

**GROUND RULES FOR THE
MANAGEMENT OF THE
FTSE GLOBAL ISLAMIC INDEX SERIES**
Calculated in association with The International Investor

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SECTION 1

1.0 INTRODUCTION

1.1 This paper sets out the Ground Rules for the management of the FTSE Global Islamic Index Series, calculated in association with The International Investor. Copies of the Ground Rules are available from FTSE and The International Investor.

1.2 The FTSE Global Islamic Index Series is designed to:

Identify and track a global Islamic compatible universe of publicly traded equities in a manner analogous to indices which identify and track the relevant universe of publicly traded equities, that have no restrictions imposed by Islamic Sharia precepts in the selection process. In essence, it is an Islamic stock market indicator.

1.3 The following indices are calculated:

- FTSE Global Islamic Index
- FTSE Americas Islamic Index
- FTSE Europe Islamic Index
- FTSE Pacific Basin Islamic Index
- FTSE South Africa Islamic Index

1.4 The FTSE Global Islamic Index Series is calculated at the end of each day when the FTSE World Index is calculated and is available in Euros, Japanese Yen, Pounds Sterling and US Dollars. The base currency for the Series is US Dollars.

1.5 Capital and Total Return indices are available. Tainted dividend receipts, if any, are not removed in the Total Returns index. Tainted dividend receipts relate to the portion, if any, of a dividend paid by a constituent company that has been determined to be attributable to activities that are not in accordance with Islamic Sharia principles and therefore must be donated to a proper charity or charities.

SECTION 2

2.0 INDEX MANAGEMENT

- 2.1 The FTSE Global Islamic Index Committee's membership is appointed by FTSE and The International Investor. The Index Committee is responsible for maintaining the Ground Rules for the Management of the FTSE Global Islamic Index Series.
- 2.2 The FTSE All-World Index is managed by the FTSE Equity Indices Committee. The Equity Indices Committee is responsible for undertaking the review of the FTSE All-World Index and for approving changes to the constituents. The Equity Indices Committee may also approve changes to the Ground Rules. Copies of the Ground Rules for the Construction and Maintenance of the FTSE World Indices are available from FTSE.
- 2.3 The FTSE Global Islamic Index Committee is responsible for undertaking the review of the FTSE Global Islamic Index and for approving changes to the constituents. The Committee may also approve changes to the Ground Rules.
- 2.4 FTSE is responsible for the calculation of the FTSE Global Islamic Index Series. FTSE will maintain records of the market capitalisation of all constituents and will make changes to the constituents and their weightings in accordance with the Ground Rules. FTSE will implement the resulting constituent changes from the semi-annual review or as otherwise required by the Ground Rules.

SECTION 3

3.0 ELIGIBLE SECURITIES

3.1 Each security must be a current constituent of one of the FTSE All-World Index markets listed in Appendix A. Constituents of individual FTSE Global Islamic Indices must be current constituents of the appropriate FTSE All-World Country Index, as follows.

FTSE Global Islamic Index: see markets listed in Appendix A

FTSE Americas Islamic Index: Brazil, Canada, Mexico, USA.

FTSE Europe Islamic Index: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, UK.

FTSE Pacific Basin Islamic Index: Australia, Hong Kong, Indonesia, Japan, New Zealand, Philippines, Singapore, Thailand

FTSE South Africa Islamic Index : South Africa

3.2 The share weighting of an individual constituent will be the same as in the FTSE All-World Index, based on the relevant investment screens.

SECTION 4

4.0 INDEX QUALIFICATION CRITERIA

- 4.1 Companies will be included in the appropriate FTSE Global Islamic Index if they are current constituents of one of the FTSE All-World Index markets listed in Appendix A and also meet the relevant Islamic criteria as defined in Rule 4.2.
- 4.2 The International Investor will ensure that Sharia principles are applied to constituent stocks in the Index series. By way of guidance these principles will exclude stocks whose core activities are or are related to the following: -
- a) banking or any other interest related activity
 - b) alcohol
 - c) tobacco
 - d) gaming
 - e) arms manufacturing
 - f) life insurance
 - g) pork production, packaging and processing or any other activity related to pork
 - h) sectors / companies significantly affected by the above
 - i) companies whose gross interest bearing debt to total assets exceeds the percentage permitted under Islamic Sharia from time to time ¹

This list is not exhaustive and is produced as basic guidance to the broad principles involved.

¹ At the date of these Ground Rules the figure is 33%.

SECTION 5

5.0 PERIODIC REVIEW OF CONSTITUENTS

- 5.1 The FTSE Global Islamic Index Series will be reviewed semi-annually by the Committee at its meetings normally held in the first week of March and September.
- 5.2 Changes arising from the semi-annual review will be implemented after the close of the index calculation on the third Friday in March and September.
- 5.3 The rules for inserting and deleting companies at the periodic review are designed to provide stability in the selection of constituents of The FTSE Global Islamic Index Series while ensuring that the Indices Series continues to be representative of the global markets.
- 5.4 All the current constituents² of the FTSE All-World Index markets listed in Appendix A as at the date of the review will be evaluated based on the Islamic criteria detailed in Rule 4.2. Constituents of the FTSE All-World Index markets listed in Appendix A which satisfy these criteria will become constituents of the appropriate FTSE Global Islamic Index.

² Including constituents which will be added to the FTSE World Index at its quarterly review.

SECTION 6

6.0 CHANGES TO CONSTITUENT COMPANIES

6.1 Removal

- 6.1.1 If a constituent ceases to be a constituent of the FTSE All-World Index markets listed in Appendix A it will be removed from the relevant FTSE Global Islamic Index. The removal will be concurrent with its removal from the FTSE All-World Index.
- 6.1.2 If a constituent of The FTSE Global Islamic Index ceases to meet the eligibility criteria detailed in Rule 4.2, it will be removed from the relevant FTSE Global Islamic Index. The Committee will give advance notice of any constituent to be deleted under this Rule.

6.2 Additions

- 6.2.1 If a constituent is added to a FTSE All-World Index market listed in Appendix A it will become eligible for inclusion in the relevant FTSE Global Islamic Index, subject to satisfying Rule 4.2. The inclusion to the FTSE Global Islamic Index will be concurrent with its inclusion to the FTSE All-World Index.

6.3 New Issues

- 6.3.1 If, in the view of the Committee, a new issue is so large that the effectiveness of the FTSE Global Islamic Index Series as a market indicator would be significantly and adversely affected by its omission, the Committee may decide to include the new issue as a constituent of the relevant index at the earliest practicable opportunity. To qualify, the company must be a Fast Entry into a FTSE All-World Index markets listed in Appendix A.
- 6.3.2 New issues of companies which do not qualify for early entry under Rule 6.3.1, but which meet the criteria for eligible securities set out in Rule 4, will be eligible for inclusion at the next semi-annual review.

6.4 Corporate Events

- 6.4.1 A constituent may be added or deleted from the FTSE Global Islamic Index following a corporate event, if it affects the company's status under Rule 4.0. If the corporate event includes a corporate action which affects the indices, any change will be implemented at the same time as the corporate action. If there is no corporate action, the addition or deletion will be applied as soon as practicable after the corporate event.

SECTION 7

7.0 Further information on the FTSE Global Islamic Index Series

- 7.1 Further information on the FTSE Global Islamic Index Series is available from FTSE, who will also welcome comments on these Ground Rules and on the Index Series.
- 7.2 Enquiries should be addressed in the first instance to:

UK

Client Services
FTSE
12th Floor
10 Upper Bank Street
London
E14 5NP

+44 (0) 20 7866 1810
+44 (0) 20 7866 8958 (fax)

e-mail: info@ftse.com

USA – West Coast

Client Services
FTSE Americas Inc.
251 Post Street,
suite 200
San Francisco, CA 94108
USA

+1 415 445 5660
+1 415 445 5666 (fax)

e-mail: info@ftse.com

USA – East Coast

Client Services
FTSE
22nd Floor
199 Water Street
New York
NY 10038
USA

+1 212 825 1328
+1 212 825 1359 (fax)

e-mail: info@ftse.com

Germany

Client Services
FTSE
Nibelungenplatz 3
60318 Frankfurt
GERMANY

+49 69 15685143
+49 69 15976604 (fax)

e-mail: info@ftse.com

SECTION 7

France

Client Services
FTSE
40 rue La Boétie
75008 Paris
FRANCE

+33 (0) 1 53 76 82 88
+33 (0) 1 53 76 82 71 (fax)

e-mail: info@ftse.com

Spain

Client Services
FTSE
Paseo de la Castellana 66,
28046 Madrid
SPAIN

+34 (0) 91 411 37 87

e-mail: info@ftse.com

Hong Kong

Client Services
FTSE
Suite 609-612
One International Finance Centre
Hong Kong

+852 2230 5800
+852 2230 5804 (fax)

e-mail: info@ftse.com

In Singapore please ring +65 223 3738

Japan

Client Services
FTSE
Yamato Seimei Building 21F,
1-1-7 Uchisaiwaicho,
Chiyoda-Ku
Tokyo
JAPAN

++81 3 3581 2811
++81 3 3581 1423 (fax)

e-mail: info@ftse.com

Web site: www.ftse.com

Appendix A

COUNTRIES ELIGIBLE FOR INCLUSION IN THE FTSE GLOBAL ISLAMIC INDEX SERIES.

Australia	Hong Kong	Portugal
Austria	Indonesia	Singapore
Belgium/Luxembourg	Ireland	South Africa
Brazil	Italy	Spain
Canada	Japan	Sweden
Denmark	Mexico	Switzerland
Finland	Netherlands	Thailand
France	New Zealand	UK
Germany	Norway	USA
Greece	Philippines	

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