



FTSE / ASEAN 40 Index

v1.7



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Section 1

Introduction

1.0 Introduction

- 1.1 This document sets out the Ground Rules for the construction and management of the FTSE/ASEAN 40 Index. Copies of the Ground Rules are available from FTSE Russell.
- 1.2 The FTSE/ASEAN 40 Index is designed to represent the performance of the largest companies in the ASEAN region's markets. Initial markets will comprise Indonesia, Malaysia, the Philippines, Singapore and Thailand (see Section 5). Other markets may be added over time. The Index is suitable for Exchange Traded Funds (ETFs), derivatives and for other tradable products.
- 1.3 These Ground Rules should be read in conjunction with the FTSE Global Equity Index Series and the FTSE ASEAN Index Series Ground Rules. These rules are available on www.ftserussell.com.
- 1.4 The FTSE/ASEAN 40 Index is calculated in real-time during the hours of calculation (see Appendix A).
- 1.5 Capital and Total Return Indexes are available. Total Return Indexes are published at the end of each working day. The Total Return Indexes are based on ex dividend adjustments.
- 1.6 The base currency for the FTSE/ASEAN 40 Index is US dollars.
- 1.7 **FTSE Russell**

FTSE Russell is a trading name of FTSE International Limited, Frank Russell Company, FTSE Global Debt Capital Markets Limited (and its subsidiaries FTSE Global Debt Capital Markets Inc. and MTSNext Limited), Mergent, Inc., FTSE Fixed Income LLC and The Yield Book Inc.
- 1.8 FTSE Russell hereby notifies users of the index that it is possible that factors, including external factors beyond the control of FTSE Russell, may necessitate changes to, or the cessation of, the index and therefore, any financial contracts or other financial instruments that reference the index should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index.
- 1.9 Index users who choose to follow this index or to buy products that claim to follow this index should assess the merits of the index's rules-based methodology and take independent investment advice before investing their own or client funds. No liability whether as a result of negligence or otherwise is accepted by FTSE Russell or the ASEAN Exchanges (or any person concerned with the preparation or publication of these Ground Rules) for any losses, damages, claims and expenses suffered by any person as a result of:

- any reliance on these Ground Rules, and/or
- any errors or inaccuracies in these Ground Rules, and/or
- any non-application or misapplication of the policies or procedures described in these Ground Rules, and/or
- any errors or inaccuracies in the compilation of the Index or any constituent data.



Section 2

Management Responsibilities

2.0 Management Responsibilities

2.1 FTSE International Limited (FTSE)

2.1.1 FTSE is the benchmark administrator of the index.

2.1.2 FTSE is responsible for the daily calculation, production and operation of the index and will:

- maintain records of the index weightings of all constituents and reserve companies;
- make changes to the constituents and their weightings in accordance with the Ground Rules;
- carry out the periodic index reviews of the index and apply the changes resulting from the reviews as required by the Ground Rules;
- publish changes to the constituent weightings resulting from their ongoing maintenance and the periodic reviews;
- disseminate the indexes.

2.1.3 FTSE is also responsible for monitoring the performance of the FTSE/ASEAN 40 Index throughout the day and will determine whether the status of each index should be 'firm', 'indicative' or 'held' (See Appendix B).

2.2 Amendments to these Ground Rules

2.2.1 These Ground Rules shall be subject to regular review by FTSE Russell to ensure that they continue to best reflect the aims of the index. Any proposals for significant amendments to these Ground Rules will be subject to consultation with FTSE Russell advisory committees and other stakeholders if appropriate. The feedback from these consultations will be considered by the FTSE Russell Product Governance Board before approval is granted.

2.2.2 As provided for in the Statement of Principles for FTSE Russell Equity Indexes, where FTSE Russell determines that the Ground Rules are silent or do not specifically and unambiguously apply to the subject matter of any decision, any decision shall be based as far as practical on the Statement of Principles. After making any such determination, FTSE Russell shall advise the market of its decision at the earliest opportunity. Any such treatment will not be considered as an exception or change to the Ground Rules, or to set a precedent for future action, but FTSE Russell will consider whether the Ground Rules should subsequently be updated to provide greater clarity.



Section 3

FTSE Russell Index Policies

3.0 FTSE Russell Index Policies

These Ground Rules should be read in conjunction with the following policy documents which can be accessed using the links below:

3.1 Corporate Actions and Events Guide

- 3.1.1 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide using the following link:

[Corporate Actions and Events Guide.pdf](#)

3.2 Statement of Principles for FTSE Russell Equity Indexes (the Statement of Principles)

- 3.2.1 Indexes need to keep abreast of changing markets and the Ground Rules cannot anticipate every eventuality. Where the Rules do not fully cover a specific event or development, FTSE Russell will determine the appropriate treatment by reference to the Statement of Principles which summarises the ethos underlying FTSE Russell's approach to index construction. The Statement of Principles is reviewed annually and any changes proposed by FTSE Russell are presented to the FTSE Russell Policy Advisory Board for discussion before approval by the FTSE Russell Product Governance Board.

The Statement of Principles can be accessed using the following link:

[Statement of Principles.pdf](#)

3.3 Queries, Complaints and Appeals

- 3.3.1 A constituent or prospective constituent company (or professional advisor acting on behalf of the company), a national organisation or a group of no fewer than ten users of the Indexes from different organisations acting in their professional capacity may appeal against decisions taken by FTSE Russell.

FTSE Russell's complaints procedure can be accessed using the following link:

[Benchmark Determination Complaints Handling Policy.pdf](#)

FTSE Russell's Appeal Process can be accessed using the following link:

[Appeals Against Decisions.pdf](#)

3.4 **Index Policy for Trading Halts and Market Closures**

- 3.4.1 Guidance for the treatment of index changes in the event of trading halts or market closures can be found using the following link:

[Index Policy for Trading Halts and Market Closures.pdf](#)

3.5 **Index Policy in the Event Clients are Unable to Trade a Market**

- 3.5.1 Details of FTSE Russell's treatment can be accessed using the following link:

[Index Policy in the Event Clients are Unable to Trade a Market.pdf](#)

3.6 **Recalculation Policy and Guidelines**

- 3.6.1 FTSE Russell may recalculate the FTSE/ASEAN 40 Index Series whenever errors or distortions occur that are deemed by FTSE Russell to be significant. Users of the FTSE ASEAN Index Series are notified through appropriate media.

For further information refer to the FTSE Russell Recalculation Policy and Guidelines document which is available from the FTSE Russell website using the link below or by contacting info@ftserussell.com.

[Index Recalculation Policy and Guidelines Equity Indexes.pdf](#)

3.7 **Policy for Benchmark Methodology Changes**

- 3.7.1 Details of FTSE Russell's policy for making benchmark methodology changes can be accessed using the following link:

[Policy for Benchmark Methodology Changes.pdf](#)



Section 4

Eligible Securities

4.0 Eligible Securities

- 4.1 The FTSE/ASEAN 40 Index consists of the largest 40 companies by full market value from the eligible markets (subject to Section 5) that qualify under Section 4 as eligible for inclusion in the Index.
- 4.2 The shares, free float weightings and treatment of secondary lines of stock of constituents are the same as those used in the FTSE Global Equity Index Series. Where two or more lines of a company are maintained separately within these indexes, they will be treated as individual securities for the purposes of these rules.
- 4.3 Securities that are members of the FTSE All World Country Index for either Singapore, Malaysia, Thailand, Indonesia or the Philippines are potentially eligible for the FTSE/ASEAN 40 Index, subject to Rule 4.4.
- 4.4 Thailand companies that are selected for inclusion in the FTSE/ASEAN 40 Index will be priced off the main board and may therefore have a different line of stock than that is included in the FTSE All-World Index.
- 4.5 Securities are subject to a liquidity screen. Each security must turn over at least 20% of its shares in issue, after adjusting for free float, in the twelve months prior to the review.
- 4.6 Ground Rules for the FTSE Global Equity Index Series are available from FTSE (see Appendix C).
- 4.7 Securities which are subject to surveillance by the stock exchanges and have been assigned to any of the following segments will not be eligible for index inclusion. Where an existing constituent is assigned to an ineligible segment it will normally be deleted from the index quarterly, after the close of business on the third Friday of March, June, September and December. The company will only be reconsidered for index inclusion after a period of 12 months from its deletion subject to it no longer being under surveillance. For the purposes of the index eligibility it will be treated as a new issue.

Country	Exchange	Segment
Malaysia	Bursa Malaysia	PN17
Singapore	Singapore Exchange	Watch-list
Thailand	Stock Exchange of Thailand	Companies facing possible delisting according to No. 9(6) of SET's Regulations on Delisting of Securities

4.7.1 Securities that are assigned to the above segments after the review announcement date but before the index review effective date are assessed on a case-by-case basis which may generally result in scheduled index review additions, investability weight and shares in issue changes no longer being implemented at the forthcoming review.

4.8 **Minimum Voting Rights**

4.8.1 Companies assigned a developed market nationality are required to have greater than 5% of the company's voting rights (aggregated across all of its equity securities, including, where identifiable, those that are not listed or trading) in the hands of unrestricted shareholders or they will be deemed ineligible for index inclusion. Emerging market securities are not subject to this requirement.

4.8.2 Existing constituents with a developed market nationality who do not currently meet the above requirement have a 5 year grandfathering period to comply. If subsequently they continue to fail the minimum voting rights requirement they will be removed from FTSE Russell indexes at the September 2022 review.

4.8.3 The percentage of a company's voting rights in public hands is calculated as:

$$\frac{\text{The number of votes in the hands of shareholders that are unrestricted as determined by the application of FTSE Russell free float definitions}}{\text{The total number of votes conferred by the shares outstanding of all the company's voting securities including those that have not been admitted to trading on a regulated venue}}$$

For example, Company A has 100m listed Class A shares each conferring one vote, free float is 65%. It also has 300m unlisted Class B shares each conferring 10 votes.

The test to assess whether the listed Class A line has the required greater than 5% of the company's voting rights is as follows:

$$\frac{65\text{m (i. e. } 100\text{m Class A voting rights} * 65\% \text{ float)}}{3.1\text{bn (i. e. } 100\text{m Class A} + 3\text{bn Class B)}} \\ = 2.097\% \text{ of the company's voting rights in public hands}$$



Section 5

Review of Constituents

5.0 Review of Constituents

5.1 General

5.1.1 The rules for inserting and deleting companies at the annual review are designed to provide stability in the selection of constituents of the FTSE/ASEAN 40 Index while ensuring that the Index continues to be representative of the market by including or excluding those companies whose full market capitalisation has risen or fallen significantly.

5.2 Review Dates

5.2.1 The FTSE/ASEAN 40 Index is reviewed annually in March.

5.2.2 The data on which the annual review is undertaken will be from the close of business on the Monday 4 weeks prior to the review effective date. Where all eligible markets are not open on that day, the previous business day on which all eligible markets were open will be used.

5.2.3 Changes arising from the annual review will be implemented after the close of business on the third Friday of March (i.e. effective Monday).

5.3 Responsibilities and Reporting

5.3.1 FTSE Russell is responsible for conducting the annual review of constituents for the FTSE/ASEAN 40 Index.

5.3.2 FTSE Russell is responsible for publicising the outcome of the annual review as soon as possible after the review.

5.4 Rules for Insertion and Deletion at the Annual Review

5.4.1 The constituents of the FTSE/ASEAN 40 Index are determined by using the following methodology:

5.4.2 Take a database comprising all eligible securities (see Section 4);

5.4.3 Remove non-equity investment instruments from the database (see Rule 4.2);

5.4.4 Rank all remaining securities by full market capitalisation i.e. before the application of any investability weightings (see Rule 4.3);

5.4.5 Non-constituents which have risen to 30th position or above will qualify to be included in the Index at the annual review;

5.4.6 Existing constituents which have fallen to 51st position or below will qualify to be removed from the Index at the annual review;

5.4.7 Where a greater number of constituents qualify to be included in the Index than those qualifying to be removed, the lowest ranking constituents presently included in the Index will be removed to ensure that the number of constituents remains constant. Likewise, where a greater number of constituents qualify to be removed from the Index than those qualifying for inclusion, the highest ranking constituents which are presently not in the Index will be included to match the number of constituents being removed at the periodic review.



Section 6

Changes to Constituent Companies

6.0 Changes to Constituent Companies

6.1 Removal

- 6.1.1 If a constituent ceases to be a constituent of the FTSE Global Equity Index Series it will be removed from the FTSE/ASEAN 40 Index. The removal will be concurrent with its removal from the FTSE Global Equity Index Series. The highest-ranking non-constituent from the FTSE/ASEAN 40 Index universe will become eligible for inclusion into the Index and will be added to the Index at the same time.

6.2 Additions & New Issues

- 6.2.1 If a constituent is added to the relevant FTSE Global Equity Index Series Country Index it will be considered for eligibility to the FTSE/ASEAN 40 Index at the next annual review.

Section 7

Corporate Actions and Events

7.0 Corporate Actions and Events

7.1 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide using the following link:

[Corporate Actions and Events Guide.pdf](#)

A Corporate ‘Action’ is an action on shareholders with a prescribed ex date. The share price will be subject to an adjustment on the ex date. The index will be adjusted in line with the ex date.

These include the following:

- Capital Repayments
- Rights Issues/Entitlement Offers
- Stock Conversion
- Splits (sub-division) / Reverse splits (consolidation)
- Scrip issues (Capitalisation or Bonus Issue)

A Corporate ‘Event’ is a reaction to company news (event) that may impact the index depending on the index rules. For example, a company announces a strategic shareholder is offering to sell their shares (secondary share offer) – this could result in a free float weighting change in the index. Where an index adjustment is required FTSE Russell will provide notice advising of the timing of the change.

7.2 Shares in Issue

Changes to the number of shares in issue for constituent securities are covered in the Corporate Actions and Events Guide.

7.3 Mergers, Restructuring and Complex Takeovers

7.3.1 If the effect of a merger or takeover is that one constituent is absorbed by another, the resulting company will remain a constituent of the FTSE/ASEAN 40 Index and a vacancy will be created. This vacancy will be filled by selecting the largest eligible non-constituent security by full market capitalisation from the FTSE/ASEAN 40 Index universe at the time of the event. The removal and replacement of these stocks will be simultaneous.

7.3.2 If a constituent is taken over by an eligible non-constituent, the original constituent will be removed and replaced by the merged entity. In the event that the merged entity is ineligible for the index, it will be replaced by the largest eligible non-constituent from the FTSE/ASEAN 40 Index universe at the time of the event (see Rule 4.1). The removal and replacement of these stocks will be simultaneous.

- 7.3.3 If a constituent company is split so as to form two or more companies, the two or more companies arising from the split will be eligible for inclusion in the Index if they qualify in all respects (see Rule 4.1). If two or more of the new companies are ineligible then a vacancy(ies) will be created. If two or more companies are eligible, the smallest constituent(s) at the market close on the day of the event will be deleted. The removal and replacement of these stocks will be simultaneous.
- 7.3.4 If FTSE Russell decides to include a new issue as a constituent security other than as part of the normal annual review procedure, this decision must be publicly announced at the earliest practicable time.

7.4 **Suspension of Dealing**

- 7.4.1 If a constituent is suspended from the FTSE Global Equity Index Series, the same treatment will be applied in the FTSE/ASEAN 40 Index.

Suspension of dealing rules can be found within the Corporate Actions and Events Guide.

Section 8

Index Algorithm and Calculation Method

8.0 Index Algorithm and Calculation Method

8.1 Prices

8.1.1 The FTSE/ASEAN 40 Index are calculated using actual trade prices for securities with local stock exchange quotations. Reuters real-time spot currency rates are used in the index calculation.

8.1.2 The FTSE/ASEAN 40 Index receives share prices and currency spot rates in real time.

8.2 Calculation Frequency

8.2.1 The FTSE/ASEAN 40 Index is calculated in real time during the Official Index Period, using last trade prices.

8.3 Algorithm

8.3.1 The indexes are calculated using the algorithm described below.

$$\sum_{i=1}^N \frac{(p_i \times e_i \times s_i \times f_i)}{d}$$

Where,

- $i=1,2,\dots,N$
- N is the number of securities in the index.
- p_i is the latest trade price of the component security (or the price at the close of the Index on the previous day).
- e_i is the exchange rate required to convert the security's currency into the index's base currency.
- s_i is the number of shares in issue used by FTSE Russell for the security, as defined in these Ground Rules.
- f_i is the Investability Weighting Factor to be applied to a security to allow amendments to its weighting, expressed as a number between 0 and 1, where 1 represents a 100% free float. This factor is published by FTSE Russell for each security in the underlying index.
- d is the divisor, a figure that represents the total issued share capital of the index at the base date. The divisor can be adjusted to allow changes in the issued share capital of individual securities to be made without distorting the index.



Appendix A: Index & Market Opening and Closing Times, Pricing and Exchange Rates

Hours of Calculation

The FTSE/ASEAN 40 Index is calculated on Mondays to Fridays from 09:00 hrs until each of the constituent markets has closed. The closing index value is calculated at 18:00 hrs local Singaporean time; 10:00 hrs GMT.

Stock Market Trading Times; Singaporean time:

	Open	Close
Indonesia	10:30	17:00
Malaysia	09:00	17:00
Philippines	09:30	15:30
Singapore	09:00	17:06
Thailand	11:00	17:30

The FTSE/ASEAN 40 Index are calculated on public holidays whenever at least one exchange is trading. The Indexes will not be calculated on 1 January.

Constituent Pricing

All exchange closing prices are sourced from Reuters.

Indonesia	Official Closing Price (Auction)
Malaysia	Official Closing Price (Auction)
Philippines	Official Closing Price (Auction)
Singapore	Official Closing Price (Auction)
Thailand	Official Closing Price (Auction)

Foreign Exchange Rates

The foreign exchange rates used in the calculation of the FTSE/ASEAN 40 Index are Reuters' real time spot rates.

The US dollar is the base currency for all index calculations. Non US dollar denominated constituents prices are converted into US dollars in order to calculate the Indexes.

The foreign exchange rates received from Reuters at 17:00 (Hong Kong time) are the bid rates and are used to calculate the final Index levels. These are termed the "closing foreign exchange rates".



Appendix B: Status of Index

The FTSE/ASEAN 40 Index is calculated in real time and may exist in the following states:

A) Firm

The index is being calculated using trade prices from the relevant local stock exchanges for all constituents during the hours of the Official Index Period (see Appendix A).

The Official Closing Index for the FTSE/ASEAN 40 Index is the last index value calculated at the end of the firm period.

B) Closed

When the index has ceased all calculations for the day, the message '**CLOSED**' is displayed against the index value.

C) Held

During the firm period, the index has exceeded pre-set operating parameters and calculation has been suspended pending resolution of the problem. The message '**HELD**' is displayed against the last index value calculated.

D) Indicative

If there is a system problem or a situation in the market that is judged to be affecting the quality of the constituent prices at any time when the index is being calculated, the index will be declared indicative. The message '**IND**' will be displayed against the index value.

The official opening and closing hours of the FTSE/ASEAN 40 Index are set out in Appendix A. Variations to the official hours of the indexes are published by FTSE Russell as appropriate.

The FTSE/ASEAN 40 Index is calculated on public holidays whenever at least one market is trading. The indexes will not be calculated on 1 January.



Appendix C: Further Information

A Glossary of Terms used in FTSE Russell's Ground Rule documents can be found using the following link:

[Glossary.pdf](#)

Further information on the FTSE/ASEAN 40 Index Series Ground Rules is available from FTSE Russell.

For contact details please visit the FTSE Russell website or contact FTSE Russell client services at info@ftserussell.com.

Website: www.ftserussell.com

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