

FTSE UK Index Series - Minimum Foreign Headroom Requirement - Ground Rule Update

30 May 2019

FTSE Russell would like to inform clients of the following clarification to the FTSE UK Index Series - Minimum Foreign Headroom Requirement which are effective immediately:

B. Foreign Ownership Restrictions (Update highlighted in bold)

FTSE Russell's index methodology takes account of the restrictions placed on the equity holdings of foreign investors in a company where these have been imposed by a government, regulatory authority or the company's constitution.

However, as the FTSE UK Index Series is managed from the perspective of a UK investor the following rules will only apply where foreign ownership restrictions have been imposed which limit the number of shares that UK investors can hold in a company. Where foreign ownership restrictions are in place which do not impact UK investors, these will not be applied.

Where the presence of a foreign ownership restriction creates a limit on foreign ownership (the Foreign Ownership Limit or FOL) that is more restrictive than the calculated free float for a company, the precise Foreign Ownership Limit is used in place of the free float for the purposes of calculating the company's investability weight.

If the foreign ownership restriction is less restrictive or equal to the free float restriction, the free float restriction is applied, subject to Rule A.

If a company changes its foreign ownership restriction, a reduction in the FOL will be implemented with the provision of a T+2 advanced notification from the date of discovery. An increase in the FOL will be being implemented at the subsequent quarterly review subject to it being discovered prior to the quarterly review lock-down date and subject to Rule C - Minimum foreign headroom requirement.

In some jurisdictions, a company's foreign ownership restriction applies to the company's share classes in aggregate, and not to share classes individually. However, not all of the share classes of a restricted company might be eligible for index inclusion. In such cases, the aggregate (company level) foreign ownership restriction will be allocated pro-rata across those share classes that are eligible for index inclusion.

In certain jurisdictions (for example Japan), despite the presence of a foreign ownership restriction the acquisition of shares above the stated foreign ownership limit (FOL) is still permitted but certain shareholder rights may be denied (such as voting rights or dividend distributions). In the event that the acquisition of shares above the FOL is permitted and the forfeit is to dividend distributions, FTSE Russell will treat the company as having reached its FOL and evaluate the company under the minimum foreign headroom requirement.

FTSE Russell may exercise discretion in determining whether a stock should be subject to the minimum foreign headroom test. Where discretion is being applied FTSE Russell will provide appropriate advance notice.

An updated copy of the FTSE UK Index Series - Foreign Ownership Restrictions and Minimum Foreign Headroom Requirement rules (v1.1) is now available using the following link:

[FTSE_UK_Index_Series_Foreign_Ownership_Restrictions_and_Minimum_Foreign_Headroom_Requirement.pdf](#)

Or on the FTSE Russell website: www.ftserussell.com

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