

# **GROUND RULES FOR THE MANAGEMENT OF THE FTSE ST INDEX SERIES**



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## TABLE OF CONTENTS

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### SECTIONS

#### **1.0 INTRODUCTION**

- 1.1 General
- 1.2 Headline FTSE ST Index Series

#### **2.0 STATUS OF INDICES**

- 2.1 Calculation States

#### **3.0 MANAGEMENT RESPONSIBILITIES**

- 3.1 FTSE International Limited
- 3.2 Re-calculations
- 3.3 Status of these Ground Rules
- 3.4 FTSE ST Advisory Committee

#### **4.0 INDEX CONSTRUCTION**

- 4.1 Eligible Securities
- 4.2 Free Float
- 4.3 Liquidity
- 4.4 FTSE ST China Indices Qualification Criteria
- 4.5 FTSE ST Maritime Index Qualification Criteria
- 4.6 FTSE ST Catalyst Index Qualification Criteria

#### **5.0 PERIODIC REVIEW OF CONSTITUENT COMPANIES**

- 5.1 Review Dates
- 5.2 Rules for Insertion and Deletion at the Periodic Review
- 5.3 Monitoring of Eligible Companies
- 5.4 Reserve Lists
- 5.5 Capping of Index Constituents

#### **6.0 CHANGES TO CONSTITUENT COMPANIES**

- 6.1 New Issues
- 6.2 Deletions and Replacements
- 6.3 Mergers, Restructuring and Complex Takeovers
- 6.4 Suspension of Dealing
- 6.5 Relisting of Suspended Constituents
- 6.6 Changes to Constituent Weightings

#### **7.0 CHANGES TO THE CLASSIFICATION OF CONSTITUENT COMPANIES**

- 7.1 Classification Structure
- 7.2 Classification Changes

#### **8.0 INDICES ALGORITHM AND CALCULATION METHOD**

- 8.1 Prices
- 8.2 Calculation Frequency
- 8.3 Index Calculation

### APPENDICES

- A Index Opening and Closing Hours
- B Further Information

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## SECTION 1

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### 1.0 INTRODUCTION

#### 1.1 General

1.1.1 This paper sets out the Ground Rules for the Management of the FTSE ST Index Series. Copies of the Ground Rules are available from FTSE on the website [www.ftse.com](http://www.ftse.com).

1.1.2 The FTSE ST Index Series is a set of indices created by FTSE, Singapore Exchange (SGX) and Singapore Press Holdings (SPH) and is designed to represent the performance of Singaporean companies, providing investors with a comprehensive and complementary set of indices, which measure the performance of the major capital and industry segments of the Singaporean market.

#### 1.2 Headline FTSE ST Index Series

##### 1.2.1 STI

This index comprises the largest 30 companies by full market capitalisation that meet stated eligibility requirements.

##### 1.2.2 FTSE ST Mid Cap Index

This index comprises the next 50 companies by full market capitalisation that meet stated eligibility requirements.

##### 1.2.3 FTSE ST Small Cap Index

This index comprises the constituents within the top 98% of the SGX Mainboard by full market capitalisation. They will also need to meet the stated eligibility requirements, but are not constituents of the STI and the FTSE ST Mid Cap Index.

##### 1.2.4 FTSE ST All-Share Index

This index comprises the constituents in the STI, the FTSE ST Mid Cap Index and the FTSE ST Small Cap Index.

##### 1.2.5 FTSE ST Fledgling Index

This index comprises the constituents listed on the SGX Mainboard that are too small to be in the FTSE ST All-Share Index.

##### 1.2.6 FTSE ST China Top Index

This index comprises the largest 20 companies by full market capitalisation that meet stated eligibility requirements as quoted in Rule 4.4.

##### 1.2.7 FTSE ST China Index

This index comprises of all the constituents that meet the stated eligibility requirements as quoted in Rule 4.4.

## SECTION 1

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### 1.2.8 FTSE ST Maritime Index

This index comprises the companies of the FTSE ST All-Share Index that derive the majority of their revenue from marine related activities that meet the stated eligibility rules as quoted in Rule 4.5.

### 1.2.9 FTSE ST Industry Indices

There will be 10 Industry, 19 Supersector and 39 Sector Indices comprised of the constituents in the FTSE ST All-Share Index. These industries and sectors are defined in the Industry Classification Benchmark (ICB).

### 1.2.10 FTSE ST Catalist Index

This index comprises the sponsored companies listed on the SGX Catalist that meet the stated eligibility rules as quoted in Rule 4.6.

1.2.11 Price and Total Return Indices are published at the end of each working day. The Total Return Indices are based on ex-dividend adjustments.

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## SECTION 2

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### 2.0 STATUS OF INDICES

#### 2.1 Calculation States

2.1.1 The FTSE ST Index Series is calculated in Singapore Dollars and may exist in the following states.

a) Firm

- i. The indices are being calculated during Official Market Hours (see Appendix A). No message will be displayed against the index value.
- ii. The Official Closing Price for FTSE ST Index Series will be the Exchange Official Closing Price for the whole market.

b) Closed

The indices have 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 an 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 were firm.

2.1.2 The official opening and closing hours of the FTSE ST Index Series are set out in Appendix A. Variations to the official hours of the indices will be published by FTSE.

2.1.3 US Dollar, Euro, UK Sterling and Japanese Yen values will be calculated on an end-of-day basis.

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## SECTION 3

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### 3.0 MANAGEMENT RESPONSIBILITIES

#### 3.1 FTSE International Limited (FTSE)

3.1.1 FTSE is responsible for the operation of the FTSE ST Index Series. FTSE will maintain records of the market capitalisation of all constituents and reserve list companies 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 indices shall be used in the calculation of the end of day indices.

3.1.3 FTSE is also be responsible for monitoring the performance of the FTSE ST Indices throughout the day and will determine whether the status of each Index should be Firm, Indicative, Held or Part (see Rule 2.1).

#### 3.2 Re-calculations

3.2.1 The FTSE ST Index Series is recalculated whenever errors or distortions occur that are deemed to be significant. Users of the FTSE ST Index Series 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 ST Index Series. They have been prepared and approved by FTSE, SGX and SPH. However, these policies and procedures, and their precise application, are subject to variation and periodic review.

3.3.2 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 ST Index Series are currently made.

3.3.3 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, SGX and SPH (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.

#### 3.4 FTSE ST Advisory Committee

3.4.1 The purpose of the Committee is to consider and advise on matters relating to the FTSE ST Index Series and proposed amendments to the Ground Rules governing the management of the FTSE ST Index Series and to ensure that best practice is used in the construction and ongoing management of the Indices. In particular the Committee will:

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## SECTION 3

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- a) ensure that global standards are applied in the Ground Rules,
- b) advise on how to reconstruct or replace the existing index methodology,
- c) oversee the ongoing management of the indices, corporate actions and changes to Ground Rules,
- d) advise on the construction and methodology of new indices.

3.4.2 FTSE, SGX and SPH will appoint the Chairman, Deputy Chairman and members of the FTSE ST Advisory Committee. The Chairman, or in his absence Deputy Chairman, will chair meetings of the Committee and will represent that Committee outside of meetings.

No member of the Advisory Committee is on the Advisory Committee to represent that member's employer but rather is there because of that person's specific expertise and to represent the interests of the industry generally.

3.4.3 A Secretary to the FTSE ST Advisory Committee is appointed to support the work of the Committee.

3.4.4 A constituent or prospective constituent company (or advisor acting on behalf of the company) may appeal against the decisions of the FTSE ST Advisory Committee on two grounds:

- a) that the Committee acted outside of the Ground Rules for the Management of the FTSE ST Index Series, or
- b) that the Committee, when reaching its decision, failed to take into consideration a substantial and material fact. A substantial and material fact is defined as a fact, which would have influenced the decision of the Committee if it had been considered.

A request for an appeal must be made in writing to the Secretary of the FTSE ST Advisory Committee, within a reasonable time period from the announcement of the decisions. Appeals will be heard by a committee appointed by FTSE, SGX and SPH. Members of the FTSE ST Advisory Committee may not serve on the Appeal Committee.

### 3.5 **Amendments and Exceptions**

3.5.1 In the event that the FTSE ST Advisory Committee or any of those responsible for the operation and administration of the FTSE ST Index Series consider that an exception should be made to any of the Ground Rules, the issue must be brought to the attention of the Chairman or Deputy Chairman of the FTSE ST Advisory Committee, who will normally put the matter to the full FTSE ST Advisory Committee for a decision. If, however, the matter is urgent, the Chairman and Deputy Chairman are collectively empowered to authorise an exception on behalf of the FTSE ST Advisory Committee but must immediately notify, and subsequently refer the matter to, a meeting of the FTSE ST Advisory Committee.

3.5.2 Where an exception is granted to the Ground Rules under Rule 3.5.1, it shall not be deemed to create a precedent for future decisions of the FTSE ST Advisory Committee.

3.5.3 Changes to the Ground Rules can only be made by the FTSE ST Advisory Committee.

3.5.4 Material changes to the Ground Rules are announced after FTSE ST Advisory Committee's meeting at which they are agreed.

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## SECTION 4

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### 4.0 INDEX CONSTRUCTION

#### 4.1 Eligible Securities

- 4.1.1 All classes of the ordinary shares in issue are eligible for inclusion in the FTSE ST Index Series, subject to conforming to all other rules of eligibility, free float and liquidity.
- 4.1.2 Companies that have a full listing on the SGX Mainboard and SGX Catalist are eligible for inclusion in the FTSE ST Index Series. Companies listed on other boards (markets) will not be included in the FTSE ST Index Series.
- 4.1.3 For the purposes of the FTSE ST Index Series, where a security is listed on the SGX Mainboard and SGX Catalist that security will be considered Singaporean for the purposes of nationality and therefore eligible for the FTSE ST Index Series, subject to conforming to all other eligibility criteria.
- 4.1.4 Convertible preference shares and loan stocks are excluded until converted.
- 4.1.5 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.
- 4.1.6 In accordance with Rule 4.1, all eligible listed companies will be included in the FTSE ST Index Series. FTSE will review the companies, which are proposed to be included at its semi-annual meeting. The largest eligible companies from the SGX Mainboard ranked by full market capitalisation, i.e. before the application of any investability weightings, comprising 98% of all companies will be included in the FTSE ST All-Share Index. The implementation will take place after the close of business on the third Friday in March and September.

#### 4.2 Free Float

- 4.2.1 The FTSE ST Index Series is adjusted for free float. 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.

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## SECTION 4

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4.2.2 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 4.2.1)
- Holdings by investment companies
- ETFs

4.2.3 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%	=	not eligible
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%

4.2.4 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 4.2.5 below.

4.2.5 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.

### 4.3 Liquidity

4.3.1 Each security will be tested for liquidity 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 also 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.

4.3.2 For eligibility for inclusion, securities must turnover at least 0.05% of their shares in issue (after the application of any investability weightings) based on their median daily trade per month in ten of the twelve months prior to the semi-annual review.

4.3.3 For existing constituents, securities must trade at least 0.04% of its shares in issue (after the application of any investability weightings) based on its median daily trade per month for at least eight of the twelve months prior to the semi-annual review.

4.3.4 Any period when a share is suspended will be excluded from the above calculations.

4.3.5 A security that is excluded because it fails the liquidity requirement will be excluded from all other indices for the period until the next review.

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## SECTION 4

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- 4.3.6 In exceptional market conditions, if trading volumes are very low, FTSE may reduce the percentage figure in order to avoid a large number of constituents being removed from the FTSE ST Index Series. This discretion may not be applied to individual securities. If FTSE intends to exercise this discretion, it must make a public statement to that effect at least two weeks prior to the periodic review.
- 4.3.7 New issues, which do not qualify as early entrants 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 20 trading days prior to the date of the review and turnover of a minimum of 0.05% of their shares in issue based on its median daily trade, after the application of any free float and cross-holdings, per month in each month. For example, a new issue that did not qualify as an early entrant but has traded 21 days prior to the date of the review will need to have a turnover of a minimum of 0.05% of their shares in issue based on its median daily trade, after the application of any free float and cross-holdings for one month only. The inclusion of early entries (new issues) will not require a minimum trading record.
- 4.3.8 There is no liquidity requirement for constituents of the FTSE ST Fledgling Index and the FTSE ST Catalist Index.

### 4.4 FTSE ST China Indices Qualification Criteria

- 4.4.1 The FTSE ST China Indices represents the performance of Singaporean companies that have the majority of their sales revenue derived from or operating assets located in Mainland China.
- 4.4.2 To be included, constituents must be in the FTSE ST All-Share Index, and pass the sales revenue or operating assets screen in Rule 4.4.3 below.
- 4.4.3 The sales revenue and operating assets screen aim for constituents to have at least 50 per cent of their sales revenues derived from or operating assets located in Mainland China.
- 4.4.4 An existing constituent of the FTSE ST China Indices that is classified as a Chinese company will lose its Chinese status if its sales revenue derived from or operating assets located in Mainland China falls below 45 per cent at the time of the semi-annual review.
- 4.4.5 A non-constituent of the FTSE ST China Indices will be required to have its sales revenue derived from or operating assets located in Mainland China greater than 55 per cent at the semi-annual review for it to be classified as a Chinese company.
- 4.4.6 The FTSE ST China Top Index, which currently has 20 constituents has been designed to increase in size as more Singapore listed Chinese companies list on the SGX Mainboard. The FTSE ST China Top Index will increase in size where the number of eligible companies and their liquidity warrant a change in the existing index composition. The increase in size, if applicable, will be considered by the Advisory Committee at the semi-annual review. If the Advisory Committee approve the change, an announcement will be made stating that the change will be implemented at the next semi-annual review date (6 months), giving the market sufficient notice to make any changes.

### 4.5 FTSE ST Maritime Index Qualification Criteria

- 4.5.1 The FTSE ST Maritime Index represents the performance of companies in the FTSE ST All-Share Index that have a major percentage of their revenue from marine related activities such as in the manufacturing, ownership, operation of, and repairing of commercial / cargo vessels.

## SECTION 4

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- 4.5.2 To be eligible constituents must be a member of the FTSE ST All-Share Index at the periodic review. The eligible ICB subsectors are 2773 Marine Transportation, and 2753 Commercial Vehicles & Trucks.
- 4.5.3 For a non-constituent to be included in the index it is required to have revenue from marine related activities to be greater than 55 per cent of total revenue at the semi-annual review.
- 4.5.4 An existing constituent will no longer be eligible if its revenue from marine related activities falls below 45 per cent at the semi-annual review.
- 4.6 **FTSE ST Catalist Index Qualification Criteria**
- 4.6.1 The FTSE ST Catalist Index represents the performance of sponsored companies in the SGX Catalist. To be included, constituents must have sponsor status and listed on the SGX Catalist.

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## SECTION 5

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### 5.0 PERIODIC REVIEW OF CONSTITUENT COMPANIES

#### 5.1 Review Dates

5.1.1 The FTSE ST Index Series will be reviewed on a semi-annual basis in March and September based on data from the last working day of February and August. The reviews will be implemented on the next working day, following the third Friday of March and September.

#### 5.2 Rules for Insertion and Deletion at the Periodic Review

5.2.1 The rules for inserting and deleting securities at the periodic review are designed to provide stability in the selection of constituents of the FTSE ST Index Series while ensuring that the Indices continue to be representative of the market by including or excluding those securities which have risen or fallen significantly.

5.2.2 No company can be a member of more than one of the following indices simultaneously:

STI  
 FTSE ST Mid Cap Index  
 FTSE ST Small Cap Index  
 FTSE ST Fledgling Index

5.2.3 A company will be inserted at the semi-annual review if it rises above the position stated below for the relevant index when the eligible securities for each FTSE ST Index are ranked by full market capitalisation, i.e. before the application of any investability weighting:

STI	-	Risen to 20th or above
FTSE ST Mid Cap Index	-	Risen to 60th or above
FTSE ST China Top Index	-	Risen to 15th or above

5.2.4 A company will be deleted at the semi-annual review if it falls below the position stated below for the relevant index when the eligible securities for each FTSE ST Index are ranked by full market capitalisation, i.e. before the application of any investability weighting:

STI	-	Fallen to 41st or below
FTSE ST Mid Cap Index	-	Fallen to 101st or below
FTSE ST China Top Index	-	Fallen to 26th or below

5.2.5 A constant number of constituents will be maintained for the STI, the FTSE ST Mid Cap Index and the FTSE ST China Top Index. Where a greater number of companies qualify to be inserted in an index than those qualifying to be deleted, the lowest ranking constituents presently included in the index will be deleted to ensure that an equal number of companies are inserted and deleted at the periodic review. Likewise, where a greater number of companies qualify to be deleted than those qualifying to be inserted, the securities of the highest ranking companies which are presently not included in the index will be inserted to match the number of companies being deleted at the periodic review.

5.2.6 A constant number of constituents will not be maintained for the FTSE ST Small Cap, the FTSE ST All-Share Index, the FTSE ST Fledgling Index, the FTSE ST China Index, the FTSE ST Maritime Index, the FTSE ST Industry Indices, and the FTSE ST Catalyst Index. Stocks which fall out of the above indices due to suspension, takeover etc. will not be replaced, nor will a constituent of these indices be removed to accommodate new issues or new companies arising from restructuring of constituents, etc.

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## SECTION 5

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5.2.7 Where a company is deleted from either the STI, the FTSE ST Mid Cap Index and the FTSE ST China Top Index after FTSE, SGX and SPH have approved periodic changes to the indices, but before the periodic changes have been implemented, the highest ranking company from the new Reserve List (see Rule 5.4), excluding current index constituents, will replace the deleted company.

5.2.8 Buffers will be applied to provide stability in the selection of constituents of the FTSE ST All-Share Index. Non-constituents that are ranked within the top 97% of the SGX Mainboard Universe will be included in the FTSE ST All-Share Index providing they meet the eligibility requirements as outlined in Section 4. Non-constituents that are ranked below the top 97% of the SGX Mainboard Universe will be included in the FTSE ST Fledgling Index, providing they meet the requirements as outlined in Section 4. Existing constituents of the FTSE ST All-Share Index that are ranked below 99% of the SGX Mainboard Universe will be excluded from the FTSE ST All-Share Index and included in the FTSE ST Fledgling Index, providing they meet the requirements as outlined in Section 4. FTSE ST Fledgling constituents that rank between 97% and 99% of the SGX Mainboard Universe cut-offs will remain eligible for inclusion providing they meet the requirements as outlined in Section 4.

### 5.3 **Monitoring of Eligible Companies**

5.3.1 The market capitalisation of companies eligible for inclusion in the FTSE ST Index Series is monitored by FTSE. All listed ordinary securities on the SGX Mainboard and SGX Catalist will be included in the periodic reviews.

### 5.4 **Reserve Lists**

5.4.1 FTSE will be responsible for publishing the five highest ranking non-constituents of the STI and the FTSE ST China Top Index, and the ten highest ranking non-constituents of the FTSE ST Mid Cap Index at the time of the periodic review. The appropriate Reserve List will be used in the event that one or more constituents are deleted during the period up to the next periodic review.

### 5.5 **Capping of Index Constituents**

5.5.1 The FTSE ST China Top Index is capped at 10% on a semi-annual basis. The capping process is applied using prices adjusted for corporate actions as at the close of business on the second Friday in March and September. The capping is implemented after close of business on the third Friday in March and September based on the constituents, shares in issue and free float on the next trading day following the third Friday of the review month.

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## SECTION 6

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### 6.0 CHANGES TO CONSTITUENT COMPANIES

#### 6.1 New Issues

- 6.1.1 If, in the view of the FTSE ST Advisory Committee, a new issue is so large (i.e. its full market capitalisation amounts to 2% or more of the FTSE ST All-Share Index, before application of individual constituent investability weightings) that the effectiveness of the index as a market indicator would be significantly and adversely affected by its own omission, FTSE will normally decide to include the new issue as a constituent of the STI and remaining FTSE ST Indices that it qualifies for after the close of business on the first day of official trading. Therefore the lowest ranking constituent in the STI will be removed and included in the FTSE ST Mid Cap Index and placed in the Reserve List for the STI. The lowest ranking constituent in the FTSE ST Mid Cap Index will be removed and then included in the FTSE ST Small Cap Index and placed in the Reserve List for the FTSE ST Mid Cap Index. In all cases, advance notification confirming the timing of the inclusion of the new constituent will be given accordingly.
- 6.1.2 New issues entering the FTSE ST All-Share Index that also qualify as a constituent of the FTSE ST China index under Rule 4.4, will be eligible for inclusion into the FTSE ST China Top Index. The lowest ranking constituent in the FTSE ST China Top Index will be removed and included in the Reserve List. Where a new issue is included in the FTSE ST China Top Index and on entry its weighting is greater than 10 per cent of the index, the index will be capped to ensure no company is greater than 10 per cent.
- 6.1.3 New issues entering the FTSE ST All-Share Index that also qualify as a constituent of the FTSE ST Maritime Index under Rule 4.5, will be eligible for inclusion to the index.
- 6.1.4 New issues listed on the SGX Catalyst; and non-sponsored companies transitioning to sponsor status on the SGX Catalyst will be eligible for inclusion into the FTSE ST Catalyst Index at the next semi annual review.
- 6.1.5 If FTSE ST Advisory Committee decides to include a new issue as a constituent security other than as part of the normal periodic review procedure, this decision must be publicly announced at the earliest practicable time.
- 6.1.6 For the purpose of this Rule 6.1, a company which is relisted following suspension or is reorganised or renamed or which arises from a demerger or complex reorganisation of another company which is not an existing constituent, shall not be considered to be a new issue.
- 6.1.7 The new issue will also be subject to the free float and cross-holdings and other requirements detailed in Section 4.

#### 6.2 Deletions and Replacements

- 6.2.1 If a constituent is de-listed from the SGX, ceases to have a firm quotation, is subject to a take-over or has, in the opinion of the Chairman and Deputy Chairman of the FTSE ST Advisory Committee (or their nominated deputies), ceased to be a viable constituent as defined by the Ground Rules, it will be removed from the list of constituents.

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## SECTION 6

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- 6.2.2 Where the company to be removed is a constituent of the STI, the FTSE ST Mid Cap Index and the FTSE ST China Top Index the vacancy will be filled by selecting the highest ranking security by full market value in the appropriate Reserve List as at the close of the index calculation five days prior to the deletion and related indices adjusted in accordingly. When the company is removed, no replacement will be found for the FTSE ST Small Cap Index, the FTSE ST All-Share Index, the FTSE ST China Index, the FTSE ST Maritime Index, and the FTSE ST Industry Indices.
- 6.2.3 Changes to the STI, the FTSE ST Mid Cap Index and the FTSE ST Small Cap Index will be made automatically to the FTSE ST All-Share Index.
- 6.2.4 If the company removed is a constituent of the FTSE ST All-Share Index or is no longer classified in the eligible ICB Sectors as shown in Rule 4.5.2, it will be also removed from the FTSE ST Maritime Index. Please refer to Section 7 on classification changes.
- 6.2.5 Constituents will be deleted from the index when confirmation is received that acceptance levels have reached a minimum of 85% and that any new shares of the bidding company (if applicable) are listed. A company deleted following a takeover, with a remaining free float of 15% or less, will not be re-considered for index inclusion until completion of a one year trading record.
- 6.2.6 Constituents removed in accordance with Rule 6.2.5, but which continue to trade thereafter, will be considered for re-inclusion to the index at the next review, subject to Section 4 and at least 6 months has passed between deletion and the implementation date of the changes arising from the review.
- 6.3 Mergers, Restructuring and Complex Takeovers**
- 6.3.1 If the effect of a merger or takeover is that one constituent in the STI, the FTSE ST Mid Cap Index, or the FTSE ST China Top Index is absorbed by another constituent, the resulting company will remain a constituent of the appropriate index, and a vacancy will be created. This vacancy will be filled by selecting the highest ranking security by full market capitalisation in the appropriate Reserve List as at the close of the index calculation five days prior to the deletion and related indices adjusted in accordance with Rule 6.2. The vacancy will not be filled for the FTSE ST Small Cap Index, the FTSE ST All-Share Index, the FTSE ST Fledgling Index, the FTSE ST China Index, the FTSE ST Maritime Index and the FTSE ST Industry Indices.
- 6.3.2 If a constituent company in the STI, the FTSE ST Mid Cap Index, or the FTSE ST China Top Index is taken over by a non-constituent company, the original constituent will be removed and replaced by the highest ranking non-constituent in the appropriate Reserve List. Any eligible company resulting from the takeover, subject to Section 4, will be eligible to become the replacement company if it is ranked higher than any company on the Reserve List. Any eligible company resulting from the takeover, subject to Section 4, will be eligible to become the replacement company of the FTSE ST Small Cap Index if their respective full market capitalisations are equal or greater than 0.1% of the full market capitalisation of the FTSE ST Small Cap index i.e. before the application of any investability weightings. If smaller than 0.1% they will be added to the FTSE ST Fledgling Index. A taken over company from the FTSE ST China Index, the FTSE ST Maritime Index and the FTSE ST Property Indices will be removed and not replaced.
- 6.3.3 If a constituent company in the FTSE ST Catalist Index is taken over by a non-constituent company, the original constituent will be removed and not replaced. Any eligible company resulting from the takeover, subject to Rule 4.6, will be eligible to become the replacement company.

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## SECTION 6

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- 6.3.4 If a constituent company is split to form two or more companies, then the resulting companies will be eligible for inclusion as index constituents in the appropriate FTSE ST Indices providing they are larger than the smallest constituent, based on their respective full market capitalisations i.e. before the application of any investability weightings and if they qualify in all other respects. For example, a STI constituent split into two companies may result in one or both of these companies remaining in the STI. Where both of these companies remain in the STI, the smallest STI constituent will become a constituent of the FTSE ST Mid Cap Index and the lowest ranking constituent in the FTSE ST Mid Cap Index will, in turn, become a constituent of the FTSE ST Small Cap Index. Companies resulting from a split that are smaller than the lowest ranking FTSE ST Mid Cap Index constituent, will become a constituent of the FTSE ST Small Cap Index if their respective full market capitalisations are equal or greater than 0.1% of the full market value of the FTSE ST Small Cap Index. If smaller than 0.1% they will be added to the FTSE ST Fledgling Index. Both split companies will remain in the FTSE ST China Index and FTSE ST Industry Indices if they are big enough to stay in the FTSE ST All-Share Index and pass the criteria required to be in the Index. Both split companies will remain in the FTSE ST Maritime Index if they remain a constituent of the FTSE ST All-Share Index and pass the stated eligibility criteria stated in Rule 4.5.
- 6.3.5 If a constituent company in the FTSE ST Catalist Index is split to form two or more companies, then the resulting companies will be eligible for inclusion subject to Rule 4.6.

### 6.4 Suspension of Dealing

- 6.4.1 Where a constituent is suspended it may remain in the FTSE ST Index Series, at the price at which it is suspended, for up to 10 business days. During this time on advice from the SGX and FTSE may agree to delete the constituent immediately either at its suspension price or at a value of zero. In the case of a FTSE ST Index that has a constant number of constituents; replacement of constituents will be handled according to Rule 6.2. 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.
- 6.4.2 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 with the approval of the Chairman and/or Deputy Chairman (or their nominated deputies) of the FTSE ST Advisory Committee. In the case of a FTSE ST Index that has a constant number of constituents; replacement of constituents will be handled according to Rule 6.2.

### 6.5 Relisting of Suspended Constituents

- 6.5.1 Securities which, on relisting are larger than the smallest constituent of the index shall be reinstated in the index at the price at which they were removed and the lowest ranking constituent will be selected for removal. The reinstatement will happen after the close of business on the first day after the stock is relisted.
- 6.5.2 Securities which on relisting are smaller than the smallest constituent of the index from which they were removed when suspended shall be initially re-instated in the same index at the price at which they were removed and then included in the index, if any, for which they then meet the size criteria.

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## SECTION 6

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6.5.3 After a suspended stock is re-listed the timetable for the events described in Rules 6.5.1 and 6.5.2, above, shall be as follows:

After close of business on day 1 the stock will be included in the indices from which it was suspended.

After close of business on day 2 index constituents will be ranked by full market capitalisation and smallest constituent will be selected for deletion, using prices as at the close of business. FTSE will release a technical notice detailing any index changes, based on this ranking.

After close of business on day 3 all changes will be implemented as detailed in the technical notice.

6.5.4 Should a deleted constituent that has been suspended at a price other than zero (which would normally be the suspension price) be subsequently delisted and deemed to be of nil value, this stock 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 stock will be re-included at the suspension price, and its price will be zero throughout that day's calculation, including the closing price.

6.5.5 If a company relists after a continuous period of suspension lasting more than a year, FTSE reserve the right to treat the company as a new issue for the purposes of index eligibility.

6.5.6 If the procedure detailed in Rule 6.5.3, above, results in the re-instatement of a constituent of the STI, the displaced company will join the FTSE ST Mid Cap Index and the smallest constituent of the FTSE ST Mid Cap Index as at the close of the index calculation on the day preceding the inclusion of the displaced company will be deleted and join the FTSE ST Small Cap Index. The displaced companies will also be placed in the Reserve List for the STI and FTSE ST Mid Cap Index respectively.

6.5.7 Securities, which were removed from a FTSE ST Index that does not have constant number of constituents, shall be reinstated in the index at the price which they were removed.

### 6.6 Changes to Constituent Weightings

6.6.1 For the purposes of computing the FTSE ST Index Series, 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 will become effective at open on the next trading day following the third Friday of March, June, September and December (subject to Rules 6.6.2 and 6.6.3).

6.6.2 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.

## SECTION 6

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- 6.6.3 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 FTSE. If an adjustment is made, it will be applied for the first time at the next review in March of the following year.
- 6.6.4 All adjustments are made before the start of the index calculation on the day concerned, unless market conditions prevent this.

## SECTION 7

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### **7.0 CHANGES TO THE CLASSIFICATION OF CONSTITUENT COMPANIES**

#### **7.1 Classification Structure**

7.1.1 The FTSE ST Index Series constituents are classified into Industries, Supersectors, Sectors and Subsectors, as defined by the Industry Classification Benchmark (ICB).

7.1.2 Details of the Industry Classification Benchmark are available from FTSE (see Appendix B) and published on the FTSE website ([www.ftse.com](http://www.ftse.com)).

#### **7.2 Classification Changes**

7.2.1 Changes to the classification of a company within the FTSE ST Index Series will be advised by ICB and the necessary adjustments will be made to the relevant industry sectors at the same time that the constituent changes are implemented.

7.2.2 Where a constituent is the subject of a merger, restructure or complex takeover which results in a constituent (or part of a constituent) being absorbed by another, the industry classification of the resulting constituent(s) will be reviewed by ICB.

7.2.3 Any adjustment resulting from a change in a company's classification under Rule 7.2.2 will be implemented at the same time that any relevant constituent changes are implemented in the Index.

7.2.4 Periodic changes to the industry classification of a company are agreed and announced by ICB. Such changes will be implemented after the close of the index calculation on the third Friday in March, June, September and December.

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## SECTION 8

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### 8.0 INDICES ALGORITHM AND CALCULATION METHOD

#### 8.1 Prices

8.1.1 The FTSE ST Index Series will use actual last trade prices, where available, for securities.

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

#### 8.2 Calculation Frequency

8.2.1 The indices will be calculated in real-time and published every 15 seconds for the STI and every 60 seconds for all other Indices in the FTSE ST Index Series.

#### 8.3 Index Calculation

8.3.1 The FTSE ST Index Series is calculated using the following formula:

$$IV = \frac{\sum_{i=1}^n ((p_i \cdot e) \cdot s_i \cdot f_i \cdot c_i)}{d} \text{ for } I = 1, 2, 3, \dots, n$$

n =	the number of securities in the Index.
p = Price	the latest trade price of the component security (or the price at the close of the Index on the previous day).
e = Exchange Rate	the exchange rate required to convert the security's currency into the index's base currency (if applicable).
s = Shares in Issue	the number of shares in issue used by FTSE for the security, as defined in these Ground Rules.
f = 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.
c = Capping Factor	The factor applied to each security 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 capping. 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 securities to be made without distorting the Index.

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## APPENDIX A

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### INDEX OPENING AND CLOSING HOURS

<b>Index</b>	<b>Open</b>	<b>Close</b>
FTSE ST Index Series	09:00 (01:00)	17:10 (09:10)

Notes:

1. The indices will not be calculated on Public Holidays.
2. Timings are Local Hours (GMT Hours in brackets).

### FOREIGN EXCHANGE RATES

The foreign exchange rates used in the calculation of the FTSE ST Index Series are Reuter's real time spot rates.

The Singapore dollar is the base currency for all index calculations. Non Singapore dollar denominated constituents prices are converted into Singapore dollars in order to calculate the Indices.

The foreign exchange rates received from Reuters at 17:00 hrs are the bid rates and are used to calculate the final Index levels. These are termed the "closing foreign exchange rates".

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## APPENDIX B

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### FURTHER INFORMATION

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

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