may be used by exception where the appropriate rates are not available.
- 9.1.2 PPP values are provided by the OECD.

## Section 10

# Calculation of closing spot rates and forward rates

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## 10. Calculation of closing spot rates and forward rates

- 10.1.1 WMR FX Benchmarks calculates and disseminates spot rates by taking a number of snapshots of the source rates. These will be at regular intervals centered on the fixing time of the relevant rate being calculated. The median rates will then be selected from these individual snapshots for each currency.
- 10.1.2 A capture of current quotes is taken from WMR FX Benchmarks as close as possible to 16:00 London time for the Closing Forward Rate. Quotes to USD will normally be used although this may be varied depending on market experience.

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**For more information about our indices, please visit [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/).**

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