

**GROUND RULES FOR THE  
MANAGEMENT OF THE  
FTSE CNBC GLOBAL 300  
INDEX SERIES**

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## Section 1

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### 1.0 INTRODUCTION

- 1.1 This paper sets out the Ground Rules for the management of the FTSE CNBC Global 300 Index Series. Copies of these Ground Rules are available from FTSE.
- 1.2 The FTSE CNBC Global 300 Index Series is designed as a representative index indicating broad market performance across all industries, developed and emerging markets. For this reason it has used the FTSE Global Equity Index Series as its base universe.
- 1.3 The FTSE Global Equity Index Series covers over 8,000 securities in 48 different countries and captures 98% of the world's investable market capitalisation - covering every equity and sector relevant to international investors' needs. The modular nature of the series provides the maximum breadth of options for structuring portfolios, with indices calculated at regional, national and sector level.
- 1.4 The FTSE CNBC Global 300 Index Series constituents will be classified according to the Industry Classification Benchmark (ICB). The Industry Classification Benchmark (see appendix D) was created by FTSE Group and Dow Jones Indexes and is the most relevant and user-friendly industry classification system for trading and investment decisions in the market, with over 45,000 securities covered worldwide.
- 1.5 The FTSE CNBC Supersectors Indices is based on the 18 supersectors of the ICB. An index is produced and maintained for each supersector by taking the constituents in the FTSE CNBC Global 300 Index.
- 1.6 Ground Rules for the FTSE Global Equity Index Series and Industry Classification Benchmark are available from FTSE, and should be read in conjunction with these ground rules.
- 1.7 A capital index will be calculated for the FTSE CNBC Global 300 Index Series 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.
- 1.8 The FTSE CNBC Global 300 Index Series commenced calculation on 31 July 2006 with a starting value of 5000.

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## Section 2

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### 2.0 STATUS OF INDEX

2.1 The FTSE CNBC Global 300 Index Series is calculated in US Dollars on a real time basis and may exist in the following states.

a) Firm

- i. The index is being calculated during Official Market Hours (see Appendix B). No message will be displayed against the index value.
- ii. The Official Closing Price for FTSE CNBC Global 300 Index Series will be at 21:20 UK time, shortly after the close of North American securities markets.

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, the 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 equity market). The message 'IND' will be displayed against the index value calculated by FTSE.

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 was firm.

2.2 The official opening and closing hours of the FTSE CNBC Global 300 Index Series are set out in Appendix B. Variations to the official hours of the index calculation will be published by FTSE.

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## Section 3

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### **3.0 INDEX MANAGEMENT**

- 3.1 The FTSE CNBC Global 300 Index Series is managed by the FTSE Review Board.
- 3.2 The Secretary of the FTSE Review Board is responsible for undertaking the review of the FTSE CNBC Global 300 Index Series and for recommending changes to the constituents for approval by the FTSE Review Board. The FTSE Review Board may also approve changes to the Ground Rules if they reflect changes to the equivalent rules governing the FTSE Global Equity Index Series.
- 3.3 FTSE is responsible for the calculation of the FTSE CNBC Global 300 Index Series. 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. The weightings of constituents in the real time index shall be used in the calculation of the end of day index. FTSE will implement the resulting constituent changes from the semi-annual review or as otherwise required by the Ground Rules.

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## Section 4

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### 4.0 QUALIFICATION CRITERIA AND TREATMENT OF ELIGIBLE SECURITIES

- 4.1 Only securities that are current constituents of the FTSE Global Equity Index Series (FTSE GEIS) are eligible for the FTSE CNBC Global 300 Index Series.
- 4.1.1 A company will be allocated to a single country and this allocation shall be consistent with the FTSE Global Equity Index Series.
- 4.1.2 FTSE will normally allocate the country in which the company is incorporated and listed at the time of the company's listing. However, FTSE reserve the right to defer an allocation decision.
- 4.1.3 The country allocation of any FTSE CNBC Global 300 Index constituent may be reassessed at any time at FTSE's discretion.
- 4.1.3 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.
- 4.2 Multiple lines of stock for an individual company are treated as distinct and separate entities for the purposes of constituent selection.
- 4.3 The FTSE CNBC Global 300 Index Series are adjusted for free float, cross-holdings and foreign ownership limits.
- 4.3.1 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 4.3.1 above,
  - c) holdings by investment companies.

## Section 4

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 4.3.4
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%

4.3.4 Free Float Less than or Equal to 15%

- a) A Security that has a free float of less than 5% will be ineligible for the index.
- b) A security that has a free float greater than 5% but less than or equal to 15% will be eligible for the index providing the security's full market capitalisation (before the application of any investability weight) is greater than USD 5.0bn.
- c) If the security's nationality is within an Emerging country, the threshold level is reduced to USD 2.5bn.
- d) The actual free float will be rounded up to the next highest whole percentage number.

4.3.5 The FTSE CNBC Global 300 Index Series will be periodically reviewed for changes in free float. These reviews will coincide with the quarterly reviews of the FTSE Global Equity Index Series undertaken by the FTSE Regional Committees. Implementation of any changes will happen at the close of business on the third Friday in March, June, September or December.

4.3.6 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 Foreign Ownership Limit

4.4.1 Foreign ownership limits, if any, will be applied after calculating the actual free float restriction, but before applying the bands in section 4.3.3. If the foreign ownership limit is more restrictive than the free float restriction, the precise foreign ownership limit is applied.

4.4.2 If the foreign ownership limit is less restrictive or equal to the free float restriction, the free float restriction is applied.

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## Section 4

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### 4.5 Shares in Issue

- 4.5.1 For the purposes of computing the FTSE CNBC Global 300 Index, the number of shares in issue for each constituent security 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 security is amended only when the total shares in issue held within the index system changes by more than 1% on a cumulative basis. Changes in the number of shares will be made quarterly after the close of business on the third Friday of March, June, September and December (subject to 4.5.2. and 4.5.3).
- 4.5.2 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 simultaneously with the corporate action.
- 4.5.3 If accumulated changes in the number of shares in issue add up to 10% or more, or when an accumulated share change represents USD 2bn 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 to convert the market capitalisation into USD. The USD 2bn threshold may be adjusted annually in December, by the FTSE Equity Indices Committee. If an adjustment is made, it will be applied for the first time at the next review of the FTSE Global Equity Index Series in March of the following year.
- 4.5.4 The shares in issue of an individual constituent in the FTSE CNBC Global 300 Index will be the same as in the FTSE Global Equity Index Series

### 4.6 Screening for liquidity will be carried out at the quarterly reviews of the FTSE Global Equity Index Series.

- 4.6.1 In terms of screening for liquidity, securities have to turnover at least 0.5% of their shares in issue (after the application of any investability weightings), per month for ten of the twelve months prior to a full market review, will not be eligible for inclusion to the Index Series. An existing constituent failing to trade at least 0.5% of its shares in issue (after the application of any investability weightings) per month for more than four of the twelve months prior to review will be removed.
- 4.6.2 Securities added to the Index Series other than as a result of a full market review must turnover at least 0.5% of their shares in issue (after the application of any investability weightings) per month in ten of the twelve months prior to the date of inclusion to the Index.
- 4.6.3 New issues which do not have a twelve month trading record at the time of a full market review must turnover at least 0.5% of their shares in issue (after the application of any investability weightings) per month in each month since their listing.

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## Section 4

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- 4.6.4 In assessing liquidity, data will be obtained from a constituent's exchange in the country in which the company is classified by FTSE. If the constituent fails the liquidity screen on this basis, data may also be reviewed from other markets (including trading in ADRs and GDRs) and the trading volumes aggregated for the purpose of this Rule. Trading volumes from other markets will not normally be considered unless the majority of the liquidity is met from the constituent's exchange in the country in which the company is classified. When considering whether to include liquidity from other markets, the Regional Committee will take into account factors such as currency risk and time zone difference.
- 4.6.5 In exceptional market conditions, if trading volumes are very low, the relevant Regional Committee may reduce the percentage figure stated above in order to avoid a large amount of turnover in the Index. This discretion may only be exercised across the whole of a market and may not be applied to individual securities.

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## Section 5

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### 5.0 INDEX SELECTION CRITERIA

- 5.1 Companies included in the FTSE CNBC Global 300 Index Series must be current constituents of the FTSE Global Equity Index Series.
- 5.2 The FTSE CNBC Global 300 Index comprises at review the largest 14 companies by full market capitalisation from each of the 19 ICB Supersectors, plus the 34 largest companies from emerging markets. Where there is an overlap between constituents selected, the largest non-constituent emerging market stocks from the FTSE Global Equity Index will be selected, so that the total number of constituents is always 300.
- 5.3 The FTSE CNBC Global 300 Index will be the underlying universe for the FTSE CNBC Supersectors Indices. Each of the 19 supersectors according to the ICB will be composed from the relevant supersector that the 300 constituents originate from. Only constituents that are in the FTSE CNBC Global 300 Index can be eligible for the FTSE CNBC Supersectors Indices. A constituent can be in one FTSE CNBC Supersector Index at any one time. For each FTSE CNBC Supersector Index, there will never be less than 14 constituents at any one time.

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## Section 6

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### 6.0 SEMI-ANNUAL REVIEW OF CONSTITUENTS

- 6.1 The rules for inserting and deleting securities at the semi-annual reviews are designed to provide stability in the selection of the constituents of the FTSE CNBC Global 300 Index while ensuring that the index continues to be representative by including or excluding those securities which have risen or fallen significantly.
- 6.2 The FTSE CNBC Global 300 Index is reviewed semi-annually in June and December. The reviews will be based on data from the close of the FTSE Global Equity Index Series calculation on the last trading day in May and November. The reviews will take into consideration any constituent changes announced by the FTSE Equity Indices Committee at its June and December quarterly meetings, but will be conducted before the implementation date of these changes.
- 6.3 The review for the FTSE CNBC Supersectors Indices will be implemented in line with the FTSE CNBC Global 300 Index.
- 6.4 Changes arising from the semi-annual reviews will be implemented after the close of the index calculation on the third Friday in June and December.
- 6.5 Review Process
- 6.5.1 All eligible securities will first be separated into their ICB Supersectors, and ranked by their full market capitalisation i.e. before the application of any investability weightings.
- 6.5.2 The 14 largest securities in each supersector will comprise the constituents of the FTSE CNBC Global 300 Index.
- 6.5.3 All eligible securities from emerging markets are then ranked by their full market capitalisation.
- 6.5.4 The largest 34 securities from the emerging markets will be added to the constituent list of the FTSE CNBC Global 300 Index.
- 6.5.5 Where one or more security has been selected both as a supersector constituent and an emerging market constituent, the next largest non-constituent securities from the emerging markets list will be selected until there are a total of 300 constituents.

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## Section 7

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### 7.0 CHANGES TO CONSTITUENT COMPANIES

#### 7.1 Additions

7.1.1 If a constituent is added to the FTSE Global Equity Index Series it will be eligible to be included in the FTSE CNBC Global 300 Index at the next semi-annual review.

#### 7.2 Removal

7.2.1 If a constituent ceases to be a constituent of the FTSE Global Equity Index Series it will also be removed from the FTSE CNBC Global 300 Index. The removal will be concurrent with its removal from the FTSE Global Equity Index Series.

7.2.2 When a stock is removed it will be replaced by the highest ranking eligible company when ranked by full market capitalisation in the relevant Supersector. The data used for selecting a replacement will be as at the close of the index calculation five days prior to the deletion. Inclusion of the replacement will be concurrent with the FTSE Global Equity Index Series.

#### 7.3 New Issues

7.3.1 All fast entries into the FTSE Global Equity Index Series will also be fast entries into the FTSE CNBC Global 300 Index provided that when added to the list of constituent securities the security ranks at position 10 or above in the relevant Supersector. The fast entry constituent will be added to the FTSE CNBC Global 300 Index concurrently with its inclusion in the FTSE Global Equity Index Series. The smallest constituent security in the same Supersector will be deleted from the FTSE CNBC Global 300 Index.

7.3.2 Any changes in the FTSE CNBC Global 300 Index will be implemented in line with the relevant FTSE CNBC Supersector Index.

#### 7.4 Corporate Action Changes

7.4.1 If two FTSE CNBC Global 300 Index constituents merge the newly formed company is eligible to remain in the Index so long as it remains a constituent of the FTSE Global Equity Index Series. A replacement would need to be found by selecting the highest ranking eligible company when ranked by full market capitalisation in the relevant Supersector. The data used for selecting a replacement will be as at the close of the index calculation five days prior to the deletion. Inclusion of the replacement will be concurrent with the FTSE Global Equity Index Series.

7.4.2 If an existing index constituent merges with a non-constituent the newly formed company will remain in the Index so long as it remains a constituent of the FTSE Global Equity Index Series.

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## Section 7

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- 7.4.3 If an index constituent has a complex reorganisation or spin-off (de-merger), the newly spun-off company will remain eligible for inclusion into the Index as long as it is a constituent of the FTSE Global Equity Index Series and provided that when added to the list of constituent securities the security ranks by their full market capitalisation at position 15 or above in the relevant Supersector. The entry constituent will be added to the FTSE CNBC Global 300 Index concurrently with its inclusion in the FTSE Global Equity Index Series. The smallest constituent security in the same Supersector will be deleted from the FTSE CNBC Global 300 Index.
- 7.4.4 Any changes in the FTSE CNBC Global 300 Index will be implemented in line with the relevant FTSE CNBC Supersector Index.
- 7.5 Classification changes
- 7.5.1 Changes to the classification of a company within the FTSE CNBC Global 300 Index will be advised by the FTSE ICB Advisory Committee (for industry sectors) or by FTSE (for ICB Supersectors) and the necessary adjustments will be made to the relevant industry sectors at the same time that the constituent changes are implemented.
- 7.5.2 Where a FTSE CNBC Global 300 Index constituent changes a classification and it ranks by their full market capitalisation at position 15 or above in its relevant new Supersector it will remain eligible for inclusion in the Index. The smallest constituent security in the same Supersector will be deleted from the FTSE CNBC Global 300 Index. The change will be concurrent with the classification change in the FTSE Global Equity Index Series.
- 7.5.3 Where a FTSE CNBC Global 300 Index constituent changes classification and is no longer eligible within its new associated Supersector or new Supersector (see Rule 7.5.2 above) it will be removed from the FTSE CNBC Global 300 Index and a replacement will need to be found (see Rule 7.2.2).
- 7.6 Suspension of Dealing
- 7.6.1 If a constituent is suspended on its home exchange it may remain in the indices, at the price at which it is suspended, for up to 10 business days. During this time, on advice from FTSE, the Chairman and Deputy Chairman of the relevant Regional Committee (or their deputies) may agree to delete the constituent immediately either at its suspension price, or at zero.
- 7.6.2 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 indices on the eleventh trading day at zero or the suspension price and a replacement would need to be found (see Rule 7.2.2). Where suspension is for a reason not to the detriment of the constituent, it may be retained or removed at its suspension price with the approval of the Chairman and Deputy Chairman (or their deputies) of the relevant Regional Committee.

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## Section 8

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### **8.0 AMENDMENTS TO THE GROUND RULES**

- 8.1 Changes and exceptions to these Ground Rules can be authorised only by the FTSE Review Board. Where an exception is granted to the Ground Rules, it shall not be deemed to create a precedent for future decisions of the FTSE Review Board.

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## Appendix A

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### INDEX ALGORITHM AND CALCULATION METHOD

$$\frac{\sum_{i=1}^n ((p_i \cdot e) \cdot s_i \cdot f_i)}{d}$$

<i>i</i>	=	1,2,3,.....,n
<i>n</i>	=	The number of securities in the Index.
<i>p</i>	=	Price The latest trade price of the component security (or the price at the close of the Index on the previous day)
<i>e</i>	=	Exchange Rate The exchange rate required to convert the security's home currency into the index's base currency.
<i>s</i>	=	Shares in Issue The number of shares in issue used by FTSE for the security, as defined in these Ground Rules.
<i>f</i>	=	Free Float Factor The factor to be applied to each security to allow amendments to its weighting, expressed as a number between 0 and 1, where 1 represents a 100% free float. The free float factor for each security is published by FTSE.
<i>d</i>	=	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.

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## Appendix B

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### INDEX OPENING AND CLOSING HOURS

<b>THE FTSE CNBC GLOBAL 300 INDEX SERIES</b>	<b>OPEN</b>	<b>CLOSE</b>
FTSE CNBC Global 300 Index	02.00	21.20
FTSE CNBC Supersectors Indices	02.00	21.20

Notes:

- 1) All times are UK Time.
- 2) During Real-time calculation, Reuters Spot rates are used in calculating Foreign Exchange rates.

## Appendix C

### COUNTRY CLASSIFICATION

The following countries are classified as developed, advanced emerging and secondary emerging in the Global Equity Index Series.

#### Developed Countries

Country Name
Australia
Austria
Belgium/Luxemburg
Canada
Denmark
Finland
France
Germany
Greece
Hong Kong
Ireland
Israel
Italy
Japan
Netherlands
New Zealand
Norway
Portugal
Singapore
South Korea
Spain
Sweden
Switzerland
UK
USA

#### Advanced Emerging Countries

Country Name
Brazil
Hungary
Mexico
Poland
South Africa
Taiwan

#### Secondary Emerging Countries

Country Name
Argentina
Chile
China
Colombia
Czech Republic
Egypt
India
Indonesia
Malaysia
Morocco
Pakistan
Peru
Philippines
Russia
Thailand
Turkey

## Appendix D

### INDUSTRY CLASSIFICATION BENCHMARK (ICB) SUPERSECTORS

Industry Classification Benchmark is managed on a transparent and rules-driven basis. It contains four classification levels, adding a 'Supersector' level that is used in the review process of the FTSE CNBC Global 300 Index. The Supersectors used in the FTSE CNBC Global 300 Index are detailed below.

For further information please contact FTSE (see appendix E) or visit [www.icbenchmark.com](http://www.icbenchmark.com)

Supersector Code	Supersector
0500	Oil & Gas
1300	Chemicals
1700	Basic Resources
2300	Construction & Materials
2700	Industrial Goods & Services
3300	Automobiles & Parts
3500	Food & Beverage
3700	Personal & Household Goods
4500	Health Care
5300	Retail
5500	Media
5700	Travel & Leisure
6500	Telecommunications
7500	Utilities
8300	Banks
8500	Insurance
8600	Real Estate
8700	Financial Services
9500	Technology

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## Appendix E

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### CONTACT DETAILS

Further information on the FTSE CNBC Global 300 Index Series is available from FTSE on [www.ftse.com](http://www.ftse.com), who will also welcome comments on these Ground Rules and on the Index. Contact details can also be found on this website.

**Web site: [www.ftse.com](http://www.ftse.com)**

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