

SOLUTION OVERVIEW

FTSE ADX 15 Islamic Index

Overview

In March 2022, we welcomed the new FTSE ADX 15 (FADX15) index as the first index co-developed under the FTSE ADX partnership that brings FTSE Russell's world-class index expertise to the second largest exchange in the GCC region, to create next generation benchmarks for this vibrant and growing Market.

In response to the rising demand for Shariah-compliant investment products, FTSE and ADX have developed the **FTSE ADX 15 Islamic Index** solution for Islamic investors.

Islamic Index

- FTSE ADX 15 Islamic Index is a sub-index of the FTSE ADX General Index, and part of the FTSE ADX Index Series
- FTSE Russell's Islamic equity indices are built with the main precepts of Islamic finance in mind and follow a two-stage process; Business screening and Financial screening
- To limit over concentration in any single security, constituents of the FTSE ADX 15 Islamic Index are capped quarterly so the largest company's weight does not exceed 33% and any remaining company weight does not exceed 18%.
- Shariah screening is undertaken by IdealRatings with FTSE calculating and disseminating the indices
- The FTSE ADX 15 Islamic Index is reviewed semi-annually in March and September
- The index has been designed as the basis of tradable financial products such as ETFs and index funds, and for the purposes of benchmarking and performance measurement by institutional investors
- For further information about the broader index series, please visit: [FTSE ADX Index Series | LSEG](#)

Index Characteristics / Features

Comprehensive and Representative

The FTSE ADX 15 Islamic Index is designed to provide a Shariah-compliant index for global Islamic investors, with screening undertaken by Shariah screening provider, IdealRatings.

Coverage

The FTSE ADX 15 Islamic Index is derived from the constituents of the FTSE ADX General Index that are listed on the Main Market of the Abu Dhabi Securities Exchange.

Impartial and Investable

By partnering with IdealRatings, an impartial research provider, FTSE Russell remains neutral and fully up to date with latest practices. IdealRatings' services have been reviewed and approved by several Islamic scholars, advisors and institutions globally. Stocks are selected and weighted to ensure that the index is investable.

Transparent and Liquid

Index methodologies are freely available on the FTSE Russell website, while stocks are screened to ensure that the index is tradeable.

Availability

Real-time Capital index and End-of-day Capital & Total Return Indices are available.



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Screening criteria

Business screening activities

Investment is not allowed in companies deriving more than 5% of their total revenue (cumulatively) from any of the following activities:

Business screening (prohibitions)	
Alcohol: Distillers, vintners and producers of alcoholic beverages, including producers of beer and malt liquors, owners and operators of bars and pubs.	Defence/weapons: Manufacturers of military aerospace and defence equipment, parts or products, including defence electronics and space equipment.
Tobacco: Cigarettes and other tobacco products manufacturers and retailers, recreational cannabis.	Gambling/casino: Owners and operators of casinos and gaming facilities, including companies providing lottery, online games or betting services.
Pork-related products: Companies involved in the manufacture and retail of pork products.	Music: Producers and distributors of music, owners and operators of radio broadcasting systems.
Conventional financial services: Commercial banks involved in retail banking, corporate lending, investment banking; companies involved in mortgage and mortgage-related services; providers of financial services, including insurance, capital markets and specialized finance; credit agencies; stock exchanges; specialty boutiques; consumer finance services, including personal credit, credit cards, lease financing, travel-related money services and pawn shops; financial institutions primarily engaged in investment management, related custody and securities fee-based services; companies operating mutual funds, closed-end funds and unit investment trusts; financial institutions primarily engaged in investment banking and brokerage services, including equity and debt underwriting, mergers and acquisitions; securities lending and advisory services institutions; and insurance and reinsurance brokerage firms, including companies providing property, casualty, life disability, indemnity or supplemental health insurance.	Cinema: Companies engaged in the production, distribution and screening of movies and television shows, owners and operators of television broadcasting systems and providers of cable or satellite television services.
Advertising services: Television, newspapers and billboards.	Adult entertainment: Owners and operators of adult entertainment products and activities.
Gold & silver hedging: Traders of gold and silver as cash or on deferred basis.	Not slaughtering according to Islamic or Monotheistic principles: Food producers or processing companies not following the Islamic or Monotheistic guidelines in the slaughtering of animals.

Financial screening activities

Investment is not allowed in companies with financial ratios violating the following criteria:

Financial screening (no investment allowed in companies where):	
Total conventional debt over average daily market capitalisation for the prior 24 months exceeds 33%. If the average market capitalization of the company falls below the total asset value, total assets are then used in calculating the percentage above.	The revenue that Islamic Financial Institutions derive from Financial Services will not be considered revenue from a prohibited activity. Islamic Financial Institutions will not be subject to the business or financial screening criteria above.
Sum of a company's cash and short term interest bearing securities over average daily market capitalization for the prior 24 months exceeds 33%. If the average market capitalization of the company falls below the total asset value, total assets are then used in calculating the percentage above.	No investment in trust units is allowed.
The total non-permissible income generated from conventional interest income and any non-compliant activities should not exceed 5% of the total income generated by the company.	No investment in fixed income preferred shares is allowed.

Index construction process

Taking the FTSE All-World Index as a starting point, FTSE Russell's Islamic equity indexes are built with the main precepts of Islamic finance in mind and follow a two-stage process.

Step 1

Business screening

At the first stage, companies involved in specified areas of business activity are excluded from the starting set of securities for the equity index. The threshold for index inclusion is typically that the total sum of non-permissible income should not exceed 5% of a company's total revenue and interest income. A comprehensive list of exclusions can be found in the screening criteria section of this document.

Step 1 > Step 2

Financial screening

At the second stage, the remaining companies are screened on a financial basis and have to meet certain financial ratios to be considered Shariah-compliant. Typically, these ratios are set as follows:

- Total conventional debt over average daily market capitalization for the prior 24 months exceeds 33%. If the average market capitalization of the company falls below its total asset value, the total assets are used to calculate the percentage.
- The total sum of a company's cash and short term interest bearing securities over average daily market capitalization for the prior 24 months exceeds 33%. If the average market capitalization of the company falls below its total asset value, total assets are used to calculate the percentage.
- Total non-permissible income generated from conventional interest income and any non-compliant activities should not exceed 5% of a company's total income.
- The revenue that Islamic Financial Institutions derive from Financial Services will not be considered revenue from a prohibited activity.
- No investment is allowed in either unit trusts or fixed income preferred shares.

Step 1 > Step 2 > Step 3

Dividend purification

Best practice suggests that an appropriate purification level of dividends should be 5%. This ratio calculates the recommended purification amount to be paid by the investor.

About IdealRatings

IdealRatings is a leading provider of Responsible Investment research where it has been involved in the Shariah screening market since 2006 with clients across more than 30 countries globally and a large footprint in the Middle East and South East Asia. They have been a trusted partner of FTSE Russell since 2017 via the jointly managed FTSE EPRA Nareit IdealRatings Islamic Index Series and the FTSE IdealRatings Sukuk Index Series

About FTSE Russell

FTSE Russell is a leading global provider of index and benchmark solutions, spanning diverse asset classes and investment objectives. As a trusted investment partner we help investors make better-informed investment decisions, manage risk, and seize opportunities.

Market participants look to us for our expertise in developing and managing global index solutions across asset classes. Asset owners, asset managers, ETF providers and investment banks choose FTSE Russell solutions to benchmark their investment performance and create investment funds, ETFs, structured products, and index-based derivatives. Our clients use our solutions for asset allocation, investment strategy analysis and risk management, and value us for our robust governance process and operational integrity.

For over 35 years we have been at the forefront of driving change for the investor, always innovating to shape the next generation of benchmarks and investment solutions that open up new opportunities for the global investment community.

Contact Us

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