

FTSE Custom 150 Equally Weighted Net Tax Index

v1.9



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Section 1

Introduction

1. Introduction

- 1.1 This document sets out the Ground Rules for the construction and management of the FTSE Custom 150 Equally Weighted Net Tax Index calculated by FTSE International Limited (FTSE). Copies of these Ground Rules are available from FTSE Russell.
- 1.2 The FTSE Custom 150 Equally Weighted Net Tax Index is designed to measure the equally weighted performance of the largest 150 companies from the FTSE 350 Index, where performance is adjusted on a daily basis by a hurdle rate.
- 1.3 The FTSE Custom 150 Equally Weighted Net Tax Index does not take account of ESG factors in its design.
- 1.4 These Ground Rules should be read in conjunction with the FTSE UK Index Series Ground Rules which are available from FTSE Russell and can be accessed using the link below:
[FTSE UK Index Series.pdf](#)
- 1.5 A Net of Tax Index will be calculated in UK Sterling on a real-time basis. Price, Total Return and Net of Tax Total Return indices are also calculated on an end of day basis. The Total Return and Net of Tax indices are based on ex dividend adjustments.
- 1.5.1 The Net of Tax Index is calculated based on the maximum withholding tax rates applicable to dividends received by institutional investors who are not resident in the same country as the remitting company and who do not benefit from double taxation treaties.
- 1.6 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 FTSE Fixed Income Europe Limited), FTSE Fixed Income LLC, FTSE (Beijing) Consulting Limited, Refinitiv Benchmark Services (UK) Limited, Refinitiv Limited and Beyond Ratings.
- 1.7 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 for any losses, damages, claims and expenses suffered by any person as a result of:
- any reliance on these Ground Rules, and/or
 - any 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 inaccuracies in the compilation of the index or any constituent data.

Section 2

Management responsibilities

2. Management responsibilities

2.1 FTSE International Limited (FTSE)

2.1.1 FTSE is the benchmark administrator of the index.¹

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;
- make changes to the constituents and their weightings in accordance with the Ground Rules;
- carry out the periodic index reviews of the index series 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 indices.

2.1.3 FTSE is also responsible for monitoring the performance of the FTSE Custom 150 Equally Weighted Net Tax Index throughout the day and will determine whether the status of each index should be Firm, Indicative or Held (see Appendix B).

2.1.4 The hurdle rate used in the calculation of the FTSE Custom 150 Equally Weighted Net Tax Index is determined in consultation with clients of the index.

2.2 Amendments to these Ground Rules

2.2.1 These Ground Rules shall be subject to regular review (at least once a year) 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 Index Governance Board before approval is granted.

¹ The term administrator is used in this document in the same sense as it is defined in [Regulation \(EU\) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds](#) (the European Benchmark Regulation) and [The Benchmarks \(Amendment and Transitional Provision\) \(EU Exit\) Regulations 2019](#) (the UK Benchmark Regulation).

Section 3

FTSE Russell index policies

3. 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 for Non Market Capitalisation Weighted Indices using the following link:

[Corporate Actions and Events Guide for Non Market Cap Weighted Indices.pdf](#)

3.2 Queries, Complaints and Appeals

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

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

3.3 Index Policy for Trading Halts and Market Closures

3.3.1 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](#)

3.4 Index Policy in the Event Clients are Unable to Trade a Market or a Security

3.4.1 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 or a Security.pdf](#)

3.5 FTSE Russell Policy for Benchmark Methodology Changes

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

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

3.6 FTSE Russell Governance Framework

3.6.1 To oversee its indices, FTSE Russell employs a governance framework that encompasses product, service and technology governance. The framework incorporates the London Stock Exchange Group's three lines of defence risk management framework and is designed to meet the requirements of the IOSCO Principles for Financial Benchmarks², the European benchmark regulation³ and the UK benchmark regulation⁴. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE Russell Governance Framework.pdf](#)

² IOSCO Principles for Financial Benchmarks Final Report, FR07/13 July 2013.

³ Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds.

⁴ The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019.

3.7 Real Time Status Definitions

3.7.1 For indices that are calculated in real time, please refer to the following guide for details of real time status definitions:

[Real Time Status Definitions.pdf](#)

Section 4

Eligible securities

4. Eligible securities

- 4.1 Constituents of the FTSE 350 Index are eligible for inclusion in the FTSE Custom 150 Equally Weighted Net Tax Index.
- 4.2 All aspects of the management of index calculation, constituent review and company classification for constituents of the FTSE Custom 150 Equally Weighted Net Tax Index are as described in the FTSE UK Index Series Ground Rules.

Section 5

Periodic review of constituent companies

5. Periodic review of constituent companies

5.1 Periodic review

- 5.1.1 The quarterly review will take place in line with the FTSE 350 Index and will be implemented after the close of trading on the third Friday of March, June, September and December.
- 5.1.2 The FTSE Custom 150 Equally Weighted Net Tax Index will consist of the largest 150 constituents when ranked by full market capitalisation from the FTSE 350 Index as of the review effective date using data from the close of business on the Tuesday before the first Friday of the review month.

5.2 Index Weighting

- 5.2.1 The FTSE Custom 150 Equally Weighted Net Tax Index will be equally weighted with each company's weight set at 0.667% at each quarterly review. For companies comprised of multiple security lines, a company's weight will be distributed across each line in proportion to investable market capitalisation.
- 5.2.2 The calculation of constituent weighting factors will be based on instrument prices at the close of business on the Tuesday before the first Friday of each review month and will use shares and free floats that are effective after the close of business on the third Friday of the review month. Prices are adjusted for corporate actions between the Wednesday and the close business of the third Friday.

Section 6

Changes to constituent companies

6. Changes to constituent companies

6.1 Intra-review additions

6.1.1 Additions to the FTSE 350 Index will be considered for inclusion at the next quarterly review.

6.2 Intra-review deletions

6.2.1 A constituent that is deleted from the FTSE 350 Index will be deleted from the FTSE Custom 150 Equally Weighted Net Tax Index. The deletion will be concurrent with the underlying index and its weight will be distributed pro-rata amongst the remaining constituents in the FTSE Custom 150 Equally Weighted Net Tax Index.

Section 7

Corporate actions and events

7. Corporate actions and events

7.1 If a constituent in the underlying index has a stock split, stock consolidation, rights issue, bonus issue, a change in the number of shares in issue or a change in free-float (with the exception of tender offers), the constituent's weighting in the corresponding FTSE Custom 150 Equally Weighted Net Tax Index remains unchanged pre and post such an event.

7.2 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide for Non Market Cap Weighted Indices using the following link:

[Corporate Actions and Events Guide for Non Market Cap Weighted Indices.pdf](#)

7.3 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. 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.

7.4 Takeovers, mergers and demergers

The treatment of takeovers, mergers and demergers can be found within the Corporate Actions and Events Guide for Non Market Cap Weighted Indices.

7.4.1 If an index constituent has a demerger, the newly spun-off company will remain in the FTSE Custom Equally Weighted Index as long as it remains a constituent in the FTSE 350 Index. The company which is demoted from the FTSE 350 Index will also be removed from the FTSE Custom Equally Weighted Index.

Section 8

Index calculation

8. Index calculation

8.1 Prices

8.1.1 The FTSE Custom 150 Equally Weighted Net Tax Index will use actual trade prices on SETS.

8.2 Calculation frequency

8.2.1 The FTSE Custom 150 Equally Weighted Net Tax Index will be calculated in real-time using real time prices.

8.3 Index calculation

8.3.1 The FTSE Custom 150 Equally Weighted Net Tax Index will be displayed to two decimal points.

8.3.2 To calculate the FTSE Custom 150 Equally Weighted Net Tax Index we first calculate FTSE Custom 150 Equally Weighted Index (TRI) based on the constituents and weighting outlined in these index rules . It is calculated using the following formula:

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

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.
- c_i is the Weighting Factor to be applied to a security to correctly weight that security in the index. This factor maps the investable market capitalisation of each stock to a notional market capitalisation for inclusion in the 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.⁷

8.3.3 The FTSE Custom 150 Equally Weighted Net Tax Index (ER) is calculated using the following formula:

$$ER_t = ER_{t-1} \times \left(\frac{TRI_t}{TRI_{t-1}} - HurdleRate \times \frac{D_{t,t-1}}{365} \right)$$

Where

- ER_{t-1} is the FTSE Custom 150 Equally Weighted Net Tax Index at the previous calculation day
- TRI_t is the latest FTSE Custom 150 Equally Weighted Index on the current calculation day
- TRI_{t-1} is the FTSE Custom 150 Equally Weighted Index at the previous calculation day
- $HurdleRate$ is the discount factor of 5% applied to the performance of the index on a daily basis

$D_{t,t-1}$ = Number of calendar days between t the current calculation date and $t-1$ the previous calculation date

Appendix A

Index opening and closing hours

	Open	Close
FTSE Custom 150 Equally Weighted Net Tax Index	08:00	16:30

Notes:

1. Closing prices will be London Stock Exchange Official Closing Prices.
2. The index will not be calculated on UK Public Holidays and may close early on the business day prior to the Christmas and New Year Public Holidays.
3. Timings are UK hours.

Appendix B

Status of index

Official Market Hours are defined as that period when SETS is open for order execution.

The Official Closing Price for the FTSE Custom 150 Equally Weighted Net Tax Index will be the London Stock Exchange Official Closing Price.

For further details of real time definitions please refer to the following guide:

[Real Time Status Definitions.pdf](#)

The official opening and closing hours of the FTSE Custom 150 Equally Weighted Net Tax Index are set out in Appendix A. Variations to the official hours of the index will be published.

Appendix C

Further information

A Glossary of Terms used in the Ground Rule document can be found using the following link:

[Glossary.pdf](#)

Further information on the FTSE Custom 150 Equally Weighted Net Tax Index 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.lseg.com/en/ftse-russell/

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