

GROUND RULES FOR THE MANAGEMENT OF THE FTSE BRIC 50 INDEX



TABLE OF CONTENTS

1. Introduction
2. Status of the Index
3. Management Responsibilities
4. Eligible Companies
5. Periodic Review of Constituent Companies
6. Changes to Constituent Companies
7. Changes to Constituent Weightings
8. Index Algorithm and Calculation Method

Appendix A: Index Opening and Closing Hours

Appendix B: Contacting FTSE

SECTION 1

1.0 INTRODUCTION

- 1.1 This paper sets out the Ground Rules for the management of the FTSE BRIC 50 Index. Copies of the Ground Rules are available from www.ftse.com.
- 1.2 The FTSE BRIC 50 Index represents the performance of the 50 biggest BRIC companies by full market capitalisation, that trade as either depositary receipts (for Brazilian, Indian or Russian companies), or H shares (for Chinese companies.)
- 1.3 The FTSE BRIC 50 Index uses DRs and H shares as more readily tradable proxies for the underlying securities. They provide a highly-liquid BRIC basket that can be easily traded, and as such the index aims to represent the free-float adjusted capitalisation of the underlying security.
- 1.4 The FTSE BRIC 50 Index will initially comprise 50 constituents. The total number of constituents in the index can be reviewed at the annual review in December, if justified by an increase in the size and liquidity of the BRIC markets.
- 1.5 A price index is calculated in real-time and published every 15 seconds in US dollars.
- 1.6 A Total Return Index is published at the end of each working day. The Total Return Index is based on ex dividend adjustments.
- 1.7 The FTSE BRIC 50 Index is capped at review, as detailed in Rule 5.2.6.
- 1.8 The FTSE BRIC 50 Index has a starting value of 1000, as at 28/02/2007.

SECTION 2

2.0 STATUS OF INDEX

2.1 A Price Index will be calculated on a real-time basis every 15 seconds in US Dollars. A Price and Total Return Index will also be calculated on an end of day basis in US Dollar, Sterling and Euro. The FTSE BRIC 50 Index may exist in the following states.

a) Firm

The Index is being calculated during Official Market Hours (see Appendix A). No message will be displayed against the Index value.

b) Closed

The Index has ceased all calculations for the day. The message 'CLOSE' will be displayed against the Index value calculated by FTSE.

c) Held

During Official Market Hours, an Index has exceeded pre-set operating parameters and the calculation has been suspended pending resolution of the problem. The message 'HELD' will be displayed against the last Index value calculated by FTSE.

d) Indicative

If there is a system problem or situation in the market that is judged to affect the quality of the constituent prices at any time when the Index is being calculated, the Index will be declared indicative (e.g. normally where a 'fast market' exists in the depositary receipt or underlying securities markets). The message 'IND' will be displayed against the Index value calculated by FTSE.

2.2 The official opening and closing hours of the FTSE BRIC 50 Index are set out in Appendix A. Variations to the official hours of the Index will be published by FTSE.

SECTION 3

3.0 MANAGEMENT RESPONSIBILITIES

3.1 FTSE International Limited (FTSE)

- 3.1.1 FTSE is responsible for the operation of the FTSE BRIC 50 Index. FTSE will maintain records of the market capitalisation of all constituents and will make changes to the constituents and their weightings in accordance with the Ground Rules. FTSE will carry out reviews and implement the resulting constituent changes as required by the Ground Rules.
- 3.1.2 Changes to constituent weightings will be made by FTSE in accordance with the Ground Rules. FTSE is responsible for publicising and keeping a record of all changes to constituent weightings. The weightings of constituents in the real time Index shall be used in the calculation of the end of day Index.
- 3.1.3 FTSE is also responsible for monitoring the performance of the FTSE BRIC 50 Index throughout the day and will determine whether the status of the Index should be Firm, Closed, Indicative, or Held (see Rule 2.1).

SECTION 4

4.0 ELIGIBLE COMPANIES

- 4.1 All depositary receipts and H shares that represent underlying FTSE Global Equity Index Series (FTSE GEIS) BRIC constituent securities, trade on either the Hong Kong Stock Exchange, the London Stock Exchange or the New York Stock Exchange and that are constituents of FTSE GEIS, are eligible for inclusion in the FTSE BRIC 50 Index.
- 4.2 Where more than one DR or H share trades on an underlying FTSE GEIS constituent, only the most liquid is eligible.
- 4.3 The FTSE BRIC 50 Index is adjusted for free float, cross-holdings and foreign ownership limits applicable to the underlying security. Free float restrictions include:
- a) trade investments in an index constituent either by another constituent (i.e., cross-holdings) or non-constituent company or entity,
 - b) significant long term holdings by founders, their families and/or directors,
 - c) employee share schemes (if restricted),
 - d) government holdings.
 - e) Portfolio investments subject to a lock in clause, for the duration of that clause
- 4.3.2 The following are not considered as restricted free float:
- a) portfolio investments,
 - b) nominee holdings (including those supporting ADRs & GDRs), unless they represent restricted free float as defined by 4.2.1 above,
 - c) holdings by investment companies.
- 4.3.3 Free float restrictions will be calculated using available published information. The initial weighting of a constituent in the index will be applied in the following bands.
- | | | |
|----|---|------------------|
| a) | free float less than or equal to 15% | = see Rule 4.2.4 |
| b) | free float greater than 15% but less than or equal to 20% | = 20% |
| c) | free float greater than 20% but less than or equal to 30% | = 30% |
| d) | free float greater than 30% but less than or equal to 40% | = 40% |
| e) | free float greater than 40% but less than or equal to 50% | = 50% |
| f) | free float greater than 50% but less than or equal to 75% | = 75% |
| g) | free float greater than 75% | = 100% |

SECTION 4

- 4.3.4 DRs or H shares of a security that has a free float of less than 5% will be ineligible for the index. Where a security that has a free float greater than 5% but less than or equal to 15% its DR or H shares will be eligible for the index providing the security's full market capitalisation (before the application of any investability weight) is greater than USD 2.5bn. The actual free float will be rounded up to the next highest whole percentage number.
- 4.3.5 Any foreign ownership limits will be applied after calculating the actual free float restriction, but before applying the above bands. If the foreign ownership limit is more restrictive than the free float restriction, the precise foreign ownership limit is applied.
- 4.3.6 If the foreign ownership limit is less restrictive or equal to the free float restriction, the free float restriction is applied.
- 4.3.7 A constituent's free float will also be reviewed and adjusted if necessary upon identification of information which necessitates a change in free float weighting following a corporate event. If the corporate event includes a corporate action which affects the index, any change in free float will be implemented at the same time as the corporate action. If there is not a corporate action, the change in free float will be applied as soon as practicable after the corporate event, subject to Rule 4.3.8 below.
- 4.3.8 Following the application of an initial free float restriction, a constituent's free float will only be changed if its actual free float moves to more than 5 percentage points above the minimum or 5 percentage points below the maximum of an adjacent new band. This 5 percentage points threshold does not apply if the change is greater than one band; therefore a movement of 10 percentage points for the bands between 20% and 50% and 25 percentage points for the bands between 50% and 100% will not be subject to the 5 percentage point threshold.
- 4.4 Convertible preference shares and loan stocks will be excluded until converted.
- 4.5 DRs and H shares of companies engaged primarily in owning stakes in a diversified range of companies and other investments but not taking a controlling interest (e.g. Investment Trusts) will be eligible, subject to passing the relevant entry criteria.
- 4.6 The following investment entities are regarded as ineligible:
- DRs or H shares representing Non-Corporate Investment Entities such as Exchange Traded Funds (ETFs), currency funds and those funds whose prices are a direct derivation of their underlying holdings (e.g. mutual funds) are excluded.

SECTION 4

- 4.7 New DRs or H shares will become eligible for inclusion at the next periodic review of constituents providing they have, since the commencement of official non-conditional trading, a minimum trading record of at least 25 trading days prior to the date of the review.
- 4.8 To be considered eligible for index inclusion, DRs and H shares are screened for liquidity at the December annual review.
- 4.8.1 Each FTSE BRIC 50 Index DR or H share must trade at least 20% of its free float-adjusted shares in issue in the twelve months prior to the annual review. (This requirement is pro-rata'd for new DRs or H shares.)
- 4.8.2 For newly issued DRs or H shares, the first 5 trading days will not be included in the daily average market value traded figure.
- 4.8.3 In exceptional market conditions, if trading volumes are very low, FTSE may reduce the trading figure in order to avoid a large number of constituents being removed from the FTSE BRIC 50 Index. This discretion may not be applied to individual companies. If FTSE intends to exercise this discretion, it must make a public statement to that effect prior to the periodic review implementation.

SECTION 5

5.0 PERIODIC REVIEW OF CONSTITUENTS

5.1 Review Dates

- 5.1.1 The FTSE BRIC 50 Index is reviewed quarterly in March, June, September and December. The Index constituents will be compiled using data available after the close of business on the last working day of February, May, August and November.
- 5.1.2 Changes arising from the reviews, including capping, are implemented after the close of business on the third Friday of March, June, September and December.

5.2 Rules for Insertion and Deletion at the Periodic Review

- 5.2.1 The rules for inserting and deleting constituents at the periodic review are designed to provide stability in the selection of constituents of the FTSE BRIC 50 Index while ensuring that the index continues to be representative of the BRIC markets.
- 5.2.2 The eligible universe comprises all DRs and H shares that represent constituents of the FTSE GEIS BRIC Index and that trade on exchanges recognised within FTSE GEIS.
- 5.2.3 Where more than one DR or H share is traded representing a FTSE GEIS BRIC constituent, only the most liquid DR, measured by total value of trading over a twelve month period, is eligible.
- 5.2.4 The eligible universe is ranked according to the full market capitalisation of their underlying securities i.e. before the application of any investability weighting, with the current Index constituents highlighted.
- 5.2.5 At the December review, DRs and H shares are screened for liquidity.
- a) Each non-constituent DR or H share must trade at least 20% of its free float-adjusted shares in issue in the twelve months prior to the annual review to be eligible for inclusion in the FTSE BRIC 50 Index.
 - b) Constituent DRs or H shares that do not trade at least 15% of their free float-adjusted shares in issue in the twelve months prior to the annual review will be ineligible for the index.

SECTION 5

5.2.5 Buffers are implemented when reviewing the Index to provide stability and reduce turnover. The objective of buffers is to exclude or include those constituents which have risen or fallen significantly.

- a) A company will be inserted at the periodic review if it rises to the 40th position or above, when eligible DRs and H shares are ranked by the full market capitalisation of the underlying securities.
- b) A company will be deleted at the periodic review if it falls below the 60th position.
- c) Following the quarterly review, the FTSE BRIC 50 index must have 50 constituents. If after steps a and b above, the index contains more than 50 constituents, the lowest ranking constituents presently included in the index will be deleted until there are 50 constituents. Likewise, where the index contains fewer than 50 constituents, the DR or H share of the highest ranking companies which are presently not included in the Index will be added until there are 50 constituents.

5.2.6 At review no constituent can have an Index weight greater than 15 per cent. The capping of the Index will be calculated after the close of business on the third Thursday of March, June, September and December. The Index is capped using prices adjusted for corporate events as at the close of business on the third Thursday based on the constituents, shares in issue and free float on the next trading day following the third Friday of the review month. Please note that the actual constituent changes will be advised prior to this period.

SECTION 6

6.0 CHANGES TO CONSTITUENT COMPANIES

6.1 New listings (Additions)

6.1.1 Newly-listed DRs or H shares will be considered for eligibility at the next periodic review.

6.2 Intra-review Changes (Deletions)

6.2.1 A constituent will be removed from the FTSE BRIC 50 Index if it is no longer a part of the eligible universe as detailed in Section 4. For example, a constituent would be deleted from the Index if its DR is delisted. Such vacancies are not filled immediately, and the FTSE BRIC 50 Index will comprise fewer than 50 constituents until the next periodic review.

6.3 Mergers, Restructuring and Complex Takeovers

6.3.1 If a FTSE BRIC 50 Index constituent is acquired by a non-constituent, it will be removed from the index and will be considered for inclusion at the next index review. The vacancy will not be filled and the FTSE BRIC 50 Index will comprise fewer than 50 constituents until the next periodic review.

6.3.2 Where two Index constituents merge or one Index constituent is acquired by another constituent, a vacancy will be created. The vacancy will not be filled and the FTSE BRIC 50 Index will comprise fewer than 50 constituents until the next periodic review.

6.3.3 If a constituent DR or H share undergoes a complex reorganisation or demerger, the resulting companies will be considered for inclusion in the Index. If more than one post-demerger entity is included and this brings the number of constituents to greater than 50, the smallest index constituents (including either of the post-demerger entities) will be removed to ensure that the total number of constituents does not exceed 50.

6.4 Suspension of Dealing

6.4.1 If a constituent DR or H share is suspended, it may remain in the index, at the price at which it is suspended, for up to 10 business days. During this time, FTSE may delete the constituent immediately either at its suspension price, or at zero.

6.4.2 Where a suspension of a constituent lasts beyond noon on the tenth business day (and the option to remove the constituent has not been exercised), the constituent will normally be deleted from the Index on the eleventh trading day at zero or the suspension price. Where suspension is for a reason not to the detriment of the constituent, it may be retained or removed at its suspension price.

6.4.3 If a suspended company is deleted from the Index, it is not replaced until the next periodic review.

SECTION 6

6.5 Reinclusion of Suspended Constituents

- 6.5.1 DRs or H shares which after reinclusion are larger than the smallest constituent of the Index shall be re-instated in the Index at the price at which they were removed and the lowest ranking constituent will be removed after the close of business on the first day after the reinclusion.
- 6.5.2 Should a deleted DR or H share that has been suspended at a price other than zero (which would normally be the suspension price) be deemed to be of nil value, this DR or H share will be included for one day's calculation in the Index from which it was removed to enable the fall in the stock's value to be reflected in the Index value. In this situation, the DR or H share will be re-included at the suspension price, and its price will be zero throughout that day's calculation, including the closing price.
- 6.5.3 If there is a reinclusion after the constituent has been suspended over a continuous period lasting more than a year, FTSE reserves the right to treat the company as a new issue for the purposes of Index eligibility.

SECTION 7

7.0 CHANGES TO CONSTITUENT WEIGHTINGS

- 7.1 For the purposes of computing the FTSE BRIC 50 Index, the number of underlying shares that each constituent depositary receipt represents is expressed to the nearest share and, to prevent a large number of insignificant weighting changes, the number of shares in issue for each constituent is amended only when the total shares in issue held by FTSE changes by more than 1% on a cumulative basis. Such changes will be made after the close of business on the Monday following the third Friday of March, June, September and December (subject to rules 8.2 and 8.3).
- 7.2 If a corporate action is applied to an Index constituent which involves a change in the number of shares in issue, the change in shares will be applied at the same time as the corporate action is implemented.
- 7.3 If, in between index reviews, accumulated changes in the number of shares in issue add up to 10% or more, or when an accumulated share change represents US\$2 billion of a company's total market capitalisation, they are implemented between quarters. A minimum of 4 days notice will be given to users of the index. WM/Reuters Spot Rates will be used where a market capitalisation requires conversion into USD. The US\$2 billion threshold may be adjusted annually in December by FTSE. If an adjustment is made, it will be applied for the first time at the next periodic review.
- 7.4 All adjustments are made before the start of the Index calculation on the day concerned, unless market conditions prevent this.

SECTION 8

8.0 INDICES ALGORITHM AND CALCULATION METHOD

8.1 Prices

8.1.1 Automatic trade prices will be used in the intra-day pricing in the FTSE BRIC 50 Index. The closing prices used in the FTSE BRIC 50 Index will be the Official Closing Prices received from the exchange on which the DR or H share trades.

8.2 Dividends

8.2.1 The FTSE BRIC 50 Index uses dividends reported by the relevant DR depositary bank and applied on the ex-date specified by that bank.

8.3 Index Calculation

8.3.1 The Index will be displayed to two decimal points. The Index is calculated using the following algorithm:

$$\sum \frac{((p_1^n \cdot e_1^n) \cdot s_1^n \cdot f_1^n \cdot c_1^n)}{d}$$

n=	The number of constituents in the Index. n = 1,2,3.....,N
p= Price	The latest traded depositary receipt or H share's price (or the price at the close of the Index on the previous day)
e = Exchange Rate	The exchange rate required to convert the DR or H share's trading currency into the Index's base currency.
s = Shares in Issue	The number of shares that each depositary receipt represents used by FTSE, as defined in these Ground Rules.
f = Investability Weight	The factor to be applied to each constituent to allow amendments to its weighting, expressed as a number between 0 and 1, where 1 represents a 100% free float. The Investability Weight factor for each constituent is published by FTSE.

SECTION 8

c = Capping Factor	The factor applied to each constituent to allow its weight within the Index to be capped, expressed as a number between 0 and 1 where 1 represents 100% (i.e. no cap). The capping factor is published by FTSE.
d = 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 constituents to be made without distorting the Index.

8.4 Index Calculation Frequency

- 8.4.1 A Price Index will be calculated on a real-time basis every 15 seconds in US Dollars. A Total Return Index will also be calculated on an end of day basis in US Dollars.

APPENDIX A: INDEX OPENING AND CLOSING HOURS

The Index is calculated during the opening hours of the FTSE GEIS real-time indices:

INDEX	OPEN	CLOSE
FTSE BRIC 50 Index		
Monday to Friday	02:00	21:10

All times are UK Time.

Reuters real time exchange rates are used in the real-time index calculations.

The Index is calculated on Public Holidays whenever at least one exchange is trading. The index will not be calculated on 1st January.

APPENDIX B: CONTACTING FTSE

Further information on the FTSE BRIC 50 Index is available from FTSE who will also welcome comments on these Ground Rules.

Hong Kong

Client Services
FTSE, Suite 2903-2909
29th Floor
Two International Finance Centre
No. 8 Finance Street
Central, Hong Kong

+852 2230 5800
+852 2230 5804 (fax)

e-mail: info@ftse.com

In Singapore please ring +65 223 3738

UK

Client Services
FTSE
12th Floor
10 Upper Bank Street
Canary Wharf
London
E14 5NP

+44 (0) 20 7866 1810
+44 (0) 20 7866 8958 (fax)

e-mail: info@ftse.com

USA – West Coast

Client Services
FTSE Americas Inc.
251 Post Street,
Suite 200,
San Francisco, CA 94108

+1 415 445 5660
+1 415 445 5666 (fax)
e-mail: info@ftse.com

USA – East Coast

Client Services
FTSE Americas Inc.,
1330 Avenue of the Americas,
10th Floor,
New York,
New York 10019, USA

+(1) 212 641 6160
+(1) 212 641 6190 (fax)
e-mail: info@ftse.com

APPENDIX B: CONTACTING FTSE

France

Client Services
 FTSE
 40 rue La Boéte
 75008 Paris
 FRANCE

+33 (0) 1 53 76 82 88
 +33 (0) 1 53 76 82 71 (fax)

e-mail: info@ftse.com

Spain

Client Services
 FTSE
 Paseo de la Castellana 66,
 28046 MGDRid,
 SPAIN

+34 (0) 91 411 37 87

e-mail: info@ftse.com

Germany

Client Services
 FTSE
 Nibelungenplatz 3
 60318 Frankfurt
 GERMANY

+49 69 15685143
 +49 69 15976604 (fax)

e-mail: info@ftse.com

Japan

Client Services
 FTSE
 Yamato Seimei Building 21F,
 1-1-7 Uchisaiwaicho,
 Chiyoda-Ku
 Tokyo
 JAPAN

++81 3 3581 2811
 ++81 3 3581 1423 (fax)

e-mail: info@ftse.com

Website: www.ftse.com

Copyright © FTSE International Limited ("FTSE") 2007. All rights reserved.

"FTSE®", "FT-SE®" and "Footsie®" are trade marks of the London Stock Exchange Plc and The Financial Times Limited and are used by FTSE under licence. All rights relating to the FTSE BRIC 50 Index ("Index") vest in FTSE and/or its licensors. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without prior written permission of FTSE. All information provided is for information purposes only and no warranty is made as to its fitness for purpose, satisfactory quality or otherwise. FTSE accepts no responsibility or liability (including in negligence) can be accepted for any errors, omissions or losses arising from the use of this information or the Index.