



**GROUND RULES FOR THE
MANAGEMENT OF THE
FTSE COLOMBIA 20 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 Colombia 20 Index. Copies of the Ground Rules are available from FTSE.
- 1.2 The FTSE Colombia 20 Index is designed to reflect the performance of the Top 20 most liquid Colombian securities, ranked by 6 months daily average value traded.
- 1.3 The FTSE Colombia 20 Index is calculated in Colombia Paso.
- 1.4 The FTSE Colombia 20 Index is calculated in real-time and published every 15 seconds.
- 1.5 Total Return Indices are published at the end of each working day. The Total Return Indices are based on ex dividend adjustments.

SECTION 2

2.0 STATUS OF INDEX

2.1 The FTSE Colombia 20 Index is calculated in real time and 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 values.

The Official Closing Prices for the FTSE Colombia 20 Index will be published at 18:10 GMT (see Appendix A).

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 Colombia 20 Index is set out in Appendix A. Variations to the official hours of the Index will be published by FTSE.

2.3 The FTSE Colombia 20 Index will not be calculated on Colombian Public Holidays.

SECTION 3

3.0 MANAGEMENT RESPONSIBILITIES

3.1 FTSE Policy Group

3.1.1 FTSE is responsible for the calculation of the FTSE Colombia 20 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 implement constituent changes resulting from the quarterly review, or as otherwise required by this methodology.

3.1.2 FTSE is responsible for publicising and keeping a record of all changes to constituent weightings.

3.2 Re-Calculations

3.2.1 The FTSE Colombia 20 Index is recalculated whenever errors or distortions occur that are deemed to be significant. Users of the FTSE Colombia 20 Index are notified through appropriate media.

3.3 Status of These Ground Rules

3.3.1 These Ground Rules are a guide to the policies and procedures applying at the date of publication to the operation and maintenance to the FTSE Colombia 20 Index. They have been prepared and approved by FTSE. However, these policies and procedures, and their precise application, are subject to variation and periodic review.

3.3.2 In the event of any unforeseen circumstances FTSE reserves the right to change any aspect or feature of these rules provided that ample notice is given to the market. FTSE will announce any material changes to the ground rules. The maximum capping and the upper boundary of the Secondary Capping Band may be adjusted, or a capping level may be introduced at a rebalance to maintain US Regulated Investment Company (RIC) diversification compliance guidelines. RIC guidelines specify that aggregate weights of all issues with weights above 5% in the index cannot exceed 50% of the index.

3.3.3 The purpose of publishing this guide is to provide information about the general basis on which decisions relating to the calculation and publication of the FTSE Colombia 20 Index are currently made.

3.3.4 In light of the intended purpose of this guide, and the likely variation and periodic review of the policies and procedures it contains, no liability whether as a result of negligence or otherwise is accepted by FTSE (or any person concerned with the preparation or publication of this guide) for any losses, damages, claims and expenses suffered by any person as a result of:

- a) Any reliance on this guide, and/or
- b) Any errors or inaccuracies in this guide, and/or
- c) Any non-application or misapplication of the policies or procedures described in this guide, and/or
- d) Any errors or inaccuracies in the compilation or any constituent data.

SECTION 4

4.0 ELIGIBLE SECURITIES

- 4.1 The universe of eligible constituents is Colombian companies that have a listing on Bolsa de Valores de Colombia (BVC) Stock Exchange, subject to conforming to all other rules of eligibility, free float and liquidity.

SECTION 5

5.0 INDEX QUALIFICATION CRITERIA

To be included in the index, a stock must pass free float and liquidity criteria.

5.1 Free Float

- a) A security that has a free float of less than or equal to 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 500mn or local currency equivalent.
- c) The actual free float will be rounded up to the next highest whole percentage number. For further details on free float calculation please see Rule 5.2.C.

5.2 Investability Weightings

The entire quoted equity capital of a constituent company is included in the calculation of its market capitalisation, subject to free float restrictions. The FTSE Colombia 20 Index is adjusted for free float and foreign ownership limits.

A. Free float restrictions include:

- Shares directly owned by State, Regional, Municipal and Local governments (excluding shares held by independently managed pension schemes for governments).
- Shares held by Sovereign Wealth Funds where each holding is 10% or greater. If the holding subsequently decreases below 10%, the shares will remain restricted until the holding falls below 7%.
- Shares held by directors, senior executives and managers of the company, and by their family and direct relations, and by companies that they control.
- Shares held within employee share plans.
- Shares held by public companies or by non-listed subsidiaries of public companies.
- Shares held by founders, promoters, former directors, founding venture capital and private equity firms, private companies and individuals (including employees) where the holding is 10% or greater. If the holding subsequently decreases below 10%, the shares will remain restricted until the holding falls below 7%.
- All shares where the holder is subject to a lock-in clause (for the duration of that clause).
- Shares held for publicly announced strategic reasons, including shares held by several holders acting in concert.

B. For clarity, holdings not considered as restricted free float include:

- Portfolio holdings (such as pension and insurance funds)
- Nominee holdings (unless they represent restricted free float as defined by Rule 5.2.A)
- Holdings by investment companies
- ETFs

If in addition to the above restricted holdings, the company's shareholders are subject to legal restrictions, including foreign ownership restrictions, that are more restrictive, the legal restriction will be applied.

SECTION 5

C. Free Float Bands

Free float restrictions are calculated using available published information. The initial weighting of a constituent in the index will be applied in the following bands.

If the free float is:

a) Less than or equal to 15%	=	see Rule 5.1
b) Greater than 15% but less than or equal to 20%	=	20%
c) Greater than 20% but less than or equal to 30%	=	30%
d) Greater than 30% but less than or equal to 40%	=	40%
e) Greater than 40% but less than or equal to 50%	=	50%
f) Greater than 50% but less than or equal to 75%	=	75%
g) Greater than 75%	=	100%

D. Free float review

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. The 15% limit in Rule 5.2.C will also not be subject to the 5 percentage point threshold.

E. Corporate events and actions

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 or 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 no corporate action, the change in free float will be applied as soon as practicable after the corporate event.

5.3 Liquidity

- 5.3.1 Each non-constituent will be tested for liquidity on a quarterly basis by calculation of its median daily trading per month. The median trade is calculated by ranking each daily trade total and selecting the middle ranking day. Daily totals with zero trades are included in the ranking, therefore a security that fails to trade for more than half of the days in a month will have a zero median trade. A non-constituent which does not turnover at least 0.035% of its shares in issue (after the application of any free float weightings) based on its median daily trade per month for at least ten of the twelve months prior to a full market review will not be eligible for inclusion in the Index Series.
- 5.3.2 Each existing constituent will be tested for liquidity based on 6 months average daily traded value on quarterly basis in March, June, September and December. Historical volume data will be taken at the month end prior to the review cut-off date to form six months of liquidity data.
- 5.3.3 In exceptional market conditions, if trading volumes are very low, the FTSE may reduce the percentage figure stated in this rule in order to avoid a large number of constituents being removed from the FTSE Colombia 20 Index. This discretion may not be applied to individual securities. If the FTSE intends to exercise this discretion, it must make a public statement to that effect at least one week prior to effective date of the quarterly review.

SECTION 6

6.0 PERIODIC REVIEW OF CONSTITUENT COMPANIES

6.1 Review Dates

- 6.1.1 The FTSE Colombia 20 Index will be reviewed on a quarterly basis in March, June, September and December using market data at the close of the last trading day in February, May, August and November respectively.
- 6.1.2 Changes to the index will be implemented after close of business on the third Friday in March, June, September and December respectively.
- 6.1.3 FTSE will be responsible for publicising the outcome of the periodic review.

6.2 Steps for Conducting a Review

- 6.2.1 The underlying universe for the FTSE Colombia 20 Index is Colombian stocks that have a listing on Bolsa de Valores de Colombia (BVC) Stock Exchange.
- 6.2.2 Screen all the stocks for free float and liquidity criteria. Please see Rules 5.1 to 5.3.
- 6.2.3 Companies are ranked by six months average daily trade value. Non-constituents whose rank is 15th or higher ranked current constituent at the time of the review will be selected for the Index and the lowest ranking current constituent will be removed until the Index has 20 companies.

6.3 Capping Methodology

- If the weight of the top 5 constituents in the Index at the time of the quarterly review is greater than 48%, the top 5 constituents will be capped at 48%. No individual company in the Index can be greater than 20%.
- The weights of all lower ranking constituents are increased correspondingly. The weights of lower ranking constituents are then checked and if they are greater than 4.75% will be capped at 4.75%.

6.4 Multiple Lines

- 6.4.1 Where there are multiple lines of equity capital in a company, all are included and priced separately, provided that:
- a) The line passes all screens (see Rules 5.1 to 5.3).
 - b) The secondary line's full market value (i.e. before the application of any investability weightings) is greater than 25% of the full market capital of the company's main line. Should the market value of a secondary line that is already a constituent of the Index Series fall below 20% at the next review, the secondary line is deleted from the index.

6.5 Reserve Lists

- 6.5.1 FTSE is responsible for publishing the three highest ranking non-constituents of the FTSE Colombia 20 Index following each quarterly review. This Reserve List will be used in the event that one or more constituents are deleted from the FTSE Colombia 20 Index during the period up to the next quarterly review of the Index.

SECTION 7

7.0 CHANGES TO CONSTITUENT COMPANIES

7.1 New Issues

- 7.1.1 New issues will not be eligible for inclusion in the FTSE Colombia 20 Index until the time of the next quarterly review.

7.2 Deletions and Replacements

- 7.2.1 If a constituent is delisted from the Bolsa de Valores de Colombia Stock Exchange, ceases to have a firm quotation, is subject to a takeover or has, in the opinion of FTSE, ceased to be a viable constituent as defined by these rules, it will be removed from the FTSE Colombia 20 Index and replaced by the highest ranking company by 6 months average daily traded value eligible on the Reserve List (see Rule 6.5) as at the close of the index calculation two days prior to the deletion. The index will only be recapped if the replacement constituent's weight is greater than 5% in the index as determined one week prior to inclusion in the Index. If the constituent's weight is less than 5% in the Index, it will enter the Index at its current weight.
- 7.2.2 The removal and replacement are effected simultaneously, before the start of the index calculation on the day following the day on which the event justifying removal was announced. Announcements after the close of the index calculation are normally deemed to be made on the following business day.

7.3 Mergers, Restructuring and Complex Takeovers

7.3.1 Mergers / Takeovers between Constituents

If the effect of a merger or takeover is that one constituent in the FTSE Colombia 20 Index is absorbed by another constituent, the resulting company will remain a constituent of the FTSE Colombia 20 Index, and a vacancy will be created. This vacancy will be filled by selecting the highest ranking security by 6 months average daily traded value in the Reserve List as at the close of the index calculation two days prior to the deletion.

7.3.2 Mergers / Takeovers between a Constituent and a Non-Constituent

If a constituent company in the FTSE Colombia 20 Index is taken over by a non-constituent company, the original constituent will be removed and replaced by selecting the highest ranking security by 6 months average daily traded value in the Reserve List. Any eligible company resulting from the take-over, subject to Section 4, will be eligible to become the replacement company if it is ranked higher than any company on the Reserve List.

7.4 Splits / Demergers

- 7.4.1 If a constituent company is split so as to form two or more companies, then the resulting companies will be eligible for inclusion as index constituents in the FTSE Colombia 20 Index if they pass all Index qualification criteria. If a FTSE Colombia 20 Index constituent splits into two or more companies, and where one or more of the new companies are eligible to remain in the index the FTSE Colombia 20 Index will have more than 20 companies in the Index till the next review.

SECTION 7

7.5 **Suspension of Dealing**

7.5.1 Where a constituent is suspended it may remain in the FTSE Colombia 20 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 a value of zero. This change will be effected after the close of the index calculation and prior to the start of the index calculation on the following day. Removing a constituent at zero indicates that the stock is believed to be valueless.

7.5.2 When 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, either at its suspension price or at zero. Where suspension is for a reason not to the detriment of the constituent, it may be retained or removed at its suspension price.

7.6 **Re-listing of Suspended Constituents**

7.6.1 Where a suspended constituent that has been removed from the index is subsequently relisted, the company's eligibility will be assessed at the next scheduled index review.

SECTION 8

8.0 CHANGES TO CONSTITUENT WEIGHTINGS

- 8.1 For the purposes of computing the FTSE Colombia 20 Index 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.
- 8.2 If a corporate action is applied to a constituent of the index which involves a change in the number of shares in issue, the change in shares will be applied simultaneously with the corporate action.
- 8.3 Changes of shares in issue not arising from corporate actions, amounting to less than 10% of the number of shares in issue but more than 1% will be made quarterly after the close of business on the third Friday of March, June, September and December.
- 8.4 If accumulated changes in the number of shares in issue add up to 10% or more, they are implemented between quarters. A minimum of 4 days notice will be given to users of the index.
- 8.5 All adjustments are made before the start of the index calculations on the day concerned, unless market conditions prevent this.

SECTION 9

9.0 INDEX CALCULATION

9.1 Prices

9.1.1 The FTSE Colombia 20 Index uses actual trade prices for securities with local stock exchange quotations. Reuter's real-time spot currency rates are used in the index calculation.

9.2 Calculation Frequency

9.2.1 The FTSE Colombia 20 Index will be calculated in real-time and published every 15 seconds during their opening hours using real time prices.

9.3 Index Calculation

9.3.1 The FTSE Colombia 20 Index will be displayed to two decimal points.

9.3.2 The FTSE Colombia 20 Index is calculated using the following formula:

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

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.
- c_i is the Capping Factor to be applied to a security to correctly weight that security in the index. This factor maps the investable market capitalisation of each stock to a notional market capitalisation for inclusion in the Index. This factor is published by FTSE for each security in the 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 A

INDEX OPENING AND CLOSING HOURS

Index	Open	Close
FTSE Colombia 20 Index	14:30 (GMT)	21:10 (GMT)

APPENDIX B

CAPPING METHODOLOGY

The algorithm is applied to each constituent of the FTSE Colombia 20 Index that requires capping.

The Constituent Capping Factor c_i is given by:

$$c_i = \frac{Z}{I \times (p_i \times s_i \times f_i)} \sum_{j \in J} (p_j \times s_j \times f_j)$$

Where,

- i denotes the security to be capped.
- j denotes an uncapped security.
- J is the subset of securities that are uncapped.
- p_k is the official closing price of the k^{th} security.
- s_k is the number of shares in of the k^{th} security.
- f_k is the free float factor of the k^{th} security.
- I is the percentage of the index represented by all uncapped constituents.
- Z is the percentage capping level.

Step 1 The constituents in the FTSE Colombia 20 Index are ranked by investible market capitalisation and the weight for each constituent in the Index is calculated.

Step 2 If the weight of the top 5 constituents in the Index at the time of the quarterly review is greater than 48% than top 5 constituents will be capped at 48%. No individual company in the Index can be greater than 20%.

Step 3 The weights of all lower ranking constituents are increased correspondingly. The weights of lower ranking constituents are then checked and if they are greater than 4.75% will be capped at 4.75%.

Note: If any constituents in the top 5 have a weight of less than 4.75, the constituent(s) will be capped at 4.75 if the lower ranking constituents are greater or equal to 4.75.

APPENDIX C

FURTHER INFORMATION

For further information and enquiries log on to: www.ftse.com

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