



**GROUND RULES FOR THE
MANAGEMENT OF THE
FTSE/ASEAN INDICES**

**Comprising the
FTSE/ASEAN 40 Index
and the FTSE/ASEAN Index**

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SECTION 1

1.0 INTRODUCTION

- 1.1 This paper sets out the Ground Rules for the management of the FTSE/ASEAN Indices. Copies of the Ground Rules are available from FTSE (see Appendix C).
- 1.2 The FTSE/ASEAN Index is designed to represent the performance of the ASEAN region's markets. Initial markets will comprise Indonesia, Malaysia, the Philippines, Singapore and Thailand (see Section 5). Other markets may be added over time.
- 1.3 The FTSE/ASEAN Index represents those companies from the ASEAN region that are current constituents of the FTSE All World Index. Rules governing the FTSE Global Equity Index Series, of which the FTSE All World Index is a member, are available from FTSE.
- 1.4 The FTSE/ASEAN Index is calculated on an end-of-day basis.
- 1.5 The FTSE/ASEAN 40 Index is designed to represent the performance of the largest companies in the ASEAN region's markets. The Index is suitable for Exchange Traded Funds (ETFs), derivatives and for other tradable products.
- 1.6 The FTSE/ASEAN 40 Index is calculated in real-time during the hours of calculation (see Appendix B).
- 1.7 Capital and Total Return Indices are available. Total Return Indices are published at the end of each working day. The Total Return Indices are based on ex dividend adjustments.
- 1.8 The base currency for the FTSE/ASEAN Indices is US dollars.
- 1.9 **FTSE/ASEAN Index**
 - 1.9.1 The FTSE/ASEAN Index is derived from the FTSE All World ASEAN Index, part of the FTSE Global Equity Index Series. Its management is governed by the Ground Rules for the Management of the FTSE Global Equity Index Series, copies of which can be obtained from FTSE (see Appendix C).

SECTION 2

2.0 STATUS OF INDICES – FTSE/ASEAN 40

2.1 The FTSE/ASEAN 40 Index is calculated in real time and may exist in the following states:

a) **Firm**

The index is being calculated using trade prices from the relevant local stock exchanges for all constituents during the hours of the Official Index Period (see Appendix B).

The Official Closing Index for the FTSE/ASEAN 40 Index is the last index value calculated at the end of the firm period.

b) **Closed**

When the index has ceased all calculations for the day, the message '**CLOSED**' is displayed against the index value.

c) **Held**

During the firm period, the index has exceeded pre-set operating parameters and calculation has been suspended pending resolution of the problem. The message '**HELD**' is displayed against the last index value calculated.

d) **Indicative**

If there is a system problem or a situation in the market that is judged to be affecting the quality of the constituent prices at any time when the index is being calculated, the index will be declared indicative. The message '**IND**' will be displayed against the index value.

e) **Part**

If the index is being calculated during the normal Official Index Period hours, but there are less than 75% of the constituents by capitalisation available with firm prices, then the index will be displayed with the message '**PART**' to indicate that only a proportion of the securities prices are included. With the exception of the message '**PART**', the index will continue to be calculated and displayed as if it were firm.

2.2 The official opening and closing hours of the FTSE/ASEAN 40 Index are set out in Appendix B. Variations to the official hours of the indices are published by FTSE as appropriate.

2.3 The FTSE/ASEAN indices are calculated on public holidays whenever at least one market is trading. The indices will not be calculated on 1st January.

SECTION 3

3.0 MANAGEMENT RESPONSIBILITIES

3.1 FTSE

- 3.1.1 FTSE is responsible for conducting the annual review of the FTSE/ASEAN 40 Index and will announce which companies, if any, should be inserted and deleted from the FTSE/ASEAN 40 Index at the annual review (see Section 8). FTSE also conducts the review of the FTSE Global Equity Index Series and hence of the FTSE/ASEAN Index.
- 3.1.2 FTSE is responsible for the operation of the FTSE/ASEAN Indices. FTSE will maintain records of the market capitalisation of all constituents and reserve companies, and will make changes to the constituents and their weightings in accordance with the relevant Ground Rules. FTSE will implement the resulting constituent changes as required by the Ground Rules.
- 3.1.3 Changes to constituent weightings are made by FTSE in accordance with the Ground Rules. FTSE is responsible for publicising changes to constituent weightings.
- 3.1.4 FTSE is also responsible for monitoring the performance of the FTSE/ASEAN 40 Index throughout the day and will determine whether the status of each index should be 'firm', 'indicative', 'held' or 'part'.

SECTION 4

4.0 ELIGIBLE SECURITIES – FTSE/ASEAN INDEX

- 4.1 Those securities that are members of the FTSE All World Country Index for each participating exchange will comprise the FTSE/ASEAN Index. These markets are those of Singapore, Indonesia, Malaysia, Thailand and the Philippines.
- 4.2 Companies whose business is that of holding equity and other investments (e.g. Investment Trusts) which are assumed by the Industry Classification Benchmark as Subsector equity investment instruments (8985) and Non-equity investment instruments which are assumed by the Industry Classification Benchmark as Subsector non-equity investment instruments (8995) will not be eligible for inclusion. For further details on the Industry Classification Benchmark (ICB), please visit the FTSE website.
- 4.3 The shares, free float weightings and treatment of secondary lines of stock of constituents are the same as those used in the FTSE Global Equity Index Series. Where two or more lines of a company are maintained separately within these indices, they will be treated as individual securities for the purposes of these rules.
- 4.4 Ground Rules for the FTSE Global Equity Index Series are available from FTSE (see Appendix C).
- 4.5 **Eligible Securities – FTSE/ASEAN 40 Index**
- 4.6 The FTSE/ASEAN 40 Index consists of the largest 40 companies by full market value from the eligible markets (subject to Rule 5.2) that qualify under Section 4 as eligible for inclusion in the Index.
- 4.7 Securities that are members of the FTSE All World Country Index for either Singapore, Malaysia, Thailand, Indonesia or the Philippines are potentially eligible for the FTSE/ASEAN 40 Index, subject to Rule 4.8. If, at the time of the FTSE/ASEAN 40 Index review, a review of the FTSE All World ASEAN Index has been carried out but not implemented, the new FTSE All World ASEAN Index constituent list will be used.
- 4.8 Thailand companies that are selected for inclusion in the FTSE/ASEAN 40 Index will be priced off the main board and may therefore have a different line of stock than that is included in the FTSE/ASEAN Index and FTSE All-World Index.
- 4.9 Securities are subject to a liquidity screen. Each security must turn over at least 20% of its shares in issue, after adjusting for free float, in the twelve months prior to the review.

SECTION 5

5.0 REVIEW OF CONSTITUENTS – FTSE/ASEAN INDEX

5.1 Constituents of the FTSE/ASEAN Index are determined by the rules of the FTSE Global Equity Index Series, which are available from FTSE (see Appendix C).

5.2 Review of Constituents – FTSE/ASEAN 40 Index

5.3 General

5.3.1 The rules for inserting and deleting companies at the annual review are designed to provide stability in the selection of constituents of the FTSE/ASEAN 40 Index while ensuring that the Index continues to be representative of the market by including or excluding those companies whose full market capitalisation has risen or fallen significantly.

5.4 Review Dates

5.4.1 The FTSE/ASEAN 40 Index is reviewed annually in March.

5.4.2 The data on which the annual review is undertaken will be from the close of the last business day in February. Where all eligible markets are not open on that day, the previous business day on which all eligible markets were open will be used.

5.4.3 Changes arising from the annual review will be implemented after the close of business on the third Friday in March.

5.5 Responsibilities and Reporting

5.5.1 FTSE is responsible for conducting the annual review of constituents for the FTSE/ASEAN 40 Index, as governed by Rule 5.5.

5.5.2 FTSE is responsible for publicising the outcome of the annual review as soon as possible after the review.

5.6 Rules for Insertion and Deletion at the Annual Review

5.6.1 The constituents of the FTSE/ASEAN 40 Index are determined by using the following methodology:

5.6.2 Take a database comprising all eligible securities (see Section 4);

5.6.3 Remove non-equity investment instruments from the database (see Rule 4.2);

5.6.4 Rank all remaining securities by full market capitalisation i.e. before the application of any investability weightings (see Rule 4.3);

5.6.5 Existing constituents which have fallen to 51st position or below will qualify to be removed from the Index at the annual review;

5.6.6 Non-constituents which have risen to 30th position or above will qualify to be included in the Index at the annual review;

SECTION 5

- 5.6.7 Where a greater number of constituents qualify to be included in the Index than those qualifying to be removed, the lowest ranking constituents presently included in the Index will be removed to ensure that the number of constituents remains constant. Likewise, where a greater number of constituents qualify to be removed from the Index than those qualifying for inclusion, the highest ranking constituents which are presently not in the Index will be included to match the number of constituents being removed at the periodic review.

SECTION 6

6.0 CHANGES TO CONSTITUENT COMPANIES – FTSE/ASEAN 40 INDEX

6.1 Removal

6.1.1 If a constituent ceases to be a constituent of the FTSE Global Equity Index Series it will be removed from the FTSE/ASEAN 40 Index. The removal will be concurrent with its removal from the FTSE Global Equity Index Series. The highest-ranking non-constituent from the FTSE/ASEAN Index will become eligible for inclusion into the Index and will be added to the Index at the same time.

6.2 Additions & New Issues

6.2.1 If a constituent is added to the relevant FTSE Global Equity Index Series Country Index it will be considered for eligibility to the FTSE/ASEAN 40 Index at the next annual review.

6.3 Mergers, Restructuring and Complex Takeovers

6.3.1 If the effect of a merger or takeover is that one constituent is absorbed by another, the resulting company will remain a constituent of the FTSE / ASEAN 40 Index and a vacancy will be created. This vacancy will be filled by selecting the largest eligible non-constituent security by full market capitalisation from the FTSE/ASEAN Index at the time of the event. The removal and replacement of these stocks will be simultaneous.

6.3.2 If a constituent is taken over by an eligible non-constituent, the original constituent will be removed and replaced by the merged entity. In the event that the merged entity is ineligible for the index, it will be replaced by the largest eligible non-constituent from the FTSE/ASEAN Index at the time of the event (see Rule 4.1). The removal and replacement of these stocks will be simultaneous.

6.3.3 If a constituent company is split so as to form two or more companies, the two or more companies arising from the split will be eligible for inclusion in the Index if they qualify in all respects (see Rule 4.1). If two or more of the new companies are ineligible then a vacancy(ies) will be created. If two or more companies are eligible, the smallest constituent(s) at the market close on the day of the event will be deleted. The removal and replacement of these stocks will be simultaneous.

6.3.4 If FTSE decides to include a new issue as a constituent security other than as part of the normal annual review procedure, this decision must be publicly announced at the earliest practicable time.

6.3.5 If a constituent is suspended from the FTSE Global Equity Index Series, the same treatment will be applied in the FTSE/ASEAN 40 Index.

SECTION 7

7.0 CALCULATION ISSUES

7.1 Prices

7.1.1 The FTSE/ASEAN Indices are calculated using actual trade prices for securities with local stock exchange quotations. Reuters real-time spot currency rates are used in the index calculation.

7.1.2 The FTSE/ASEAN 40 Index receives share prices and currency spot rates in real time.

7.2 Calculation Frequency

7.2.1 The FTSE/ASEAN 40 Index is calculated in real time during the Official Index Period, using last trade prices.

7.2.2 The FTSE/ASEAN Index is published at the end of each day.

7.3 Algorithm

7.3.1 The Index algorithm and calculation method are detailed in Appendix A.

SECTION 8

8.0 AMENDMENTS AND EXCEPTIONS TO THE GROUND RULES

- 8.1 In the event that any of those responsible for the operation and administration of the FTSE/ASEAN 40 Index consider that an exception should be made to any of the Ground Rules, the issue must be brought to the attention of FTSE.
- 8.2 Where an exception is granted to the Ground Rules under Rule 8.1, it shall not be deemed to create a precedent for future decisions made by FTSE.
- 8.3 Changes to the Ground Rules can only be made by FTSE.
- 8.4 Material changes to the Ground Rules are announced at a time suitable to allow for comments from index users and the market in general before their implementation.

APPENDIX A

INDEX ALGORITHM AND CALCULATION METHOD

The indices are calculated using the algorithm described below.

$$\sum_{i=1}^N \frac{(p_i \times e_i \times s_i \times f_i)}{d}$$

Where,

- $i = 1, 2, \dots, N$
- N is the number of securities in the Index.
- p_i is the latest trade price of the component security (or the price at the close of the Index on the previous day).
- e_i is the exchange rate required to convert the security's currency into the Index's base currency.
- s_i is the number of shares in issue used by FTSE for the security, as defined in these Ground Rules.
- f_i is the Investability Weighting Factor to be applied to a security to allow amendments to its weighting, expressed as a number between 0 and 1, where 1 represents a 100% free float. This factor is published by FTSE for each security in the underlying index.
- d is the divisor, a figure that represents the total issued share Capital of the Index at the base date. The divisor can be adjusted to allow changes in the issued share Capital of individual securities to be made without distorting the Index.

APPENDIX B

INDEX & MARKET OPENING & CLOSING TIMES, PRICING & EXCHANGE RATES

Hours of Calculation

The FTSE/ASEAN 40 Index is calculated on Mondays to Fridays from 09:00 hrs until each of the constituent markets has closed. The closing index value is calculated at 18:00 hrs local Singaporean time; 10:00 hrs GMT.

The FTSE/ASEAN Index is calculated at the end of the day on Mondays to Fridays.

Stock Market Trading Times; Singaporean time:

	Open	Close	
Indonesia	10:30	17:00	(Closed between 13:00 and 14:30)
Malaysia	09:00	17:00	(Closed between 12:30 and 14:30)
Philippines	09:30	12:10	
Singapore	09:00	17:00	(Closed between 12:30 and 14:00)
Thailand	11:00	18:00	(Closed between 13:30 and 15:30)

The FTSE/ASEAN Indices are calculated on public holidays whenever at least one exchange is trading. The Indices will not be calculated on 1st January.

Constituent Pricing

All exchange closing prices are sourced from Reuters.

All times detailed are local.

Indonesia	Jakarta Stock Exchange Closing price at 16:00hrs.
Malaysia	Last trade at 17:00hrs.
Philippines	Last trade price at 12:10hrs.
Singapore	Auction Price at 17:06 (Official Close)
Thailand	Last trade at 17:30hrs.

Foreign Exchange Rates

The foreign exchange rates used in the calculation of the FTSE/ASEAN Indices are Reuters' real time spot rates.

The US dollar is the base currency for all index calculations. Constituent prices are converted into dollars in order to calculate the Index.

Real time foreign exchange rates are used throughout the period of calculation (see Hours of Calculation). Therefore foreign exchange movements are taken into account in the Index calculation for each market even though the underlying market may be closed.

APPENDIX C

FURTHER INFORMATION

Further information on the FTSE/ASEAN Indices is available from FTSE, who also welcome comments on these Ground Rules.

A considerable amount of information, including ground rules for all FTSE Indices, is available from www.ftse.com.

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