

FTSE Russell Futures Tracker TWAP Index Series



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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 Russell Futures Tracker TWAP Index Series.

FTSE Russell Futures Tracker TWAP Index Series represents the performance of a long position on a futures contract, calculated using a Time Weighted Average Price (TWAP) value on each day.

- 1.2 The Index Series will be calculated on an end of day basis on each Index Business Day.

- 1.3 The Index Series does not take account of ESG factors in its index design.

- 1.4 For contact details please visit the FTSE Russell website or contact FTSE Russell client services at info@ftserussell.com

1.5 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.), FTSE Fixed Income LLC, FTSE (Beijing) Consulting Limited, .

- 1.6 FTSE Russell hereby notifies users of the Index or 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 or Index Series and therefore, any financial contracts or other financial instruments that reference the Index or Index Series or investment funds which use the Index or Index Series to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the Index or Index Series.

- 1.7 Index or Index Series users who choose to follow this Index or Index Series or to buy products that claim to follow this Index or Index Series should assess the merits of the Index' 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 Series 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 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 Index Series

2.1.3 These Ground Rules set out the methodology and provide information about the publication of the Index Series.

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.

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 through 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 through the following link:

[Statement of Principles.pdf](#)

3.2 **Queries and Appeals**

FTSE Russell's complaints procedure can be accessed through 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 through 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 through 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 Index will be notified through appropriate media.

For further information, please refer to the FTSE Russell recalculation policy and guidelines document which is available from the FTSE Russell website through 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 through 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 Benchmarks², the European benchmark regulation³ and the UK benchmark regulation⁴. The FTSE Russell Governance framework can be accessed through 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](#)

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

Index calculation methodology

4. Index calculation methodology

4.1 Roll methodology

When the first nearby Futures Contract approaches expiration, they are replaced by the second nearby Futures Contract. This process is referred to as “**rolling**”.

The rolling is conducted over a set of consecutive Index Business Days (each a “**Roll Day**” and together the “**Roll Period**”) and commences on the Initial Roll Day.

On each Roll Day, a proportion of the Index weight in the first nearby Futures Contract is rolled into the second nearby Futures Contract at the TWAP value of the respective Futures Contracts.

The **Initial Roll Day** is the Index Business Day which is “**Roll Lag**” Index Business Days before the nearby Futures Contract “**Last Trade Date**” (see Roll Lag in the Appendix B section below)

The **Roll Window** is the number of Roll Days within the Roll Period (see Roll Window in the Appendix B section below).

The **Last Trade Date**, in respect of a Futures Contract, is the final day the instrument can be traded as defined by the relevant exchange.

4.2 TWAP value formula

The TWAP value in respect of a Futures Contract, a TWAP Window and a day t aims to represent the average price that the Futures Contract is traded at during the TWAP Window. It is calculated in accordance with the following formula:

$$TWAP_t = \frac{\sum_{i=1}^n Price_i}{n}$$

where:

$TWAP_t$

Means the TWAP value on day t

n

Means the total number of trades for the Futures Contract during the TWAP Window

$\sum_{i=1}^n Price_i$

Means the sum of every price at which the Futures Contract trades at during the TWAP Window

For the avoidance of doubt, price or value without a traded volume are ignored in the calculation of the TWAP value and “block trade(s)” are counted in the calculation of the TWAP value.

In addition, if no trade occurs during the TWAP Window, the TWAP value shall be the settlement price of the Futures Contract for such a day⁵.

“**TWAP Window**” means the period starting on TWAP Start (excluded) and ending on TWAP End (excluded) unless the TWAP Window is in respect of a day which a scheduled partial trading day (as defined by the relevant exchange) and in that case the TWAP Start and TWAP End shall be moved accordingly. For the avoidance of doubt, if the relevant exchange closes two hours earlier, the TWAP Start and TWAP End shall be moved two hours earlier as well.

4.3 Futures Tracker calculation formula:

For each Index, the Index Value is equal to the Index Base Value on the Index Base Date.

Thereafter, for each Index Business Day, the Index Value is calculated in accordance with the following formula, subject to Consequences of Disruption Event or Consequence of Extraordinary Event:

$$Index_t = Index_{t-1} \times \left(\left(1 - \frac{RD_{t-1}}{Roll\ Window} \right) \times \frac{TWAP_{ac,t}}{TWAP_{ac,t-1}} + \frac{RD_{t-1}}{Roll\ Window} \times \frac{TWAP_{nac,t}}{TWAP_{nac,t-1}} \right)$$

where:

t	Means Index Business Day t
$t-1$	Means the Index Business Day immediately preceding Index Business Day t
$Index_x$	Means the Index Value on Index Business Day x
RD_x	Means, in respect of an Index Business Day x , the number of Roll Days between Index Business Day x (included) and the Initial Roll Day (included). For the avoidance of doubt, RD_x is equal to 0 before the Initial Roll Day and 1 on the Initial Roll Day
Roll Window	Means the Roll Window for the Index (see Roll Window in the Appendix B section below)
$TWAP_{ac,x}$	Means, in respect of Index Business Day x , the TWAP value for the first nearby Futures Contract
$TWAP_{nac,x}$	Means, in respect of Index Business Day x , the TWAP value for the second nearby Futures Contract

⁵ Prior to , the TWAP value for the relevant Futures Contract shall be the settlement price of such Futures Contract

Appendix A

Definitions

In addition, capitalised terms used in this document but not otherwise defined are defined in the following table.

Term	Definition
Index Business Day	Means, in respect of an Index, any weekdays on which the relevant exchange is scheduled to be open for trading
Disrupted Day	Means an Index Business Day on which a Disruption Event has occurred or is continuing
Index Value	Means in respect of an Index and an Index Business Day, the value of the Index
Disruption Event	Means a Futures Disruption Event that FTSE Russell deems material
Extraordinary Event	Means a Futures Extraordinary Event that FTSE Russell deems material
Futures Disruption Event	Means, in respect of a Futures Contract, any unscheduled or extraordinary condition and which affects the ability of FTSE Russell to calculate the TWAP value for such Futures Contract on a timely basis and in an acceptable manner (such as an event resulting in the unscheduled closing of the relevant exchange, the non-publication of the settlement price or market price of the relevant Futures Contract by the relevant exchange or a suspension of trading by the relevant exchange)
Futures Extraordinary Event	Means, in respect of a Futures Contract, any of the following events: <ul style="list-style-type: none"> (a) the Futures Contract is no longer negotiated on the relevant exchange (b) the Futures Contract is replaced by a successor product that is not acceptable to FTSE Russell (c) a material change in the expiry calendar, formula or method of calculating such Futures Contract (d) the cancellation of the Futures Contract
Consequence of a Disruption Event	<p><u>Available fallback for the TWAP value:</u></p> <p>If the relevant exchange publishes a settlement price for the relevant Futures Contract, FTSE Russell shall use such settlement price to calculate and publish the Index Value.</p> <p><u>Unavailable fallback for the TWAP value:</u></p> <p>If no settlement price is available for the relevant Futures Contract on the Disrupted Day, FTSE Russell may, but is not limited to, defer or suspend the calculation and publication of the Index until the next Index Business Day which is not a Disrupted Day.</p> <p>If such a day is also a Roll Day but is not the last Roll Day of the Roll Period, then the portion of the roll shall be postponed to the following Index Business Day.</p>

	If such a day is the last Roll Day, the roll shall not be postponed and FTSE Russell shall make a determination using the last available price or market value of the relevant Futures Contract.
Consequence of Extraordinary Event	<p>FTSE Russell may:</p> <ul style="list-style-type: none"> (a) re-weight or substitute the Index Constituent(s) impacted by the Extraordinary Event (b) replace the impacted input data with new data with similar characteristics (c) adjust the value of the Index, or make any other appropriate amendments to the Index (d) modify this Ground Rules (e) terminate the Index
Futures Contract	Means an Index Constituent which is a futures contract traded on a regulated market
Index Constituent	Means any financial instruments, underlying components or underlying indices as specified in the Ground Rules
Index Base Date	Means the date for which the Index Base Value applies
Index Base Value	Means the arbitrary number (e.g. 1000) set on the Index Base Date as the starting value of an index

Appendix B

Parameters

Index details and parameters

Index name	Currency	RIC	Ticker	Index Base Date	Index Base Value	TWAP Start	TWAP End	Roll Lag	Roll Window
Russell 2000 Futures Tracker TWAP Index	USD	RU	RU	RU	1000	15:30 ET	15:40 ET	5	3

Index Constituents

Index name	Index Constituents	Relevant exchange	Delivery months traded
Russell 2000 Futures Tracker TWAP Index	E-mini Russell 2000 Index Futures	CME	H, M, Z, U

Disclaimer

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