

**GROUND RULES FOR
THE MANAGEMENT OF THE

UK SERIES OF THE
FTSE ACTUARIES SHARE INDICES**

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SECTION 1

1.0 INTRODUCTION

1.1 This paper sets out the Ground Rules for the Management of the UK Series of the FTSE Actuaries Share Indices, as adopted by the FTSE Policy Group. Copies of the Ground Rules are available from FTSE.

1.2 The UK Series is designed to represent the performance of UK companies, providing investors with a comprehensive and complementary set of indices which measure the performance of the major capital and industry segments of the UK market. The UK Series includes the following indices:

FTSE 100)	
FTSE 250)	
FTSE 350)	
FTSE 350 Supersectors)	<i>Real Time Calculation</i>
FTSE 350 Industry Sectors)	
FTSE SmallCap)	
FTSE All-Share)	
FTSE All-Share Sectors)	
FTSE Fledgling)	
FTSE All-Small)	<i>End of Day Calculation</i>
FTSE All-Small Sectors)	
FTSE 350 Higher Yield)	
FTSE 350 Lower Yield)	

SECTION 2

2.0 STATUS OF INDICES

2.1 The FTSE Actuaries Share Indices which are calculated in real time may exist in the following states. Official Market Hours are defined as that period when SETS is open for order execution and market makers must display firm dealing prices for the non-SETS constituent securities.

a) Firm

- i. The indices are being calculated during Official Market Hours on actual trades from SETS or firm prices for all non-SETS constituents. No message will be displayed against the index value.
- ii. The Official Closing Price for FTSE Actuaries Share Indices will be the London Stock Exchange Official Closing Price.

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 an 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 Actuaries Share Indices are set out in Appendix A. Variations to the official hours of the indices will be published by FTSE.

SECTION 3

3.0 MANAGEMENT RESPONSIBILITIES

3.1 FTSE Policy Group

- 3.1.1 The FTSE Policy Group, whose membership is representative of users of the FTSE Indices, is established by FTSE as an independent committee. The FTSE Policy Group is responsible for determining major policy issues and monitoring the activities of the FTSE Regional Committees.
- 3.1.2 The Policy Group is responsible for overseeing and maintaining the Ground Rules for the Management of the FTSE UK Series. Changes and exceptions to the Ground Rules may be made only as permitted by Rule 10.1.
- 3.1.3 The Policy Group ensures that a consistent approach is applied to the selection of constituents and the application of corporate events by the FTSE Regional Committees.
- 3.1.4 The Policy Group may establish sub-committees to undertake any of these duties or to consider particular issues in depth.
- 3.1.5 The Policy Group meets quarterly or more frequently, as required.

3.2 FTSE Regional Committees

- 3.2.1 The FTSE Policy Group has established three Regional Committees: Americas, Europe / Middle East / Africa, and Asia / Pacific.
- 3.2.2 The FTSE European/Middle East/Africa Regional Committee undertakes the reviews of the FTSE UK Series and ensures that constituent changes and index calculations are made in accordance with the Ground Rules.

3.3 FTSE Global Classification Committee

- 3.3.1 The FTSE Global Classification Committee is responsible for the industry classification of constituents of the FTSE Actuaries Share Indices (see Section 8) within the FTSE Global Classification System. The Committee may recommend changes to the Classification System and Management Rules thereof to the FTSE Policy Group.

3.4 Committee Membership

- 3.4.1 FTSE appoints a Chairman and Deputy Chairman of the FTSE Policy Group. The FTSE Policy Group appoints the Chairman to the FTSE European/Middle East/Africa Regional Committee. The Chairman of this committee must be selected from the membership of the FTSE Policy Group. The relevant Chairman, or in his absence Deputy Chairman, will chair meetings of the respective committee and will represent that committee outside meetings.
- 3.4.2 The Chairman and Deputy Chairman of the FTSE Europe/Middle East/Africa Regional Committee are selected from the membership of the FTSE Policy Group and are collectively responsible for approving constituent changes to the FTSE Actuaries Share Indices between meetings of the Committee on advice from the Secretary to the Committee and as permitted and specified by these Ground Rules. Two nominated deputies are appointed from the Committee to deputise for the Chairman and Deputy Chairman in their absence or when additional viewpoints are required by the Chairman and Deputy Chairman.

SECTION 3

3.5 Secretary to the FTSE Policy Group and FTSE Regional Committees

- 3.5.1 A Secretary to the FTSE Policy Group and FTSE Europe/Middle East/Africa Regional Committee will be appointed by FTSE to support the work of these bodies. The Secretary will maintain a record of constituent changes to the FTSE Actuaries Share Indices and will be responsible for the timely publication of all constituent changes.
- 3.5.2 The Secretary will be responsible for conducting the periodic review of the FTSE Actuaries UK Share Indices and will recommend for the approval of the FTSE Europe/Middle East/Africa Regional Committee which companies, if any, should be inserted and deleted at the periodic review (see Section 7).
- 3.5.3 Other than the periodic review, the Secretary will seek the approval of the Chairman and Deputy Chairman of the FTSE Europe/Middle East/Africa Regional Committee before removing or inserting constituents to the FTSE Actuaries UK Share Indices (see Section 7). In the absence of either or both the Chairman and Deputy Chairman, the views of their nominated deputies shall be sought. The Chairman or Deputy Chairman (or their deputies) may request that a full meeting of the Committee be convened to consider a proposed change of constituent should any one of them consider it appropriate to do so. The Secretary will inform the FTSE Europe/Middle East/Africa Regional Committee of all constituent changes as soon as possible after the change has been approved and he/she will be responsible for the timely publication of changes of constituents.

3.6 FTSE

- 3.6.1 FTSE is responsible for the operation of all the FTSE Actuaries UK Share Indices. FTSE will maintain records of the market capitalisation of all constituents and reserve 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.
- 3.6.2 Changes to constituent weightings will be made by FTSE in accordance with the Ground Rules. FTSE will inform the Secretary to the FTSE Policy Group and Regional Indices Committee of all changes to constituent weightings as soon as possible after the new weightings have been determined. 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.
- 3.6.3 FTSE is also be responsible for monitoring the performance of the FTSE Indices throughout the day and will determine whether the status of each index should be Firm, Indicative, or Held (see Rule 2.1). FTSE will report to the FTSE Europe/Middle East/Africa Regional Committee on issues arising from the index calculation and administration process.

SECTION 4

4.0 ELIGIBLE SECURITIES

4.1 Only Premium Listed Equity Shares, as defined by the Financial Services Authority in its Listing Rules Sourcebook, which have been admitted to trading to the London Stock Exchange are eligible for inclusion in the FTSE 100, FTSE 250, FTSE 350, FTSE SmallCap, FTSE All-Share, FTSE Fledgling and FTSE All-Small Indices.

4.2 Nationality

4.2.1 A company will be allocated to a single country. A company that has been assigned UK nationality by virtue of these Ground Rules will also be assigned UK nationality in the FTSE Global Equity Index Series. However, a company assigned UK nationality under the FTSE Global Equity Index Series will not be automatically eligible for UK nationality under these rules.

4.2.2 If a company is UK incorporated, FTSE will allocate the company UK nationality provided:

- The company has its sole listing in the UK.
- The company has a minimum free float of 25%¹.

4.2.3 If a company is not incorporated in the UK, the company must meet the following conditions in order to be considered eligible for assignment of UK nationality:

- The company must publicly acknowledge adherence to the principles of the UK Corporate Governance Code, pre-emption rights and the UK Takeover Code as far as practicable.
- The company must have a free float greater than 50%¹.

¹ For the purposes of Rules 4.2.2 and 4.2.3, the calculation of the minimum free float will be based on the ordinary share capital issued by the company and may include shares that would otherwise be excluded solely because they are subject to a lock-in clause of twelve months or less from their first day of trading, but that would in all other respects be considered part of a company's free float.

4.2.4 In circumstances other than those of Rule 4.2.2, FTSE will refer the company to the FTSE Nationality Committee who will decide the appropriate nationality for the company. The FTSE Nationality Committee will base its decision according to its assessment of various factors including, but not necessarily limited to, the following:

- The investor protection regulations present in the country of incorporation;
- The country in which the company is domiciled for tax purposes;
- The location of its factors of production;
- The location of its headquarters;
- The location of company meetings;
- The composition of its shareholder base;
- The membership of its board of directors;
- The currency denomination of the company's shares;
- The perception of investors.

SECTION 4

In certain circumstances, outlined in Rules 4.2.5 to 4.2.8 below, consideration will also be given to the relative liquidity of trading in those countries where the company's shares trade. In calculating the liquidity associated with a country, trading volumes will be amalgamated from all trading venues which have admitted the shares to trading based on a listing conferred by that country's listing authority. Trades taking place on multi-lateral trading facilities will be included in the calculation and assigned to the country that conferred the listing to the company provided that the country of listing and the multi-lateral trading facility operate within a similar time zone.

- 4.2.5 If a company is incorporated in the UK, has a listing in the UK and listings in other developed countries (as classified within the FTSE Global Equity Index Series), the FTSE Nationality Committee will normally assign the country to the UK provided the liquidity in the UK passes FTSE's liquidity test for index inclusion.
- 4.2.6 If a company is incorporated in a developed country other than the UK, is listed in that country and in the UK (and potentially other developed countries), the FTSE Nationality Committee will normally only assign UK nationality if the company fails FTSE's liquidity tests in its country of incorporation, passes the liquidity tests in the UK, and liquidity is higher in the UK than any other country.
- 4.2.7 If a company is incorporated in a developed country other than the UK, has no listing in that country but is listed in the UK and potentially other countries, the Nationality Committee will normally only assign UK nationality if liquidity is highest in the UK.
- 4.2.8 If a company is incorporated in a country other than a developed country, it will not be eligible for UK nationality unless the country of incorporation is a country that is internationally recognised as having a low taxation status and that has been approved by the FTSE Nationality Committee. For companies incorporated in approved low taxation countries, the FTSE Nationality Committee may assign UK nationality if liquidity in the UK is higher than in any other country.
- 4.2.9 The country allocation of any FTSE index constituents may be reassessed at any time at the FTSE Nationality Committee's discretion.
- 4.2.10 An appeal against a decision of the FTSE Nationality Committee can only be made to the FTSE Policy Group.
- 4.3 Unless the FTSE Europe/Middle East/Africa Regional committee deems it inappropriate, a secondary line will be eligible for index inclusion if its full market capitalisation, i.e. before the application of any investability weightings, is greater than 25% of the full market capitalisation of the company's principal line and the secondary line is eligible, in its own right, under the Rules of this Section. Should the full market capitalisation of a secondary line, which is already a constituent of the FTSE All-Share Index or the FTSE Fledgling Index, fall below 20% of the full market capitalisation of the company's principal line at an annual review, the secondary line will be deleted from the relevant index unless its full market capitalisation remains above the qualification level for continued inclusion as a constituent of the FTSE All-Share Index at that review.
- 4.4 Where a company's shares are issued partly, or nil, paid and the call dates are already determined and known, the market price will, for the purposes of calculating its market capitalisation, be adjusted so as to include all such calls (i.e. the fully paid price).

SECTION 4

4.5 The FTSE UK Series is adjusted for free float restrictions and cross-holdings.

4.5.1 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.

4.5.2 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 4.5.1)
- Holdings by investment companies
- ETFs

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

a) free float less than or equal to 15%	= see Rule 4.5.4
b) free float greater than 15% but less than or equal to 20%	= 20%
c) free float greater than 20% but less than or equal to 30%	= 30%
d) free float greater than 30% but less than or equal to 40%	= 40%
e) free float greater than 40% but less than or equal to 50%	= 50%
f) free float greater than 50% but less than or equal to 75%	= 75%
g) free float greater than 75%	= 100%

4.5.4 For Equity Shares of companies which have been admitted to the UK Series pursuant to Rules 4.2.2 and 4.2.3 that have a free float greater than 5% but less than or equal to 15%, the actual free float will be rounded up to the next highest whole percentage number.

4.5.5 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 (refer to Guide to Calculation Methods. For FTSE UK Series for further information) 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 4.5.6 below.

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- 4.5.6 Following the application of an initial free float restriction, a constituent's free float will only be changed if its actual free float moves to more than 5 percentage points above the minimum or 5 percentage points below the maximum of an adjacent new band. This 5 percentage points threshold does not apply if the change is greater than one band; therefore a movement of 10 percentage points for the bands between 20% and 50% and 25 percentage points for the bands between 50% and 100% will not be subject to the 5 percentage point threshold. The 15% limit in Rules 4.5.3(a) and 4.5.3(b) will also not be subject to the 5 percentage point threshold.
- 4.6 Convertible preference shares and loan stocks will be excluded until converted into eligible Equity Shares.
- 4.7 Equity Shares of companies engaged primarily in owning stakes in a diversified range of companies and other investments but not taking a controlling interest (e.g. Investment Trusts) will be eligible, subject to passing the relevant entry criteria. The FTSE 250, FTSE 350, FTSE SmallCap, FTSE All-Share, FTSE Fledgling and FTSE All-Small will be calculated both including and excluding Investment Trusts.
- 4.8 The following investment entities are regarded as ineligible:
- a) Non-Corporate Investment Entities such as Exchange Traded Funds (ETFs), currency funds and those funds whose prices are a direct derivation of their underlying holdings e.g. Unit Trusts and Open Ended Investment Companies (OEICs).
 - b) Venture Capital Trusts (VCTs).
 - c) Split Capital Investment Trusts where instead of the use of a single class of ordinary share, the structure is split into separate income and capital classes in which the two (or more) classes have different residual entitlements to assets and/or income after meeting the requirements of any other classes or borrowings (note: this does not include Split Capital Trusts with ordinary shares accompanied by zero dividend preference shares, whereby the ordinary share remains eligible in the same manner as a conventional Investment Trust).
- 4.9 Securities must be sufficiently liquid to be traded. The following criteria will be used to ensure that illiquid securities are excluded:
- a) Price** - The FTSE Europe/Middle East/Africa Regional Committee must be satisfied that an accurate and reliable price for the purposes of determining the market value of a company exists. The FTSE Europe/Middle East/Africa Regional Committee may exclude a security from the FTSE Actuaries UK Share Indices should it consider that an 'accurate and reliable' price is not available. A Sterling denominated price on SETS must exist for a company to be included in the UK Index Series. For companies with multiple lines of equity, a Euro or US Dollar denominated price may also be included where there is an eligible Sterling line, subject to Rule 4.3.
- b) Size** - The membership of the FTSE UK Index Series will be determined by the FTSE Europe/Middle East/Africa Regional Committee at its annual review meeting held in June. The decision will take effect on the next trading day following the third Friday in June.

SECTION 4

In order to determine membership, all companies with eligible Equity Shares will be ranked by their full market capitalisation i.e. before the application of any investability weightings. Only the quoted equity capital of a constituent company will be included in the calculation of its market capitalisation. Where a company has two or more classes of equity, significant and liquid secondary lines will be included in the calculation of the market capitalisation of the company, based on the market price of that secondary line.

At the annual review in June, companies whose full market capitalisation (i.e. before the application of individual constituent investability weightings) is greater than 0.15% of the full market capitalisation of the FTSE SmallCap will be added to the FTSE All-Share, providing they meet all the relevant FTSE eligibility criteria (see Rules 4.1 to 4.9).

Companies whose full market capitalisation is less than 0.10% of the full market capitalisation of the FTSE SmallCap will be deleted from the FTSE All-Share at the annual review and will be added to the FTSE Fledgling Index.

At the quarterly reviews in September, December and March, the market size thresholds for additions and deletions (as detailed above) will be widened to greater than 0.20% and less than 0.05% respectively.

These market capitalisations will be calculated using data as at the close of business on the day before the review (see Rule 6.1.1).

c) Liquidity - 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 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 - Securities which do not turnover at least 0.035% of their shares in issue (after the application of any investability weightings) based on their median daily trade per month for at least ten of the twelve months prior to the annual index review, will not be eligible for inclusion in the UK Index Series until the next annual review.
- B - An existing constituent which does not turnover at least 0.025% 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 annual index review will be removed and will not be eligible for inclusion in the UK Index Series until the next annual review.
- C - New issues which do not have a twelve month trading record must have a minimum 20 day trading record when reviewed. They must turnover at least 0.035% of their shares in issue (after the application of any investability weightings) based on their median daily trade per month in each month* since their listing. This rule will not apply to new issues added under the Fast Entry Rule (see Rule 7.3.1).

*When calculating the median of daily trades per month a minimum of 5 trading days in each month must exist, otherwise the month will be ignored and not used in the count.

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- D - In assessing liquidity, data will be aggregated from trading volume in the country in which the company is classified by FTSE and from any other trading venues, as approved by FTSE, operating in a similar time zone. If the company fails the liquidity screen on this basis, data may also be obtained from Depository Receipt (DR) trades. For the purpose of this rule, where the majority of trading is in the DR, 100% of DR trading will be aggregated with 50% of the trades in the country of classification. Where the majority of trading is in the country of classification, 50% of DR trading will be aggregated with 100% of the trades in the country of classification.
- E - At the sole discretion of the FTSE EMEA Regional Committee, the above percentage figures may be adjusted by up to 0.01% at a market review so that, in the Committee's opinion, the index better reflects the liquid investable market.

At the subsequent annual review, newly listed securities added to the FTSE All-Share at a quarterly review or as Fast Entries will have their liquidity assessed on a pro-rata basis.

New issues, including demutualisations, which do not qualify as early entrants as defined under Rule 7.3.1 will become eligible for inclusion at the next quarterly 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 as defined under Rule 4.9(c).

For the purpose of this rule, an eligible security transferring from AIM to a Premium UK (Main Market) listing will be considered as a new issue and will be subject to normal eligibility rules and a minimum, 20 day trading record based on turnover undertaken on the Main Market only.

The inclusion of early entries as defined under Rule 7.3.1, excluding demutualisations, will not require a minimum trading record.

In the case of demutualisations qualifying for early entry under Rule 7.3.1 where, upon listing, the entire free float is immediately transferred to private shareholders, the addition to the FTSE 100 Index will be deferred for 20 working days after Official non-conditional trading has commenced providing the securities have a turnover as defined under Rule 4.9(c).

In assessing liquidity, data will be obtained from a constituent's exchange in the country in which the company is classified by FTSE. If the constituent fails the liquidity screen on this basis, data may also be reviewed from other markets (including trading in ADRs and GDRs) and the trading volumes aggregated for the purpose of this Rule. Trading volumes from other markets will not normally be considered unless the majority of the liquidity is met from the constituent's exchange in the country in which the company is classified. When considering whether to include liquidity from other markets, the Regional Committee will take into account factors such as currency risk and time zone difference.

In exceptional market conditions, if trading volumes are very low, the FTSE Europe/Middle East/Africa Regional Committee may reduce the percentage figure stated above in order to avoid a large number of constituents being removed from the FTSE All-Share Index. This discretion may only be exercised across the FTSE All-Share Index and may not be applied to individual securities. If the FTSE Europe/Middle East/Africa Regional Committee intends to exercise this discretion, it must make a public statement to that effect at least two weeks prior to its regular June review meeting.

There is no liquidity requirement for constituents of the FTSE Fledgling.

SECTION 5

5.0 INDEX QUALIFICATION CRITERIA

5.1 FTSE 100

5.1.1 The FTSE 100 will consist of the largest 100 UK companies by full market value i.e. before the application of any investability weightings (subject to Rule 6.3), which qualify under Section 4 as eligible for inclusion in the index.

5.2 FTSE 250

5.2.1 The FTSE 250 will consist of the next 250 UK companies ranked by full market value i.e. before the application of any investability weightings (subject to Rule 6.3), outside the FTSE 100 which qualify under Rule 4 as eligible for inclusion in the index.

5.3 FTSE 350

5.3.1 The FTSE 350 will consist of the companies in the FTSE 100 and FTSE 250. Thus it will represent the largest 350 eligible companies.

5.4 FTSE 350 Supersectors

5.4.1 All constituents of the FTSE 350 will be classified within ICB Supersectors. Each Supersector will be calculated as a separate index.

5.4.2 Rules governing the classification of companies into Supersectors are available from FTSE. The management of changes to constituent Supersector classifications is governed by Rule 6.4.

5.5 FTSE 350 Industry Sectors

5.5.1 All constituents of the FTSE 350 will be classified within economic groups, industry sectors and industry subsectors. Each industry sector will be calculated as a separate index.

5.5.2 The classification of securities within industry sectors will be undertaken by the FTSE Global Classification Committee. The management of changes to constituent classifications is governed by Rule 6.4.

5.6 FTSE 350 Yield Indices

5.6.1 The FTSE 350 Yield Indices will consist of the companies in the FTSE 350. Securities with an annualised dividend yield above the average yield of the FTSE 350 will be placed in the FTSE Actuaries Higher Yield. Securities with an annualised dividend yield below the average yield of the FTSE 350 will be placed in the FTSE Actuaries Lower Yield.

5.6.2 The total capitalisation of each yield index should be the same, each representing approximately 50% of the total capitalisation of the FTSE 350. The FTSE Europe/Middle East/Africa Regional Committee will rebalance the indices to achieve this objective annually at its meeting in June (see Appendix B).

5.7 FTSE SmallCap

5.7.1 The FTSE SmallCap will consist of the UK companies within the FTSE All-Share which are not large enough to be constituents of the FTSE 350.

SECTION 5

5.8 FTSE All-Share

5.8.1 The FTSE All-Share will aim to represent at least 98% of the full capital value i.e. before the application of any investability weightings, of all UK companies which qualify under Rule 4 as eligible for inclusion in the index. The FTSE Europe/Middle East/Africa Regional Committee will determine the size of the FTSE All-Share annually at its meeting in June.

5.9 FTSE Fledgling

5.9.1 The FTSE Fledgling will consist of all UK companies which qualify under Section 4 as eligible for inclusion in an index but are too small to be included in the FTSE All-Share. At the quarterly reviews in March, June and September, companies whose full market capitalisation (i.e. before the application of individual constituent investability weightings) is greater than 0.2% of the full market capitalisation of the FTSE SmallCap will be added to that index, providing they meet the liquidity criteria for the FTSE All-Share Index. Liquidity data for this period is taken as at the previous annual review. In the event that a Fledgling constituent rises in size after the annual review but does not meet the liquidity criteria, it will remain in the Fledgling until the next annual review, when it will be reassessed for eligibility.

5.10 FTSE All-Small

5.10.1 The FTSE All-Small will consist of all the companies in the FTSE SmallCap and FTSE Fledgling Indices.

SECTION 6

6.0 PERIODIC REVIEW OF CONSTITUENT COMPANIES

6.1 Review Dates

- 6.1.1 The FTSE Europe/Middle East/Africa Regional Committee will meet quarterly to review the constituents of the FTSE 100, FTSE 250, FTSE 350, FTSE 350 Yield Indices and FTSE SmallCap. The meetings to review the constituents will be held on the Wednesday after the first Friday in March, June, September and December. Any constituent changes will be implemented on the next trading day following the expiry of the LIFFE futures and options contracts, which normally takes place on the third Friday of the same month.
- 6.1.2 The FTSE SmallCap, FTSE All-Share, FTSE Fledgling and FTSE All-Small will be fully reviewed annually in June.
- 6.1.3 Details of the outcome of the reviews will be published as soon as possible after the FTSE Europe/Middle East/Africa Regional Committee meeting has concluded.

6.2 Responsibilities and Reporting

- 6.2.1 The Secretary to the FTSE Europe/Middle East/Africa Regional Committee will be responsible for conducting the periodic review of constituents for the FTSE Actuaries UK Share Indices and will recommend to the FTSE Europe/Middle East/Africa Regional Committee any constituents to be inserted or deleted as part of the periodic review, as governed by Rule 6.3. For each index, all eligible securities will be ranked by full market capitalisation i.e. before the application of any investability weightings, as at the close of the index calculation on the trading day prior to the Review Date.
- 6.2.2 The FTSE Europe/Middle East/Africa Regional Committee will decide whether to approve the recommendation presented to it or will determine what other action should be taken as a consequence of the outcome of the periodic review of constituents.
- 6.2.3 The Secretary to the FTSE Policy Group/FTSE Europe/Middle East/Africa Regional Committee will be responsible for publicising the outcome of the periodic review. The Financial Times will also report the outcome of the periodic review.

6.3 Rules for Insertion and Deletion at the Periodic Review

- 6.3.1 The rules for inserting and deleting securities at the periodic review are designed to provide stability in the selection of constituents of the FTSE Actuaries UK Share Indices while ensuring that the Indices continue to be representative of the market by including or excluding those securities which have risen or fallen significantly.
- 6.3.2 A security will be inserted at the periodic review if it rises above the position stated below for the relevant index when the eligible securities for each FTSE Index are ranked by market value:

FTSE 100	-	Risen to 90th or above
FTSE 250	-	Risen to 325th or above

SECTION 6

6.3.3 A security will be deleted at the periodic review if it falls below the position stated below for the relevant index when the eligible securities for each FTSE Index are ranked by market value:

FTSE 100	-	Fallen to 111th or below
FTSE 250	-	Fallen to 376th or below

6.3.4 Companies deleted from the FTSE 100 at the periodic review will normally be included in the FTSE 250. Companies added to the FTSE 100 at the periodic review will be deleted from the FTSE 250.

6.3.5 Companies deleted from the FTSE 250 at the periodic review will normally be included in the FTSE SmallCap. Companies added to the FTSE 250 at the periodic review will be deleted from the FTSE SmallCap.

6.3.6 Changes made to the FTSE 100 and FTSE 250 at the periodic review will be made automatically to the FTSE 350 and FTSE 350 Yield Indices.

6.3.7 A constant number of constituents will be maintained for the FTSE 100, FTSE 250 and FTSE 350. Where a greater number of companies qualify to be inserted in an index than those qualifying to be deleted (see Rules 6.3.2 and 6.3.3), 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 (see Rules 6.3.2 and 6.3.3), 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.

6.3.8 A constant number of constituents will not be maintained for the FTSE SmallCap, FTSE All-Share, FTSE Fledgling or FTSE All-Small (see Rule 4.9(b)). Stocks which fall out of the FTSE SmallCap or Fledgling due to suspension, takeover, etc. (see Section 7) 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.

6.3.9 The FTSE Fledgling will consist of those fully quoted companies too small to be constituents of the FTSE All-Share. The FTSE SmallCap will consist of those companies too small to be constituents of the FTSE 350, but which are in the FTSE All-Share. The FTSE All-Share will consist of all constituents in the FTSE 100, FTSE 250 and FTSE SmallCap. The FTSE All-Small will consist of all the constituents of the FTSE SmallCap and FTSE Fledgling.

6.3.10 Companies which are large enough to be constituents of the FTSE All-Share but do not pass the liquidity test (see Rule 4.9(c)) shall not be included in any index in the UK Series. At the next annual review they will be included in the Monitored List and will be re-tested against all size and investability screens.

6.3.11 The rules governing the insertion and deletion of stocks at the periodic review for the FTSE 350 Yield Indices are set out in Appendix B.

6.3.12 Where a company is deleted after the FTSE Europe/Middle East/Africa Regional Committee has met and approved periodic changes to the index but before the periodic changes have been implemented, the highest ranking company from the new Reserve List (see Rule 6.6), excluding current index constituents, will replace the deleted company.

SECTION 6

6.4 Classification of Constituents within Industry Sectors and Supersectors

6.4.1 The industry sector or ICB Supersector classification of a constituent may change from time to time. The reassessment of the industry sector or Supersector of a constituent will be made by the FTSE Global Classification Committee (for industry sectors) or by FTSE (for Supersectors) (see Rule 8.2).

6.5 Monitored List

6.5.1 The market capitalisation of UK companies eligible for inclusion in the FTSE Actuaries Share Indices will be monitored by FTSE. The monitored list of companies will be used to conduct the periodic reviews.

6.6 Reserve Lists

6.6.1 The Secretary to the FTSE Policy Group/Indices Committee will be responsible for publishing the six highest ranking non-constituents of the FTSE 100 Index and the twelve highest ranking non-constituents of the FTSE 250 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 from the FTSE 100 or FTSE 250 during the period up to the next quarterly review.

SECTION 7

7.0 CHANGES TO CONSTITUENT COMPANIES

7.1 Removal and Replacement

- 7.1.1 If a constituent is delisted, or ceases to have a firm quotation, or is subject to a takeover offer which has been declared wholly unconditional or has, in the opinion of the Chairman and Deputy Chairman of the FTSE Europe/Middle East/Africa Regional 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 and, in the case of the FTSE 100 and the FTSE 250, be replaced by the highest ranking company eligible in the appropriate Reserve List (see Rule 6.6) as at the close of the index calculation two days prior to the deletion. 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.
- 7.1.2 Where the company to be removed is a constituent of the FTSE 100, the replacement company will be taken from the highest ranking company on the FTSE 100 Reserve List and a constituent removed from the FTSE 250 will be replaced by the highest ranking company on the FTSE 250 Reserve List. The company removed from the FTSE SmallCap will not be replaced. In all cases, the replacement company will be the highest ranking company on the appropriate Reserve List eligible for insertion in the index which requires a constituent.
- 7.1.3 Changes made to the FTSE 100 and FTSE 250 will be made automatically to the FTSE 350 and FTSE 350 Yield Indices. Changes to the FTSE 350 and FTSE SmallCap will be made automatically to the FTSE All-Share.
- 7.1.4 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. Announcements made after the close of the index calculation are normally deemed to be made on the following business day. In the case of a takeover, the qualifying event is an announcement that the offer has been declared wholly unconditional.
- 7.1.5 Constituents removed in accordance with Rule 7.1.4, but which continue to trade thereafter will be considered for re-inclusion to the index at the next review, subject to Rule 4.1 and that at least 6 months has passed between deletion and the implementation date of the changes arising from the review.

7.2 Mergers, Restructuring and Complex Takeovers

- 7.2.1 If the effect of a merger or takeover is that one constituent in the FTSE 100 or FTSE 250 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 in the appropriate Reserve List (see Rule 6.6) as at the close of the index calculation two days prior to the deletion and related indices adjusted in accordance with Rules 7.1.2 and 7.1.3.
- 7.2.2 If a constituent company in the FTSE 100 or FTSE 250 is taken over by a non-constituent company, the original constituent will be removed and replaced by the highest ranking non-constituent on the appropriate Reserve List. Any eligible company resulting from the takeover will be eligible to become the replacement company if it is ranked higher than any company on the Reserve List.

SECTION 7

- 7.2.3 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 appropriate FTSE Actuaries UK Share Indices based on their respective full market capitalisations i.e. before the application of any investability weightings and if they qualify in all other respects, e.g. a FTSE 100 constituent split into two companies may result in one or both of these companies remaining in the FTSE 100. Where both of these companies remain in the FTSE 100, the smallest FTSE 100 constituent will become a constituent of the FTSE 250 and the lowest ranking constituent in the FTSE 250 will, in turn, become a constituent of the FTSE SmallCap. Companies resulting from a split that are smaller than the lowest ranking FTSE 250 constituent, will become a constituent of the FTSE SmallCap if their respective full market capitalisations are equal or greater than 0.1% of the full market value of the FTSE SmallCap index i.e. before the application of any investability weightings. If smaller than 0.1% they will be added to the FTSE Fledgling Index.
- 7.2.4 Index constituent changes resulting from the split will be determined based on market values at close on the day of the split. The changes will then be applied one day later (i.e. using prices as at close the following day). Consequently the FTSE 100 and FTSE 250 may have more than 100 or 250 companies (respectively) for 2 days.

7.3 New Issues

- 7.3.1 If, in the view of the FTSE Europe/Middle East/Africa Regional Committee, a new issue is so large (i.e. its full market capitalisation amounts to 1.0% or more of the full capitalisation of the FTSE All-Share, before the application of individual constituent investability weightings) that the effectiveness of the index as a market indicator would be significantly and adversely affected by its omission, the FTSE Europe/Middle East/Africa Regional Committee will normally decide to include the new issue as a constituent of the FTSE 100 after the close of business on the first day of official trading. In all cases, advance notification confirming the timing of the inclusion of the new constituent will be given accordingly. The security which is the lowest ranking constituent of the index will be selected for removal and related indices adjusted in accordance with Rules 7.1.2 and 7.1.3.
- 7.3.2 New issues of companies which do not qualify for early entry under Rule 7.3.1 but which meet the criteria for eligible securities set out in Rule 4 will be eligible for inclusion in the next quarterly review if large enough to become constituents of the FTSE All-Share index. New issues will not be eligible for inclusion in the FTSE Fledgling Index other than at the Annual Review.
- 7.3.3 For the purpose of this Rule 7.3, 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.
- 7.3.4 If the FTSE Europe/Middle East/Africa Regional 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.

7.4 Suspension of Dealing

- 7.4.1 If a constituent is suspended on its home exchange it may remain in the indices, at the price at which it is suspended, for up to 10 business days. During this time, on advice from FTSE, the Chairman and Deputy Chairman of the relevant Regional Committee (or their deputies) may agree to delete the constituent immediately either at its suspension price, or at zero.

SECTION 7

- 7.4.2 Where a suspension of a constituent lasts beyond noon on the tenth business day (and the option to remove the constituent has not been exercised), the constituent will normally be deleted from the indices on the eleventh trading day at zero or the suspension price. Where suspension is for a reason not to the detriment of the constituent, it may be retained or removed at its suspension price with the approval of the Chairman and Deputy Chairman (or their deputies) of the relevant Regional Committee.
- 7.4.3 If the suspended company is deleted from the indices, it will be replaced with the highest ranking company on the Reserve List eligible to be included in the indices as at the close of the index calculation on the day preceding the inclusion of the replacement company. 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.
- 7.4.4 If the procedure detailed in Rule 1.3, above, results in the removal of a constituent of the FTSE 250 to replace a deleted FTSE 100 constituent, that FTSE 250 constituent will be replaced with the highest ranking company on the Reserve List eligible to be included in the indices as at the close of the index calculation on the day preceding the inclusion of the replacement company. 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, that is, simultaneously with the change to the FTSE 100.

7.5 Relisting of Suspended Constituents

- 7.5.1 Securities which, on relisting are larger than the smallest constituent of the index shall be re-instated in the index at the price at which they were removed and the lowest ranking constituent will be selected for removal.
- 7.5.2 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.
- 7.5.3 After a suspended stock is re-listed the timetable for the events described in Rules 7.5.1 and 7.5.2, 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 the 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. |
- 7.5.4 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.

SECTION 7

- 7.5.5 If a company relists after a continuous period of suspension lasting more than a year, the FTSE Europe/Middle East/Africa Regional Committee reserve the right to treat the company as a new issue for the purposes of index eligibility.
- 7.5.6 If the procedure detailed in Rule 7.5.2, above, results in the re-instatement of a constituent of the FTSE 100, the displaced company will join the FTSE 250 and the smallest constituent of the FTSE 250 indices 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 SmallCap.

SECTION 8

8.0 CHANGES TO INDUSTRY CLASSIFICATION OF CONSTITUENT COMPANIES

- 8.1 Where a constituent is the subject of a merger, restructuring or takeover which results in a constituent, or part of a constituent, being absorbed by another, the industry sector classification or Supersector classification of the resulting constituent(s) will be determined by the FTSE Global Classification Committee (for industry sectors) or by FTSE (for ICB Supersectors) and the necessary adjustments will be made to the relevant industry sectors at the same time that the constituent changes are implemented.
- 8.2 Periodic changes to the industry classification of a company will be agreed and announced by the FTSE Global Classification Committee. Periodic changes to the ICB Supersector classification of a company will be agreed and announced by FTSE. Such changes will be implemented after the close of the index calculation on the third Friday of the month.
- 8.3 Copies of the Ground Rules for the Management of the FTSE Global Classification System, as adopted by the FTSE Policy Group, and of the Ground Rules for the Management of the Industry Classification Benchmark are available from FTSE.

SECTION 9

9.0 CHANGES TO CONSTITUENT WEIGHTINGS

- 9.1 For the purposes of computing the FTSE UK 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 be made quarterly after the close of business on the third Friday of March, June, September and December (subject to Rules 9.2 and 9.3).
- 9.2 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.
- 9.3 If accumulated changes in the number of shares in issue add up to 10% or more or when an accumulated share change represents USD 2bn of a company's total market capitalisation, they are implemented between quarters. A minimum of 4 days notice will be given to users of the index. WM/Reuters Spot Rates will be used to convert the market capitalisation into USD. The USD 2bn threshold may be adjusted annually in December by the FTSE Policy Group. If an adjustment is made, it will be applied for the first time at the next review in March of the following year.
- 9.4 Any exceptions to the above arrangements will be agreed with the Chairman of the FTSE Europe/Middle East/Africa Regional Committee and notified to all users in advance of being implemented.
- 9.5 All adjustments are made before the start of the index calculation on the day concerned, unless market conditions prevent this.

SECTION 10

10.0 AMENDMENTS TO THE GROUND RULES

- 10.1 Changes and exceptions to these Ground Rules can be authorised only by the FTSE Policy Group. In the event that the FTSE Europe/Middle East/Africa Regional Committee or any of those responsible for the operation and administration of the FTSE Actuaries Share Indices 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 (or their deputies) of the FTSE Policy Group for a decision. If, however, the matter is urgent, the Chairman and Deputy Chairman (or their deputies) are collectively empowered to authorise an exception on behalf of the FTSE Policy Group but must immediately notify, and subsequently refer the matter to, a meeting of the FTSE Policy Group. Where an exception is granted to the Ground Rules under Rule 10.1, it shall not be deemed to create a precedent for future decisions of the FTSE Policy Group or the FTSE Europe/Middle East/Africa Regional Committee.

SECTION 11

11.0 APPEALS AGAINST DECISIONS OF THE COMMITTEES

11.1 A constituent or prospective constituent company (or professional advisor acting on behalf of the company) or a group of not less than ten users of the Indices from different organisations acting in their professional capacity may appeal against decisions of the FTSE Europe/Middle East/Africa Regional Committee on the grounds that:

- a) the FTSE Europe/Middle East/Africa Regional Committee acted outside the Ground Rules for the Management of the appropriate Index or Indices or
- b) the FTSE Europe/Middle East/Africa Regional Committee, in reaching its decision, failed to take into consideration a substantial and material fact. A substantial and material fact is defined as one which would have influenced the decision of the Committee if it had been considered.

Any appeal against a decision by the FTSE Europe/Middle East/Africa Regional Committee or by the FTSE Nationality Committee will be heard by the FTSE Policy Group. Any member of the Committee responsible for the decision against which an appeal is made, who is also a member of the FTSE Policy Group, will not take part in the appeal hearing. The decision of the Policy Group in hearing such an appeal will be final.

Any eligible appeal against a decision by the FTSE Policy Group will be heard by the FTSE Jury of Appeal. The FTSE Jury of Appeal will consist of not less than three past or present senior practitioners in the investment industry appointed by FTSE, who have no current commercial involvement with FTSE, any connected company or any FTSE practitioner committee. The decision of the FTSE Jury of Appeal in such circumstances will be final.

11.2 A request for an appeal must be made in writing to the Secretary of the FTSE Policy Group and must be received within six months of notice by FTSE of the action giving rise to the appeal.

SECTION 12

12.0 INDICES ALGORITHM AND CALCULATION METHOD

12.1 Prices

12.1.1 The UK Series will use actual trades on SETS or mid prices for securities with SEAQ or SEATs quotations.

12.2 Calculation Frequency

12.2.1 The following indices will be calculated in real-time and published every minute during their opening hours using real time prices.

- FTSE 100 (published every 15 seconds)
- FTSE 250
- FTSE 350
- FTSE 350 Supersectors
- FTSE 350 Industry Sectors
- FTSE SmallCap
- FTSE All-Share

12.2.2 The following indices will be calculated at the end of each day:

- FTSE All-Share Sectors
- FTSE Fledgling
- FTSE All-Small
- FTSE 350 Higher Yield
- FTSE 350 Lower Yield

SECTION 12

12.3 Index Calculation

12.3.1 The FTSE 100, FTSE 250, FTSE 350, FTSE 350 Supersectors, FTSE 350 Industry Sectors and FTSE 350 Yield Indices will be displayed to one decimal point. The FTSE SmallCap, FTSE All-Share, FTSE All-Small, FTSE Fledgling and will be displayed to two decimal points.

12.3.2 The UK Series is calculated using the following formula:

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

$i = 1, 2, 3, \dots, n$

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.
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.

APPENDIX A

INDEX OPENING AND CLOSING HOURS

INDEX	OPEN	CLOSE
The UK Series		
FTSE 100	08:00	16:30
FTSE 250	08:00	16:30
FTSE 350	08:00	16:30
FTSE 350 Supersectors	08:00	16:30
FTSE 350 Industry Sectors	08:00	16:30
FTSE SmallCap	08:00	16:30
FTSE All-Share	08:00	16:30
FTSE All-Share Sectors	-	16:30
FTSE Fledgling	-	16:30
FTSE Fledgling Sectors	-	16:30
FTSE All-Small	-	16:30
FTSE All-Small Sectors	-	16:30
FTSE 350 Higher Yield	-	16:30
FTSE 350 Lower Yield	-	16:30

Notes:

1. Closing prices will be London Stock Exchange Official Closing Price.
2. The indices will not be calculated on UK Public Holidays and may close early on the business day prior to the Christmas and New Year Public Holidays.
3. Timings are London hours (GMT or BST).

APPENDIX B

FTSE 350 YIELD INDICES - REVIEW PROCESS

- A) The annual review of the FTSE 350 Yield Indices will be conducted in June as set out below. There are two yield indices; Higher Yield representing the highest yielding companies and Lower Yield representing the lowest yielding companies.

STEP A1: Start with the constituents of the FTSE 350 Index. The base date for this data will be the FTSE Indices Review Date (i.e. as at the close of the index calculation on the day preceding the June quarterly review of the FTSE 350 index). Where a company has more than one line of shares included in the FTSE 350, the lines will be combined and single capitalisation and yield figures for the company used.

STEP A2: Remove those stocks which are to be deleted from the FTSE 350 at the June quarterly review and add those stocks which are to be included in the index.

STEP A3: Rank the stocks by their annual dividend yield; the highest yielding stock should be first and the lowest yielding stock last. Zero yielding stocks will be ranked last.

STEP A4: Calculate the weighted average annual dividend yield of the FTSE 350 taking into account constituent changes in Step A2.

STEP A5: Calculate the review bands which are 85/115% of the weighted average annual dividend yield of the FTSE 350 at the time of the June quarterly review.

STEP A6: Identify all companies which are constituents of the FTSE 350 Lower Yield Index which have risen above the 115% yield band. These companies will become constituents of the FTSE 350 Higher Yield Index.

STEP A7: Identify all companies which are constituents of the FTSE 350 Higher Yield Index which have fallen below the 85% yield band. These companies will become constituents of the FTSE 350 Lower Yield Index.

STEP A8: Calculate the total capitalisation of both the Higher Yield and Lower Yield indices taking into account the changes arising from Steps A2, A6 and A7. The aim is that the total capitalisation of each yield index should be the same, each representing 50%, or as close of 50% as possible, of the total capitalisation of the FTSE 350.

STEP A9: If the total capitalisation of the FTSE 350 Higher Yield Index is greater than the FTSE 350 Lower Yield Index, the lowest ranking constituent of the Higher Yield index should be removed and included in the Lower Yield index. This task should be repeated until the capitalisation of the two yield indices are equal or as close to being equal as possible.

STEP A10: If the total capitalisation of the FTSE 350 Lower Yield Index is greater than the FTSE 350 Higher Yield Index, the highest ranking constituent of the FTSE 350 Lower Yield Index should be removed and included in the FTSE 350 Higher Yield Index. This task should be repeated until the capitalisation of the two income indices are equal or as close to being equal as possible.

STEP A11: Steps A9 and A10 should be repeated until the two Yield indices are equal or as close to being equal as possible.

APPENDIX B

- B) Constituents will be added to the FTSE 350 Yield Indices following quarterly review of the FTSE 350 index in March, September and December on the following basis.
- STEP B1: Adjust the weighted average annual dividend yield of the FTSE 350 from the previous annual review (see Step A4 above) by the capital performance of the FTSE 350 index since the last annual review. For example, if the index has increased by 10%, the yield average yield will be reduced by 10%.
- STEP B2: Remove those stocks which are to be deleted from the FTSE 350.
- STEP B3: Add new constituents to either the Higher Yield or Lower Yield Index depending on whether the constituent's yield is higher or lower than the adjusted average yield calculated in Step B1.
- C) At the sole discretion of the FTSE EMEA Regional Committee, the yield status of a stock, whose issuer, has suspended or temporarily revised its dividend policy may be adjusted at the annual review if, in the Committee's opinion, the adjusted status is a more accurate reflection of the future yield.

APPENDIX C

FURTHER INFORMATION

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

For contact details please visit the FTSE website or contact FTSE client services at info@ftse.com.

Website: www.ftse.com

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