

Corporate Actions and Events Guide for Market Capitalisation Weighted Indexes - Update

02 April 2020

FTSE Russell would like to inform clients of the following clarification update to the Corporate Actions and Events Guide for Market Capitalisation Weighted Indexes:

Section 4: Treatment of Index Events

New Rule

4.10.4 Constituent Acquired by a Non-Constituent

Where a company has been acquired by a non-constituent for shares, or a combination of cash and shares, the acquiring company will be included in the target's index provided it is eligible in all other respects at the time of the merger, regardless of previous eligibility screenings. Note, the merged company will also be assumed to inherit the target company's liquidity and a previous liquidity screening "fail" will not be recognised. If the acquiring company has a different nationality assignment, it will be transferred to the appropriate country index, with suitable notice after the listing of the new shares. Only the shares received as a result of the acquisition will be included in the index on the effective date; any shares previously attributed to the non-constituent will be reviewed for inclusion at the next quarterly review in accordance with the shares and float update policy (see Section 5.0). The new company will be added to the index on the effective date using the offer terms (i.e. last close of the target company adjusted by the offer terms).

When a FTSE Russell Universe constituent acquires another FTSE Russell Universe constituent of a different index family (e.g. GEIS, UK Series, Russell US), the acquiring company will be added to the target company's indexes provided it is eligible for inclusion at the time of the merger. If the acquiring company has a different nationality assignment, it will be transferred to the appropriate country index, with suitable notice. The acquiring company will be included at the combined weight of the merged company, and the event will be implemented using market prices (a synthetic price will be used based on the merger terms in the event that the target company has halted prior to index implementation).

Old Rule

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offer terms).

New Rule - addition to rule in bold

4.14.1 Spin-off of an Eligible Security

The spin-off entity will be added to the same indexes as the parent company, per the terms, on the ex-date of the distribution. The spin-off entity will be retained in the same indexes until the next

quarterly review (FTSE) or annual reconstitution (Russell), where it will be re-ranked or deleted, if below the exit threshold (FTSE)/evaluated for inclusion (Russell). Where the spin-off entity has not commenced trading within 20 business days from the ex-date of the distribution and no firm trading date has been announced, then it will normally be deleted at zero value with T+2 notice. Should a spin-off entity which has been removed in this way subsequently begin trading, the company will be treated as a new issue for the purposes of assessing eligibility at the following index review (it will not be subject to the twelve month exclusion rule).

Note: the ICB/RGS classifications and free float of the spun-off entity will initially mirror that of the parent. Any subsequent required ICB/RGS change to either the parent or the spun-off entity will be applied with a minimum T+2 notice period. The free float and actual shares outstanding of the spin-off company will be evaluated at the next quarterly review.

In the event of a demerger where FTSE Russell are aware that the parent company is retaining significant partial ownership of the demerged entity, the share number may be updated to reflect the total shares outstanding of the demerged entity. However the index shares of the demerged entity will reflect the transaction terms only.

An updated copy of the Corporate Actions and Events Guide for Market Capitalisation Weighted Indexes (v4.6) is now available using the following link:

[Corporate_Actions_and_Events_Guide.pdf](#)

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

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