

FTSE Decrement Index Series

v2.9



**FTSE
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Section 1

Introduction

1. Introduction

- 1.1 The objective of the FTSE Decrement Index Series is to measure the performance of the underlying index after taking into account expected transaction costs. The cost can be applied either as a number of fixed points to the underlying index value or as a fixed percentage to the underlying index returns.
- 1.2 These Ground Rules should be read in conjunction with the underlying index Ground Rules.
- 1.3 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.
- 1.4 FTSE Russell hereby notifies users of the indices that it is possible that circumstances, including external events beyond the control of FTSE Russell, may necessitate changes to, or the cessation of, the indices and therefore any financial contracts or other financial instruments that reference the indices or investment funds which use the indices to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the indices.
- 1.5 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 (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, 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 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 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.

2.2 The rate used in the calculation of the FTSE Custom 100 Equally Weighted Net Cost Index is determined in consultation with clients of the index.

2.3 Amendments to these Ground Rules

2.3.1 These Ground Rules shall be subject to regular review 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.

¹ FTSE is not the benchmark administrator of the Index Series as the term administrator is defined in the [\[IOSCO Principles for Financial Benchmarks and\] 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).

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 Guides

- 3.1.1 Full details of changes to constituent companies due to corporate actions and events can be accessed using the following link:

[Corporate Actions and Events Guide.pdf](#)

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

3.2 Index Policy for Trading Halts and Market Closures

- 3.2.1 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](#)

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

- 3.3.1 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](#)

3.4 Policy for Benchmark Methodology Changes

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

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

3.5 Real Time Status Definitions

- 3.5.1 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](#)

Section 4

Calculation methodology

4. Calculation methodology

Unless stated in these Ground Rules, the FTSE Decrement Index will follow the same construction methodology as the underlying index series.

4.1 Fixed points of index

$$IL(t) = IL(t-1) \times \frac{UIL(t)}{UIL(t-1)} - FP \times ACT \frac{(t-1, t)}{d}$$

4.2 Fixed percentage of index return

$$IL(t) = IL(t-1) \times \left(\frac{UIL(t)}{UIL(t-1)} - FD \times ACT \frac{(t-1, t)}{d} \right)$$

where,

$IL(t)$	=	Closing index value of the decrement index on calculation date (t)
$IL(t-1)$	=	Closing index value of the decrement index on calculation date (t-1)
$UIL(t)$	=	Closing index value of the underlying index on calculation date (t)
$UIL(t-1)$	=	Closing index value of the underlying index on calculation date (t-1)
FP	=	Fixed points
FD	=	Fixed percentage
$ACT(t-1, t)$	=	The number of calendar days between Calculation Date (t-1) (excluded) and Calculation Date (t) (included).
d	=	Day count convention (either 360 or 365).

4.3 List of indices

Please use the following link for a full list of decrement indices:

[FTSE Decrement Indices](#)

Section 5

Corporate actions and events

5. Corporate actions and events

5.1 The FTSE Decrement Index Series will follow the same corporate actions and events treatment as the underlying index.

5.2 Full details of changes to constituent companies due to corporate actions and events can be accessed using the following link:

[Corporate_Actions_and_Events_Guide.pdf](#)

[Corporate Actions and Events Guide for Non Market Cap Weighted Indices.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. 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)
- 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.

5.3 **Suspension of dealing**

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

5.4 **Takeovers, mergers and demergers**

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

Appendix A

Further information

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

[Glossary.pdf](#)

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

Website: www.lseg.com/en/ftse-russell/

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