



Ground Rules for the Management of FTSE UK Capped Index Series

Version 1.0

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Introduction

- 1.1** This paper sets out the Ground Rules for the Management of the FTSE UK Capped Index Series calculated by FTSE Group (FTSE). Copies of these Ground Rules are available from FTSE (see Appendix B).
- 1.2** The FTSE UK Capped Index Series has been designed to create a family of indices in which the investable weight of constituent companies is capped at either 5% or 10% of the relevant index, at the time of the quarterly constituent reviews.
- 1.3** In exceptional circumstances the FTSE UK Capped Index Series will be re-capped to 5% or 10% outside of the time of the quarterly reviews if the impact of a corporate action is of a magnitude to warrant re-capping.
- 1.4** The following indices are calculated:-
- FTSE 100 Capped 10%
 - FTSE All-Share Capped 10%

 - FTSE 100 Capped 5%
 - FTSE All-Share Capped 5%
- 1.5** These Ground Rules should be read in conjunction with the Ground Rules for the Management of the FTSE UK Index Series, which are also available from FTSE

Status of Indices

- 2.1** The FTSE UK Capped Index Series are all calculated on an end of day basis.

- 2.2.** The Official Closing Price for the FTSE UK Capped Index Series will be the closing price stated in the Ground Rules for the Management of the FTSE UK Index Series subject to the capping adjustment factor, calculated as per Appendix A and B.

Management Responsibilities

- 3.1** FTSE is responsible for the calculation of the FTSE UK Capped Index Series. FTSE will maintain records of the market capitalisation of all constituents and will make changes to the constituents and their weightings in accordance with the Ground Rules. FTSE will implement the resulting changes to capping levels from the quarterly reviews or as otherwise required by the Ground Rules.

Eligible Securities and Calculation

- 4.1** The constituents of the FTSE UK Capped 100 Indices shall at all times be identical to those of the FTSE 100 Index.
- 4.2** The constituents of the FTSE UK Capped All-Share Indices shall at all times be identical to those of the FTSE All-Share Index.
- 4.3** All aspects of the management of index calculation, constituent review and company classification for constituents of the FTSE UK Capped Index series are as described in the Ground Rules for the Management of the FTSE UK Index Series.

APPENDIX A

Algorithm and Methodology for Applying the 10 % Capping Procedure

The Capping Level is fixed at 10% for the FTSE 100 Capped 10% Index and the FTSE All-share Capped 10% Index.

1. The capping procedure is applied to the indices after the close of business on the third Friday of March, June, September and December. This process sets the capping factors for each index for the coming quarter.
2. Any changes in constituents or corporate actions/events, which take place on the following business day will be taken into account before the capping procedure is applied.
3. The free float and investibility weightings for each index are taken into account before the capping procedure is applied.
4. Upon completion of the above steps the capping procedure is applied using the following algorithm:-

NB. The algorithm is applied to each constituent that requires capping, i.e. any constituent who's uncapped weight is greater than 10%.

$$\text{Constituent capping factor} = \frac{\left(\left(\frac{\sum (P^{n_1} \bullet S^{n_1} \bullet F^{n_1} \bullet)}{I} \right)^z \right)}{cap_a}$$

P = the official closing price of the uncapped component security.

S = the shares in issue for each uncapped component security

F = the free float factor of the uncapped component security

I = percentage of the index represented by all uncapped constituents

z = percentage capping level (fixed at 10%)

cap_a = Uncapped free float market capitalisation of the constituent to be capped

APPENDIX A

The constituent capping factor is calculated for all constituents whose uncapped weight after the application of investibility weightings is greater than 10%. The weights of the capped and uncapped constituents in the index are then calculated. If following the application of this capping procedure other constituents have moved above 10% in weight then the process is repeated, now including the new constituent(s) which require capping. This process is then repeated until no further constituents require capping.

APPENDIX B

Algorithm and Methodology for Applying the 5 % Capping Procedure

The Capping Level is fixed at 5% for the FTSE 100 Capped 5% and the FTSE All-Share Capped 5%.

1. The capping procedure is applied to the indices after the close of business on the third Friday of March, June, September and December. This process sets the capping factors for each index for the coming quarter.
 2. Any changes in constituents or corporate actions/events, which take place on the following business day will be taken into account before the capping procedure is applied.
 3. The free float and investibility weightings for each index are taken into account before the capping procedure is applied.
 4. Upon completion of the above steps the capping procedure is applied using the following algorithm:-
- NB.** The algorithm is applied to each constituent which requires capping, i.e. any constituent whose uncapped weight is greater than 5%.

$$\text{Constituent Capping Factor} = \frac{\left(\left(\frac{\sum (P^{n_1} \bullet S^{n_1} \bullet F^{n_1})}{I} \right)^z \right)}{cap_a}$$

P = the official closing price of the uncapped component security.

S = the shares in issue for each uncapped component security

F = the free float factor of the uncapped component security

I = percentage of the index represented by all uncapped constituents

z = percentage capping level (fixed at 5%)

cap_a = Uncapped free float market capitalisation of the constituent to be capped

APPENDIX B

Algorithm and Methodology for Applying the 5 % Capping Procedure

The constituent capping factor is calculated for all constituents whose uncapped weight after the application of investibility weightings is greater than 5%. The weights of the capped and uncapped constituents in the index are then calculated. If following the application of this capping procedure other constituents have moved above 5% in weight then the process is repeated, now including the new constituent(s) which require capping. This process is then repeated until no further constituents require capping.

APPENDIX C

Further Information

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