

# Russell US State Equity Index Series

v1.0



**FTSE  
RUSSELL**

An LSEG Business

# Contents

Section 1 Introduction .....	3
Section 2 Management responsibilities .....	4
Section 3 FTSE Russell index policies .....	5
Section 4 Eligible securities .....	7
Section 5 Index construction .....	8
Section 6 Periodic review of constituents .....	9
Section 7 Changes to constituent companies.....	10
Section 8 Corporate actions and events .....	11
Appendix A Further information .....	12

## Section 1

# Introduction

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## 1. Introduction

- 1.1 This document sets out the Ground Rules for the construction and management of the Russell US State Equity Index Series.

The Russell US State Equity Index Series is designed to reflect the performance of securities in the underlying index universe representing the companies headquartered in the specified US state.

- 1.2 These Ground Rules should be read in conjunction with the Russell US Equity Indices Construction and Methodology which is available at <https://www.lseg.com/en/ftse-russell/>. Unless stated in these Ground Rules, the Russell US State Equity Index Series will follow the same process as the Russell US Equity Indices construction and methodology.

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

- 1.4 Price return and total return will be calculated on an end-of-day basis.

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

- 1.6 The indices may be calculated in real time.

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

- 1.8 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.

- 1.9 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 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;
- 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

## 2. Management responsibilities

### 2.1 FTSE International Limited (FTSE)<sup>1</sup>

2.1.1 FTSE is the benchmark administrator of the index.

2.1.2 FTSE is responsible for the daily calculation, production and operation of the 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 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; and
- disseminate the index.

### 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.

<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

## 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

3.2 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide for Market Capitalisation Weighted Indices using the following link:

[Corporate Actions and Events Guide for Market Capitalisation Weighted Indices](#)

### 3.3 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 FTSE Russell's Index Governance Board.

The Statement of Principles can be accessed using the following link:

[Statement\\_of\\_Principles.pdf](#)

### 3.4 Queries and Complaints

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

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

### 3.5 Index Policy for Trading Halts and Market Closures

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](#)

### 3.6 Index Policy in the Event Clients are Unable to Trade a Market or a Security

3.6.1 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](#)

### **3.7 Recalculation Policy and Guidelines**

- 3.7.1 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 Russell US Equity 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](#)

### **3.8 Policy for Benchmark Methodology Changes**

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

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

### **3.9 FTSE Russell Governance Framework**

- 3.9.1 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](#)

### **3.10 Real Time Status Definitions**

- 3.10.1 Please refer to the following guide for details of real time status definitions for indices that 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

4. Eligible securities

4.1 The eligible securities of each index are the constituents of the relevant underlying index:

Index	Underlying index
Russell Texas Equity Index	Russell 3000 Index

## Section 5

# Index construction

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## 5. Index construction

### 5.1 Membership

- 5.1.1 Securities with an investable market capitalization below USD \$500 million are excluded.
- 5.1.2 Securities with a three-month rolling average daily volume lower than USD \$3 million are excluded.
- 5.1.3 Inclusion is limited to companies that are headquartered in the US state referenced in the index name.

### 5.2 Weighting

- 5.2.1 Initially weighted based on float adjusted market capitalization of each index constituent.
- 5.2.2 RIC 10/45 capping will be applied according to Rule 4.2 of the [Capping Methodology guide](#).



## Section 6

# Periodic review of constituents

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## 6. Periodic review of constituents

### 6.1 Review and price dates

- 6.1.1 The Russell US State Equity Index Series is reviewed quarterly.
- 6.1.2 The Russell US State Equity Index Series index review is effective at the close of the third Friday of the month in March, September, and December. June's re-weighting is completed at the same time as the annual reconstitution of the parent indices.
- 6.1.3 The Russell US State Equity Index Series is reviewed based on the stock prices available at the close of business on the Wednesday before the second Friday in June (price cut-off date) incorporating underlying index constituent changes according to the implementation date shown in Rule 6.1.2.
- 6.1.4 The March, September, and December reviews are based on the stock prices available at the close of the Wednesday before the first Friday of the month incorporating underlying index constituent changes according to the implementation date shown in Rule 6.1.2.

## Section 7

# Changes to constituent companies

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## 7. Changes to constituent companies

### 7.1 Intra-review additions

Additions to the underlying index will be considered for inclusion in the Russell US State Equity Index Series at the next review.

### 7.2 Intra-review deletions

- 7.2.1 A constituent will be removed from the Russell US State Equity Index Series if it is also removed from the underlying index. The deletion will be effective concurrent with the removal from the underlying index provided a minimum of two days' notice can be provided.

## 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 for Market Capitalisation Weighted Indices using the following link:

[Corporate Actions and Events Guide for Market Capitalisation Weighted Indices](#)

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. The index will be adjusted in line with 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 Suspension of dealing

Suspension of dealing rules can be found within the Corporate Actions and Events Guide for Market Capitalisation Weighted Indices.

### 8.3 Takeovers, mergers and demergers

The treatment of takeovers, mergers and demergers can be found within the Corporate Actions and Events Guide for Market Capitalisation Weighted Indices.

## Appendix A

# 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 Russell US State Equity 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).

**Website:** <https://www.lseg.com/en/ftse-russell>

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