Version 3.9 November 2003

GROUND RULES FOR THE MANAGEMENT OF THE FTSE GLOBAL SECTOR INDEX SERIES

FTSE
THE INDEX COMPANY

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SECTION 1

1.0 INTRODUCTION

1.1 This paper sets out the Ground Rules for the Management of the FTSE Global Sector Index Series by FTSE. Copies of these Ground Rules are available from FTSE (please see Appendix D) and http://www.ftse.com/indices_marketdata/global_sectors/rulebook.jsp

1.2 The FTSE Global Sector Index Series is designed to create a tradable family of indices based on the FTSE All-World Developed Index Sectors as determined by the FTSE Global Classification System (please see Appendix A).

1.3 The following indices are calculated:-

FTSE Global Autos
FTSE Global Banks
FTSE Global Basic Industries
FTSE Global Cyclical
FTSE Global Energy
FTSE Global Financials
FTSE Global General Industrials
FTSE Global Media
FTSE Global Non-Cyclical
FTSE Global Pharmaceuticals
FTSE Global Tech
FTSE Global Telecoms
FTSE Global Utilities

1.4 The base currency for the FTSE Global Sector Index Series is US Dollars, and the Index is calculated every minute during the hours of calculation.

1.5 Capital and Total Return Indices are available. The Total Return Indices will initially be calculated on the basis of annualised dividends.

1.6 The individual sector indices will be capped as detailed in Appendix B.

SECTION 2

2.0 INDEX MANAGEMENT

2.1 FTSE is responsible for the calculation of the FTSE Global Sector 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. FTSE will implement the resulting constituent changes from the semi-annual reviews or as otherwise required by the Ground Rules.

2.2 The FTSE Global Sector Index Series is managed by the FTSE Index Review Board.

2.2.1 The FTSE Index Review Board is responsible for maintaining the Ground Rules for the management of the FTSE Global Sector Index Series.

2.2.2 The Committee ensures that a consistent approach is applied to the selection of constituents and the application of corporate events.

2.2.3 The Committee may establish sub-committees to undertake any of these duties or to consider particular issues in depth.

2.2.4 The Committee meets quarterly or more frequently, as required.

SECTION 3

3.0 ELIGIBLE SECURITIES

3.1 Each security must be a current constituent of the FTSE All-World Developed Index.

3.2 The share weighting of an individual constituent is the same as in the FTSE All-World Developed Index (see Rule 3.4).

3.3 Ground Rules for the FTSE All-World Index Series are available from FTSE.

3.4 Free float weights for each constituent in the FTSE Global Sector Index Series will be those published by FTSE for each constituent in this series.

SECTION 4

4.0 INDEX QUALIFICATION CRITERIA

4.1 Companies are eligible for inclusion in the appropriate FTSE Global Sector Index if they are current constituents of the FTSE All-World Developed Index, based on the selection criteria in Rule 4.2. Multiple lines are aggregated and the full market capitalisation of the company is used for the purpose of defining the eligible universe (but see 4.2.4).

4.1.1 Tracking stocks are also eligible for inclusion in the FTSE Global Index Series. In terms of qualification they are treated as separate and distinct companies. They are not multiple lines.

4.2 The following procedure is used to categorise constituents of the FTSE Global Sector Indices.

4.2.1 The FTSE All-World Developed Index constituents are allocated to their appropriate sector using the FTSE Global Classification System.

4.2.2 The eligible universe for each FTSE Global Sector Index are those constituents which belong to each qualifying sector as described in Appendix A.

4.2.3 Each FTSE Global Sector Index aims to represent between 80 and 90% of the full market capitalisation of the eligible universe. The final constituents are found as follows:-

a) The eligible universe for each FTSE Global Sector Index is ranked according to full market capitalisation. The number of constituents required to meet 90% of the full market capitalisation of each Sector Index is found by selecting the largest companies first.

b) Each FTSE Global Sector Index consists of 30, 40 or 50 constituents.

c) If the number of constituents required to meet 90% of full market capitalisation is 35 or lower the number of constituents in the Index will be set at 30.

d) If the number of constituents required to meet 90% of full market capitalisation is between 36 and 45 (inclusive) the number of constituents in the Index will be set at 40.

e) If the number of constituents required to meet 90% of full market capitalisation is 46 or higher the number of constituents in the Index will be set at 50.

SECTION 4

4.2.4 If a company with multiple lines becomes eligible for a sector index (see 4.2.3, 6.2, 6.3, 6.4), only the largest of the multiple lines (by investible market capitalisation) will become an index constituent. Therefore, a company with multiple lines of stock can only be represented by a line of stock in the index series.

4.2.5 The number of constituents for each Index is set at the time of the semi annual review and can only change at the next semi-annual review.

SECTION 5

5.0 PERIODIC REVIEW OF CONSTITUENTS

5.1 The FTSE Global Sector Index Series is reviewed semi-annually in March and September using FTSE All-World Developed Index data available following the review of the FTSE All-World Index carried out in the same months.

5.2 The data on which the semi-annual reviews are undertaken will be as at the close of business on the last trading day in February and August. Capping will be applied to the index on data as at the close of business on the third Friday in March and September.

5.3 Changes arising from the semi-annual review will be implemented after the close of business on the third Friday in March and September.

5.4 The constituents of each FTSE Global Sector Index are determined by using the methodology in Rule 4.2.

5.5 Each FTSE Global Sector Index will be capped as detailed in Appendix B.

5.5.1 The constituents of each FTSE Global Sector Index normally are capped only at the time of the semi-annual review. Following capping at the semi annual review, the weight of each constituent in each Index moves freely in line with price movements.

SECTION 6

6.0 CHANGES TO CONSTITUENT COMPANIES

6.1 Removal

6.1.1 If a constituent ceases to be a constituent of the FTSE All-World Developed Index it will be removed from the FTSE Global Sector Index Series. The removal will be concurrent with its removal from the FTSE All-World Developed Index. The highest ranking non-constituent in the eligible universe will become eligible for inclusion into the Index and will be added to the Index at the same time.

6.2 Additions

6.2.1 If a constituent is added to the FTSE All-World Developed Index and qualifies in all respects for inclusion in the eligible universe (see Rule 4.2) as a constituent of a FTSE Global Sector Index, it will only be added to the appropriate Sector Index at the time of the next semi-annual review.

6.3 New Issues

6.3.1 Fast entries to the FTSE All-World Developed Index will be eligible to become fast entries to the relevant FTSE Global Sector Index provided they qualify under Rule 4.2 and the full market capitalisation of the new constituent is greater than 3% of the relevant FTSE Global Sector Index. The addition to the FTSE Global Sector Index will be concurrent with the constituent's addition to the FTSE All-World Developed Index. The lowest ranking constituent by full market capitalisation will be removed from the index. The removal and replacement are effected simultaneously, before the start of the index calculation on the second business day following the day on which the event justifying removal was announced

6.3.2 If a new issue does not meet the requirements of Rule 6.3.1 then it will remain a member of the eligible universe and rank pari passu with other non-constituents in the eligible universe.

6.4 Mergers, Restructuring and Complex Takeovers

6.4.1 If the effect of a merger or takeover is that one constituent is absorbed by another constituent in the same Index, the resulting company will remain a constituent of the Index and a vacancy will be created. This vacancy will be filled by selecting the largest eligible non-constituent by full market capitalisation from the eligible universe at the time of the event. The removal and replacement are effected simultaneously, before the start of the index calculation on the second business day following the day on which the event justifying removal was announced

6.4.2 If a constituent is suspended from the FTSE All-World Index, the same treatment will be applied in the FTSE Global Sector Index Series.

SECTION 6

6.4.3 If a constituent company is taken over by a non-constituent company, the original constituent will be removed and replaced by the largest eligible non-constituent from the qualifying universe at the time of the event, including the bidding company if it becomes a constituent of the FTSE All-World Developed Index. The removal and replacement are effected simultaneously, before the start of the index calculation on the second business day following the day on which the event justifying removal was announced

6.4.4 If a constituent company is split so as to form two or more companies, the two or more companies arising from the spilt will be eligible for inclusion in the Index if they qualify in all respects (see Rule 4.2). 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) will be deleted. The removal will be effected, before the start of the index calculation on the second business day following the day on which the event justifying removal was announced

6.5 Classification Changes

6.5.1 If a constituent's classification under the FTSE Global Classification System is changed due to a corporate action such that it is no longer eligible for inclusion in it's current FTSE Global Sector Index it will be removed at the time of the event. The highest ranking non-constituent in the eligible universe will be added to the Index at the same time and will be selected using data as at the close of business 3 working days prior to the effective date e.g. if the effective date of the corporate action is after the close of business on a Thursday, the replacement company will be selected using data as at the close of business from the preceding Monday. If a constituent's classification under the FTSE Global Classification System is changed such that it is no longer eligible for inclusion in it's current FTSE Global Sector Index but does become eligible for inclusion in another FTSE Global Sector Index it will join its new sector Index at the same time provided that it is larger than the smallest constituent of that sector Index by full market capitalisation. The lowest ranking constituent by full market capitalisation will be removed from the index.

If a constituent companys' classification changes in the monthly or quarterly reclassification exercises undertaken by the FTSE Classification Global Committee (see the Ground Rules for the Management of the FTSE Global Classification Committee for more details) such that it is no longer eligible for inclusion in it's current FTSE Global Sector Index it will be removed on the third Friday of the month. The Committee will seek to avoid making reclassification changes not relating to a corporate action outside of the quarterly period if it would mean that the company would no longer be eligible for inclusion in it's current FTSE Global Sector Index. A technical notice detailing this, and the replacement company will be released on the preceding Wednesday. The replacement company will be chosen using data as at the close of business on the Tuesday before the third Friday of the month.

SECTION 6

6.5.2 If a non-constituent company's classification is changed to make it eligible for one of the FTSE Global Sector Indices, it will only become eligible for inclusion in the Index at the time of the next semi-annual review.

6.6 Exceptional Circumstances

6.6.1 In exceptional circumstances (e.g., a sector index becomes distorted by a major corporate event), the FTSE Index Review Board may agree to re-cap an index, providing at least 5 days notice is given.

APPENDIX A

QUALIFYING SECTORS FOR THE FTSE GLOBAL SECTOR INDEX SERIES

FTSE Global Sector Index	**Qualifying Sector** (of the FTSE All-World Developed Index)
FTSE Global Autos	Automobiles (31)
FTSE Global Banks	Banks (81)
FTSE Global Basic Industries	Chemicals (11) Construction and Building Materials (13) Forestry and Paper (15) Steel and Other Metals (18)
FTSE Global Cyclical	Household Goods and Textiles (34) General Retailers (52) Leisure and Hotels (53) Support Services (58) Transport (59)
FTSE Global Energy	Oil & Gas (07)
FTSE Global Financials	Insurance (83) Life Assurance (84) Investment Companies (85) Real Estate (86) Speciality and Other Finance (87)
FTSE Global General Industrials	Aerospace and Defence (21) Diversified Industrials (24) Electronic and Electrical Equipment (25) Engineering and Machinery (26)
FTSE Global Media	Media and Entertainment (54)
FTSE Global Non-Cyclical	Beverages (41) Food Producers and Processors (43) Health (44) Personal Care and Household Products (47) Tobacco (49) Food and Drug Retailers (63)

FTSE Global Pharmaceuticals	Pharmaceuticals (48)
FTSE Global Tech	Information Technology Hardware (93) Software and Computer Services (97)
FTSE Global Telecoms	Telecommunication Services (67)
FTSE Global Utilities	Electricity (72) Utilities – Other (77)

APPENDIX B

APPLICATION OF CAPPING AT THE SEMI-ANNUAL REVIEWS

Capping is applied to the constituents of each FTSE Global Sector Index, if required, by the following methodology:-

The constituents in the appropriate sector index are ranked by investible market capitalisation and the weight for each constituent in the Index is determined.

STAGE 1

Any constituents whose weights are greater than 10% are capped at 10%. The weights of all lower ranking constituents are increased correspondingly. The weights of lower ranking constituents are then checked and if they exceed 10% they are also capped at 10%. This process is repeated until no constituent weight exceeds 10%.

STAGE 2

Following the application of Stage 1, if the total index weight of those constituents whose individual weights exceed 5% is greater than 40% in aggregate, the procedure moves onto Stage 3 below. Otherwise no further action is required.

STAGE 3

a) If more than one stock is capped at 10%, then weights of all subsequent constituents previously capped at 10% are changed in accordance with the rules detailed below. For example, if the second largest stock is capped at 10% its weight will be reduced to 9% as given in 1) below. The process is then continued from the relevant point in the steps below. Thus, if it is necessary to apply the provisions of Stage 3, only one constituent will have a 10% weight in the index.

b) If the weight of the second largest constituent is greater than 9% the constituent's weight is capped at 9% and the weights of the lower ranking constituents are increased correspondingly. Following this procedure if the total index weight of those constituents whose individual weights exceed 5%, is greater than 40% the procedure moves onto the next stage below.

c) If the weight of the third largest constituent is greater than 8% the constituent's weight is capped at 8% and the weights of the lower ranking constituents are increased correspondingly. Following this procedure if the total index weight of those constituents whose individual weights exceed 5%, is greater than 40% the procedure moves onto the next stage below.

d) If the weight of the fourth largest constituent is greater than 7% the constituent's weight is capped at 7% and the weights of the lower ranking constituents are increased correspondingly. Following this procedure if the total index weight of those constituents whose individual weights exceed 5%, is greater than 40% the procedure moves onto the next stage below.

e) If the weight of the fifth largest constituent is greater than 6% the constituent's weight is capped at 6% and the weights of the lower ranking constituents are increased correspondingly. Following this procedure if the total index weight of those constituents whose individual weights exceed 5%, is greater than 40% the procedure moves onto the next stage below.

f) If the weights of the sixth largest constituent and any lower ranking constituents are greater than 4% those constituents' weights are capped at 4% and the weights of lower ranking constituents are increased correspondingly.

STAGE 4

Following the application of Stage 3, the weights of each constituent are checked. If the total index weight of those constituents whose individual weights exceed 5% is greater than 40% in aggregate, then further capping is required. Firstly if the largest constituents' weight has risen above 10% the weight is again capped at 10% and the weights of other constituents are adjusted accordingly. Then Stage 3 is repeated.

APPENDIX C

HOURS OF CALCULATION, CONSTITUENT PRICING AND FOREIGN EXCHANGE

Hours Of Calculation

Each FTSE Global Sector Index is calculated from 02:00 hrs (London Time) until 16:10 hrs (New York time).

Constituent Pricing

CLOSING PRICES USED FOR CALCULATION OF FTSE GLOBAL SECTOR INDICES

All exchange closing prices are sourced from Reuters.

For American markets, the price used in the FTSE All-World Index Series is the Reuters Closing Price disseminated at 21:20hrs (London time). Due to the way closing prices are calculated and disseminated in the Americas, the official close price is sometimes not available until the morning of the next day.

All times detailed are local, except where otherwise indicated..

REGION	COUNTRY	PRICE USED
Europe	Austria	Wiener Boerse Auction Price at 17:30hrs.
	Belgium/ Luxembourg	Brussels Closing Auction at 17:30. Luxembourg Stock Exchange Closing price at 15:00hrs. NB: Prices for Luxembourgeois constituents may be sourced from the Brussels Stock Exchange where appropriate.
	Denmark	Copenhagen Stock Exchange Closing price at 17:00hrs.
	Finland	Last trade at 17:59hrs.
	France	Closing Auction at 17:30hrs.

REGION	COUNTRY	PRICE USED
Europe Cont'd	Germany	XETRA Closing Auction price. *NOTE:* The last trade price on XETRA will be used for those stocks not participating in the closing auction.
	Greece	Athens Auction price at 16:15hrs.
	Ireland	Irish Stock Exchange official closing price
	Italy	Italian Stock Exchange closing auction at 17:35 - 17:40.
	Netherlands	AEX Closing Auction at 17:40hrs.
	Norway	Last trade at 16:00hrs.
	Portugal	Closing Auction at 16:30hrs.
	Spain	Madrid auction price at 17.35hrs.
	Sweden	Stockholm auction at 17:30hrs.
	Switzerland	virt-x auction price or SWX auction price as appropriate
	United Kingdom	London Stock Exchange official closing price

REGION	**COUNTRY**	**PRICE USED**
Americas	Canada	TSE Close Price
	United States	Prices are downloaded from Reuters at 21:20hrs (UK Time). As NASDAQ, AMEX and the New York Stock Exchange does not release its official close until several hours after this, the price used in the index may not match this official close. If the downloaded price is subsequently cancelled, the cancelled price is retained in the index calculation

REGION	**COUNTRY**	**PRICE USED**
Asia / Pacific	Australia	Auction Price (Official Close)
	Hong Kong	Nominal Price (Official Close)
	Japan	Last Trade (Official Close).
	New Zealand	Last trade(Official Close).
	Singapore	Auction Price (Official Close)

Every effort is made by FTSE to ensure that the information contained in this appendix is accurate. However, owing to the frequent changes in the close times and types of world stock exchanges, no responsibility or liability can be accepted by FTSE for any errors in this information. If you have a query regarding this information, please contact FTSE. Our details can be found in Appendix D of this document.

FOREIGN EXCHANGE RATES

The foreign exchange rates used in the calculation of the FTSE Global Sector Indices are Reuter's real time spot rates.

The US Dollar is the base currency for all index calculations. Non US Dollar denominated constituents prices are converted into US Dollars in order to calculate the Indices.

The 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 country even though the underlying market for that country may be closed.

The foreign exchange rates received from Reuters at 1610 hrs (New York time) are the bid rates and are used to calculate the final Index levels. These are termed the "closing foreign exchange rates".

APPENDIX D

Further information on the FTSE Global Sector Index Series

Further information on the FTSE Global Sector Index Series is available from FTSE, who will also welcome comments on these Ground Rules and on the Index Series.

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