
STI Index Enhancement

Strengthening the Liquidity Rule

FAQ

FTSE Russell, Singapore Exchange (SGX) and Singapore Press Holdings (SPH) have jointly created the FTSE ST Index Series to provide investors with a comprehensive series of indices for accessing segments the Singapore market, including size, sectors, and China indices.

The Straits Times Index (STI) is the flagship index, capturing the most liquid companies on the Singapore market. On 29 May 2015 FTSE Russell announced that it was strengthening the liquidity rule for the STI, and making a number of changes to the FTSE ST Index Series. The new STI liquidity rule and FTSE ST Index Series methodology change will be implemented in the September 2015 review, after the close of markets on the 3rd Friday in September (18 September 2015).

This document provides further information on these changes.

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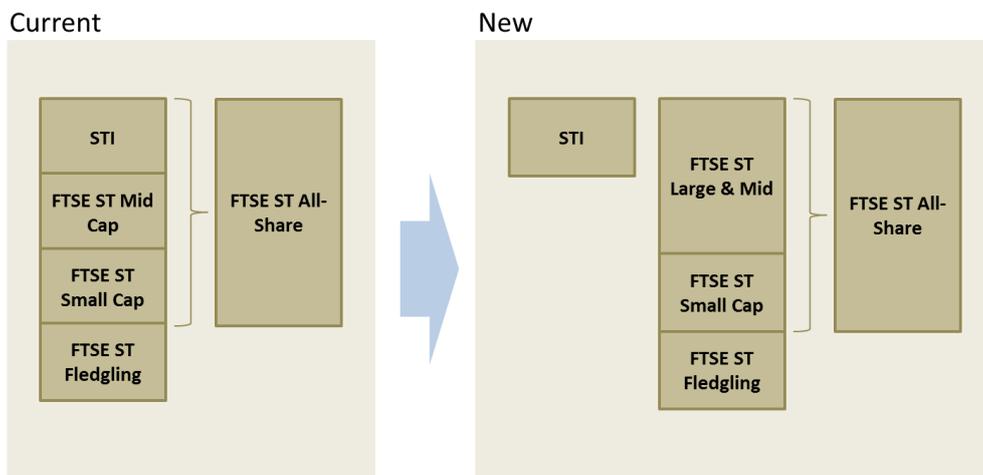
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1. What are the changes that have been announced for the Straits Times Index (STI) and FTSE ST Index Series?

To improve liquidity in the STI, FTSE Russell is strengthening the STI liquidity rule by increasing the percentage of the shares in issue that securities must turnover in a given period.

In conjunction with this change, FTSE Russell will also be applying its standard globally recognized index size cut-off methodology to the FTSE ST All-Share broad market benchmark.

To date, the STI has represented the Large Cap portion of the FTSE ST All-Share Index. So that the STI will continue to be the single, primary Large Cap, or Blue-Chip market benchmark, the Large Cap portion of the FTSE ST All-Share will be combined with the Mid Cap index to create a new FTSE ST Large & Mid Cap Index.



2. Why are we making these changes?

The STI is the Singapore stock market's main benchmark. It is designed to capture the most liquid companies on the Singapore market and is widely used by market participants around the world as the basis of tracker funds, ETFs, structured products and derivatives. Liquidity is a key concern for index users.

To ensure that the index remains the best possible solution for market participants, FTSE Russell and its partners, Singapore Exchange (SGX) and Singapore Press Holdings (SPH), recently undertook a market consultation to examine options to improve liquidity in the index. A broad range of market participants were consulted from across the investment community, including asset owners and their consultants, asset managers and structured product providers. There was widespread support for an enhancement to the index methodology to further improve liquidity.

3. How is the Liquidity Rule changing?

Current Rule

The current liquidity rule for the STI removes stocks that fall below 15% free-float, and tests each security's liquidity semi-annually in March and September by calculation of its median daily trading per month. For eligibility for inclusion, securities must turnover at least 0.05% of their shares in issue (after the application of any investability weightings) based on their median daily trade per month in ten of the twelve months prior to the March or September review. For existing constituents, securities must trade at least 0.04% of its shares in issue in eight of the twelve months.

New Rule

Under the new rule, securities must turnover at least 0.10% of their shares in issue (after the application of any investability weightings) based on their median daily trade per month in ten of the twelve months prior to the March or September review. For existing constituents, securities must trade at least 0.08% of its shares in issue in eight of the twelve months.

4. When will the changes take place?

The new STI liquidity rule and FTSE ST Index Series methodology change will be implemented in the September review, after the close of markets on the 3rd Friday in September (18 September 2015).

5. What sort of turnover can I expect when the new liquidity rule is implemented?

Table: Turnover data due to new rule if implemented in March & September 2014 Review based on New Rule

	Frequency	% 2-way Turnover	# Cons before review	# Cons after review	Additions	Deletions
New Rule	September	0.40	30	30	0	0
Current Rule	2014	0.39	30	30	0	0
New Rule	March 2015	14.61*	30	30	1	1
Current Rule		0.00	30	30	0	0

*Jardine Matheson Holdings replaced by UOL Group

6. What are the size bands for the FTSE ST Large & Mid Cap, FTSE Mid Cap and FTSE ST Small Cap Index?

Reviewed Semi-Annually in March & September

	Size Bands (Based on the Index Universe)	
	Eligible for Inclusion	Eligible for Exclusion
Large & Mid Cap	(68%) 86%	(72%) 92%
Mid Cap	86%	92%
Small Cap	98%	101%*

* 101% of the Index Universe is approximately 99% of the Country Universe.

7. What sort of turnover can I expect when the new methodology (size cut off) rule is implemented?

Table: FTSE ST Mid Cap Index: Turnover data based on new methodology (size cut off)

	Frequency	% 2-way Turnover	# Cons before review	# Cons after review	Additions	Deletions
New Rule	September	16.81	49	49	2	2
Current Rule	2014	3.36	50	50	1	1
New Rule	March 2015	13.69	49	48	3	4
Current Rule		12.98	50	50	3	3

Table: FTSE ST Small Cap Index: Turnover data based on new methodology (size cut off)

	Frequency	% 2-way Turnover	# Cons before review	# Cons after review	Additions	Deletions
New Rule	September	14.61	108	106	7	9
Current Rule	2014	16.37	106	105	8	9
New Rule	March 2015	26.16	105	101	10	14
Current Rule		34.90	105	99	10	16

8. Will there be a change to the vendor/ticker codes, FTSE index codes or file names?

Existing vendor/ticker codes will change as follows:

Vendor	Current Ticker	New Ticker
Bloomberg	FTSTI Index	STI Index
Reuters	.FTSTI	.STI

FTSE file names will remain the same to minimise any disruption to existing clients.

9. Will new Ground Rules be made available?

New Ground Rules are freely available on FTSE.com at <http://www.ftse.com/products/indices/SGX-ST>

10. What is FTSE Russell doing to help clients implement this change?

To help our clients manage the transition, FTSE Russell will be providing clients with an Indicative STI with the new methodology already applied following the September 2015 Review. Indicative Valuation, Constituent and Tracker files will be available.

The Indicative STI will be calculated and indicative files produced until 3 September 2015, following the March 2014 Review.

If you have any questions and would like to speak to a client services individual directly, please do not hesitate to contact us on the numbers below, or via email at info@ftse.com.

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