



**FTSE  
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An LSEG Business

Index Insights  
FTSE UK Index Series



# The FTSE 250 index

The UK's leading mid-cap benchmark  
enters its fourth decade

**Norbert Van Veldhuizen**

Head of Equity Index Product  
[norbert.vanveldhuizen@lseg.com](mailto:norbert.vanveldhuizen@lseg.com)

**Rafe Uppal**

Analyst, Equity Index Product  
[rafe.uppal@lseg.com](mailto:rafe.uppal@lseg.com)



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**Since its launch in 1992, the FTSE 250 has become the preferred benchmark for portfolio managers seeking to gain exposure to UK mid-cap stocks.**

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As the index enters its fourth decade, in this paper we highlight the rich indexing history that the FTSE 250 has inherited and built upon. We show how the FTSE 250 is a key member of a modular, comprehensive set of benchmarks tracking the mid-cap segment of one of the world's largest and most liquid stock markets. And we note the distinct, domestic focus of this index by comparison with the FTSE 100 index of UK large-cap stocks.

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# Remember 1992?

Remember 1992? Bush and Yeltsin declared an end to the Cold War. Nirvana hit the top of the music charts. Barcelona hosted a stunning Olympic Games.

It was also a year marked by optimism about Europe's future. The Single European Market, once praised by UK prime minister Margaret Thatcher<sup>1</sup>, was completed.

Companies in EU member states were now able to operate across national boundaries, enjoying new economies of scale. In Eastern Europe, the end of the communist system meant the beginning of a painful but ultimately successful transition towards a free market economy.

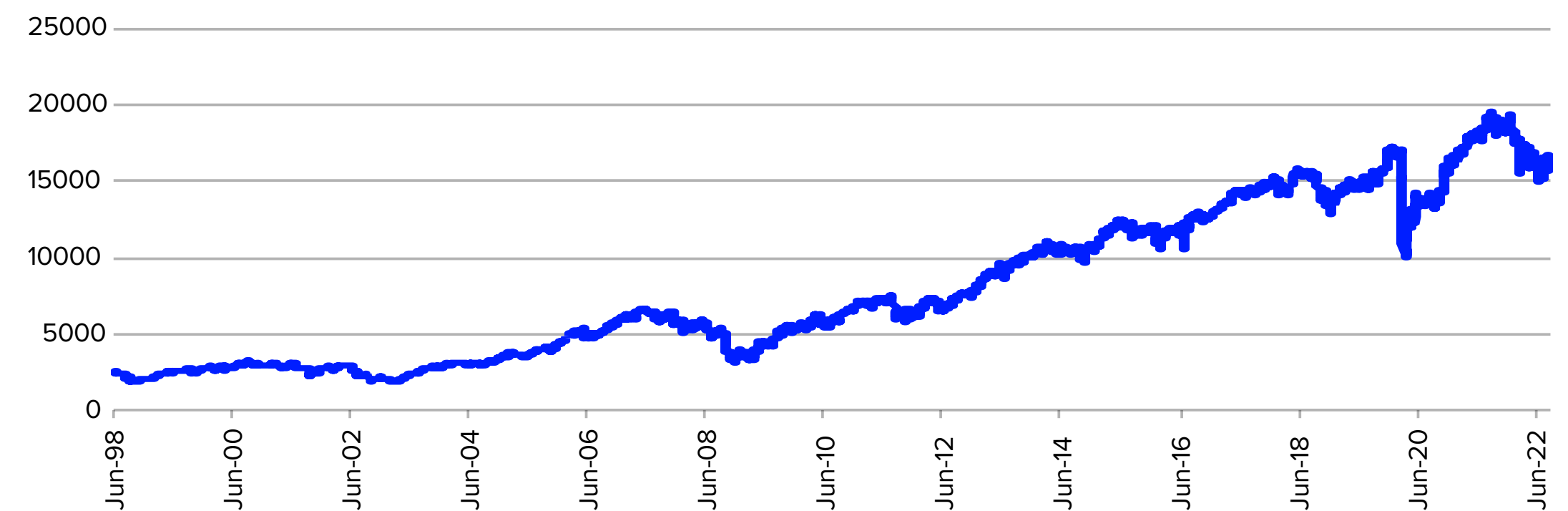
The UK, however, had a turbulent year. Suffering from high interest rates in the aftermath of the 1990/91 recession, the country was forced to withdraw from the European exchange-rate mechanism (ERM) in September and to devalue the pound sterling.

The debacle shattered the Conservative government's reputation for economic competence, leading to the election of a Labour administration a few years later. But the market turbulence surrounding sterling's exit from the ERM proved to be a huge buying opportunity in UK stocks. And a new index – the FTSE 250 – appeared just in time to catch the future upside.

Launched on 12 October 1992, less than a month after sterling's 'Black Wednesday', the FTSE 250 total return index hit an all-time low of 821.64 just three days later. But by September 2021, when the index hit a record high of 19,523.69, it had increased by over 2300%.

Offering market participants a new way to capture exposure to the UK's rapidly growing domestic economy, the FTSE 250 quickly established itself as the leading UK mid-cap equity benchmark.

Figure 1. The FTSE 250 index



Source: FTSE Russell, 01/06/1998-31/08/2022. Past performance is not a guide to future returns.

<sup>1</sup> In 1988 Thatcher [gave a speech about the Single Market](#), saying: "It's your job, the job of business, to gear yourselves up to take the opportunities which a single market of nearly 320 million people will offer. Just think for a moment what a prospect that is. A single market without barriers – visible or invisible – giving you direct and unhindered access to the purchasing power of over 300 million of the world's wealthiest and most prosperous people."

<sup>2</sup> A total return index includes both share prices and (compounded) dividends.

# The FTSE UK index series

The FTSE 250 index is a member of the FTSE UK Equity index series, a suite of indices designed to measure the performance of the UK equity market. The FTSE UK Equity index series represents the performance of all eligible companies listed on the London Stock Exchange’s main market.

Modular in nature, the series provides market participants with a complementary set of benchmarks that measure the performance of all the market’s size and industry segments.

When added to the FTSE 100 index of large-cap stocks, the FTSE 250 mid-cap index makes up the FTSE 350 index (large- and mid-caps). The FTSE SmallCap index then includes those stocks from the FTSE All-Share index (see the next section) that are not large enough to enter the FTSE 350 (see Figure 2).

Figure 2. Flagship indices in the FTSE UK index series

<b>FTSE 100 Index</b>	Includes the largest 100 companies listed on the London Stock Exchange
<b>FTSE 250 Index</b>	Includes the next 250 largest companies after the FTSE 100
<b>FTSE 350 Index</b>	An aggregate of the FTSE 100 and FTSE 250, the index represents large and mid cap stocks
<b>FTSE SmallCap Index</b>	Includes companies from the FTSE All-Share Index that are not large enough to be constituents of the FTSE 350

Source: FTSE Russell

3 These eligible companies are premium-listed equity shares (as defined by the Financial Conduct Authority (FCA) in its [listing rules sourcebook](#)), which have been admitted to trading to the London Stock Exchange with a sterling-denominated share price on the Stock Exchange Electronic Trading Service (SETS).



# History and heritage – the FTSE All-Share index

The FTSE All-Share index is the combination of the FTSE 100, FTSE 250 and FTSE SmallCap indices (see Figure 3). It aggregates around 98-99 percent of the UK equity market’s capitalisation.

The All-Share index’s history extends 60 years into the past: it was launched in 1962 (when it was known as the FT-Actuaries index). At the time, it covered around 60 percent of the UK equity market’s capitalisation.

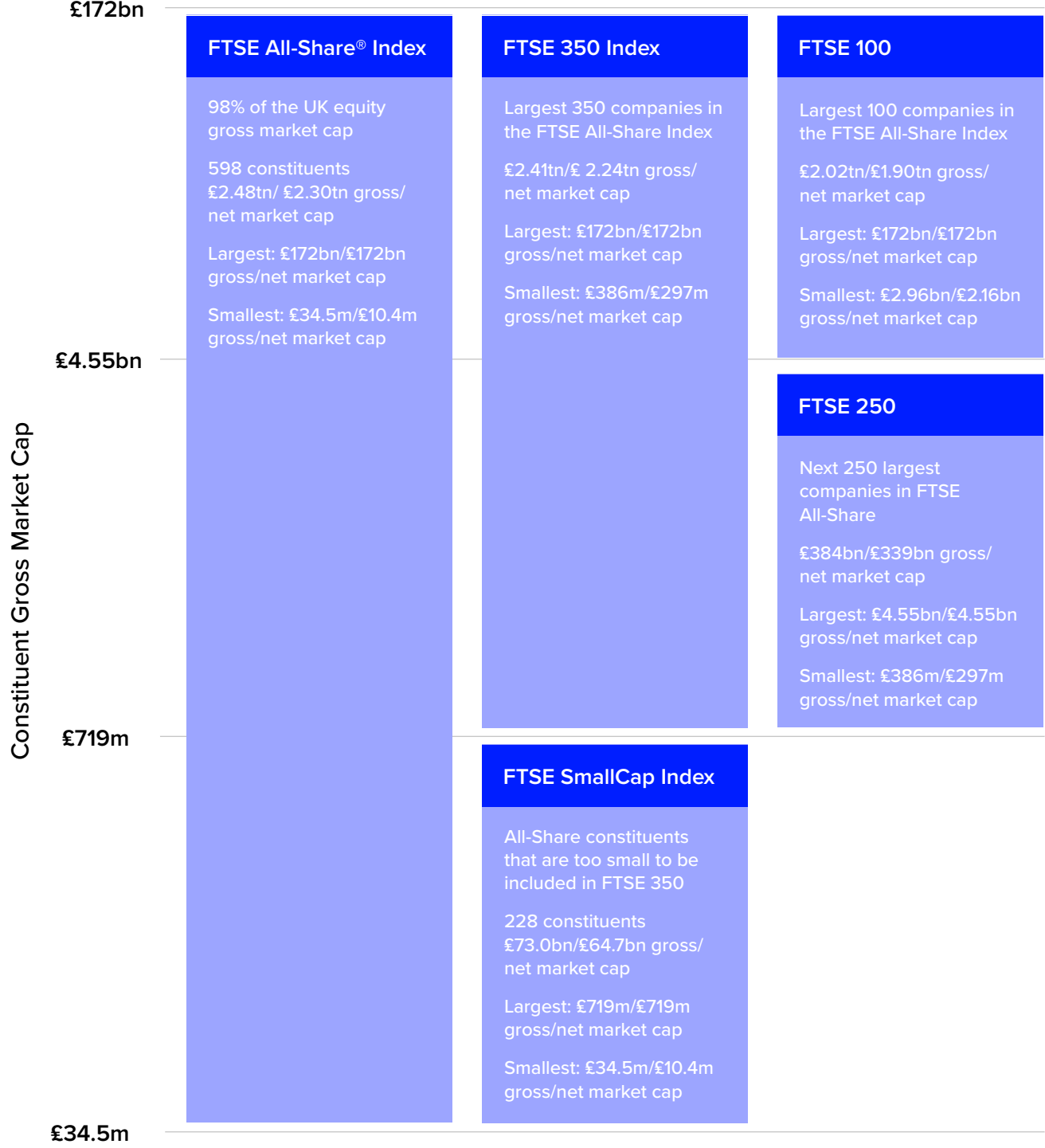
The All-Share index quickly became established amongst brokers, traders and professional investors as the standard measure of the UK share market’s day-to-day performance. Given the fact that it includes all the size segments of the UK equity market, it has also long served as a preferred reference benchmark for index-tracking funds.

Over the years, the All-Share index’s designers have introduced a number of features that are now standard in the equity index business:

- Daily index pricing (a novelty for the UK market in 1962)
- Arithmetic, rather than geometric averaging<sup>4</sup>
- Capitalisation-based, rather than equal weighting
- Adjustment of index constituents’ share totals for ‘free float’



Figure 3 FTSE UK indices at a glance



Source: FTSE Russell as of 31 August 2022. Vertical axis represents the size of the constituent at each index cut-off: £172bn, £4.55bn and £719m represent the largest constituent in each of the FTSE All-Share Index, FTSE 250 Index and FTSE SmallCap Index respectively as of 31 August 2022. £34.5m represents the smallest constituent in the FTSE SmallCap Index as of 31 August 2022.

# Expert external input into index design

From the outset, the governance of the FTSE UK Equity index series has been the responsibility of both internal and external experts.

The original designers of the FT-Actuaries All-Share index were members of the Institute and Faculty of Actuaries and the statistical department of the Financial Times<sup>5</sup>.

In 1993 the London Stock Exchange, the Institute and Faculty of Actuaries and the Financial Times became jointly responsible for the new FTSE UK Equity index series, including the All-Share index. All three parties appointed members to a steering committee that worked with representatives of the UK's investment community to set the rules used to select constituents.

Many of the UK index committee's decisions were ground-breaking: for example, in 2001, the FTSE UK index series pioneered the concept of adjusting for companies' 'free float' by the application of investability weightings to index constituents' share totals. FTSE's global equity indices were soon also adjusted for free float, and this method is now standard in equity index calculation.

The involvement of external experts in the oversight of the All-Share Index continues to this day, although the day-to-day work of managing the index series is now in the hands of professionals at FTSE Russell.

For more on the history of the FTSE All-Share and the FTSE UK Equity index series, [read our paper on the subject](#).

<sup>5</sup> See "The Design, Application and Future Development of the FT-Actuaries Index", H.W. Haycocks and J. Plymen, 1964.



# What is a UK equity?

This question feels like it ought to have a simple answer. But in an era of multinational companies and multinational listings, deciding which country an index constituent ‘belongs’ to is not straightforward.

For the investment community, however, nationality remains important – asset managers typically build equity portfolios by assigning weights to regions, then countries, then selecting stocks.

People unfamiliar with the FTSE 100 index are sometimes surprised to find that a significant proportion of the earnings of the index constituents – as much as three quarters – comes from non-UK activities<sup>6</sup>.

For the FTSE 250, the overseas share of earnings is lower – around a half in recent years. As a result, the FTSE 250 has gained a reputation as a more domestic index – in the sense of exposure to the UK’s national economy – than the FTSE 100.

But in what sense are overseas-focused FTSE 100 and FTSE 250 constituents UK equities in the first place? Remember that the FTSE UK index series selects its constituents from the companies with a premium listing on the London Stock Exchange.

FTSE Russell’s nationality rules specify that if a company is incorporated in one country, and is listed only in countries other than the country of incorporation, FTSE will normally allocate the company to the country with the greatest liquidity<sup>7</sup>. That could be the UK, given that the London Stock Exchange is one of the world’s largest and most liquid equity markets.

As a result, there are many companies listed in London, and with a presence in the FTSE UK index series, that feel ‘foreign’ – perhaps because they are incorporated outside the UK.

But this is nothing new. According to stock market historian Leslie Hannah<sup>8</sup>, in 1900 more than 4,000 companies traded in London, compared with only 200 on the New York Stock Exchange and around 800 in Berlin. In Germany and America, these companies were overwhelmingly domestic in nature. But in Britain, the majority operated primarily overseas, reflecting the UK’s prominence as a trading nation.

And there are safeguards built into the FTSE UK index series rules<sup>9</sup> to ensure that foreign-incorporated companies abide by high local standards of corporate governance.

The ground rules specify that if a company is UK-incorporated, FTSE will allocate it UK nationality, provided the company has its sole listing in the UK and it has a minimum free float of 10 percent.

But if a company is not incorporated in the UK, it must meet more stringent conditions in order to gain a UK nationality assignment (and thereby to become eligible for the FTSE UK index series):

- The company must publicly acknowledge adherence to the principles of the UK Corporate Governance Code, pre-emption rights and the UK Takeover Code as far as practicable;
- It must have a minimum free float of 25 percent.

<sup>6</sup> FTSE Russell calculated that the revenue generated overseas by FTSE 100 index constituents (excluding investment trusts) was 76 percent in 2015-2017. For the FTSE 250 it was 51 percent over the same period.

<sup>7</sup> FTSE Russell, ‘Determining Nationality, v1.8, July 2022,’ Rule 1.7.

<sup>8</sup> Leslie Hannah, ‘Pioneering Modern Corporate Governance: A View from London in 1900,’ June 2007.

<sup>9</sup> FTSE UK index series ground rules, rules 5.1.2 and 5.1.3.



# How FTSE Russell classifies countries

FTSE Russell's treatment of company nationality is only one aspect of a larger country classification system. We use a unique, four-tier approach when classifying individual equity markets as developed, advanced emerging, secondary emerging or frontier.

These classifications impact the way our global equity benchmarks are put together. For example, the FTSE All-World index, our leading global equity benchmark, includes both developed and emerging markets. The FTSE Emerging index, another popular benchmark, includes advanced and secondary emerging market stocks.

The design of our country classification system reflects the input of detailed past consultations with institutional investors and other market participants.

The country classifications (see Figure 4 for a current list) reflect our assessment of individual equity markets' quality of infrastructure, including the market and regulatory environment, equity trading, the foreign exchange market, clearing, settlement and custody.

The country classification process ensures that FTSE Russell's global benchmarks reflect the most relevant and accurate information, offering our clients risk management insight into the global and regional indices they use as benchmarks or in index-tracking investment products.

In order to ensure that the potential reclassification of markets is transparent to investors, each year FTSE Russell creates a watch list containing markets under consideration for a possible change in classification.

A full list of markets currently on the watch list, and the results of the latest Country Classification Announcement can be viewed in the Country Classification Update, published each September<sup>10</sup>.

<sup>10</sup> See [https://research.ftserussell.com/products/downloads/FTSE-Country-Classification-Update\\_latest.pdf](https://research.ftserussell.com/products/downloads/FTSE-Country-Classification-Update_latest.pdf)



**Figure 4. FTSE Russell Country Classifications**

The table below shows the FTSE country classification of equity markets as at 30 September 2022.

Developed					
Australia	Denmark	Hong Kong	Japan	Poland	Sweden
Austria	Finland	Ireland	Netherlands	Singapore	Switzerland
Belguim/Luxembourg	France	Israel	New Zealand	South Korea	UK
Canada	Germany	Italy	Norway	Spain	USA
Advanced Emerging					
Brazil	Greece	Malaysia	South Africa	Thailand	
Czech Republic	Hungary	Mexico	Taiwan	Turkey	
Secondary Emerging					
Chile	Egypt	Indonesia	Philippines	Saudi Arabia	
China	Iceland	Kuwait	Qatar	UAE	
Colombia	India	Pakistan	Romania		
Frontier					
Bahrain	Croatia	Kazakhstan	Mauritius	Peru	Sri Lanka
Bangladesh	Cyprus	Kenya	Morocco	Republic of North Macedonia	Tanzania
Botswana	Estonia	Latvia	Nigeria	Serbia	Tunisia
Bulgaria	Ghana	Lithuania	Oman	Slovak Republic	Vietnam
Côte d'Ivoire	Jordan	Malta	Palestine	Slovenia	



# How do companies get into the FTSE 250?

Once a company has obtained UK nationality for the purposes of index inclusion and passed the minimum free float requirement (as detailed above), it must satisfy additional tests to enter the FTSE UK Equity index series.

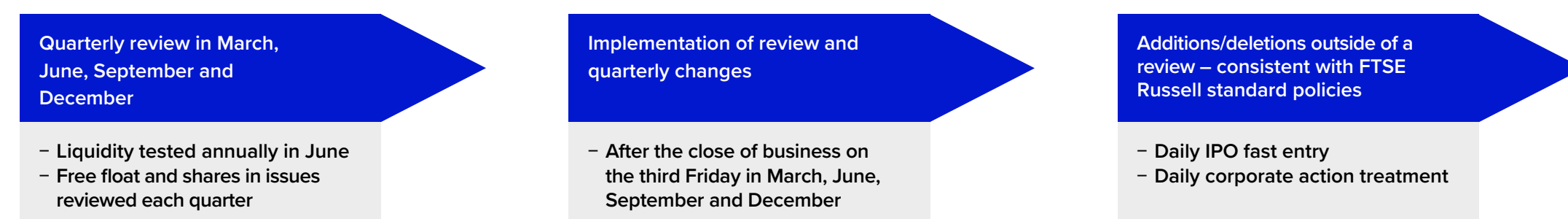
These tests cover foreign ownership restrictions, size (for companies with a dual class share structure, any unlisted, specified weighted voting rights shares are not included in the calculation of market capitalisation), and liquidity (companies must demonstrate adequate trading liquidity).

Full details of these screens are given in the FTSE UK Equity index series ground rules<sup>11</sup>. Having passed the tests, a company is then automatically eligible for inclusion in the index series.

The FTSE 250 constituents are chosen as follows. First, the FTSE 100 index is created by selecting the largest 100 UK companies by full market capitalisation (i.e., before the application of any investability – or ‘free float’ – weightings). Then, the FTSE 250 consists of the next 250 UK companies, ranked by full market capitalisation (again, before the application of investability weightings).

The FTSE 250 is reviewed each quarter, along with other constituent indices of the FTSE UK Equity index series (see Figure 5), with free float assessed at the same time. Any index changes are implemented on a transparent, fixed schedule. Unplanned market events (such as initial public offerings and corporate actions) are reflected in the index series daily.

Figure 5. FTSE UK Equity index series reviews



Source: FTSE Russell

<sup>11</sup> See [https://research.ftserussell.com/products/downloads/FTSE\\_UK\\_Index\\_Series.pdf](https://research.ftserussell.com/products/downloads/FTSE_UK_Index_Series.pdf)

But what do we do when companies change their relative positions in the rankings, as happens continuously as a result of share price movements? At each quarterly review, companies enter and exit the respective indices in the FTSE UK Equity index series as follows:

- A company will be inserted in the FTSE 100 at the review if it has risen to 90th or above in the ranking;
- A company will be inserted in the FTSE 250 at the review if it has risen to 325th or above;
- A company will be deleted from the FTSE 100 if it has fallen to 111th or below;
- A company will be deleted from the FTSE 250 if it has fallen to 376th or below;
- Companies deleted from the FTSE 100 at the review will normally be included in the FTSE 250;
- Companies added to the FTSE 100 at the review will be deleted from the FTSE 250;
- Companies deleted from the FTSE 250 at the review will normally be included in the FTSE SmallCap;
- Companies added to the FTSE 250 at the review will be deleted from the FTSE SmallCap.

Applied as above, these rules could lead to an imbalance in the number of index constituents. So, in order to maintain the required number of constituents in the FTSE 100, FTSE 250 and FTSE 350 at each periodic review, we follow an additional rule.

Where a greater number of companies qualify to be inserted in an index than those qualifying to be deleted, the lowest-ranking constituents presently included in the index will be deleted to ensure that an equal number of companies are inserted and deleted.

Likewise, where a greater number of companies qualify to be deleted than those qualifying to be inserted, the securities of the highest-ranking companies not included in the index will be inserted to match the number of companies being deleted.

These rules ensure a seamless progression of stocks between the adjoining indices for large-caps (FTSE 100), mid-caps (FTSE 250) and the FTSE SmallCap index.

## Biggest winners and losers from the 1996 FTSE 250 index

For top-performing stocks in the FTSE 250, promotion to the large-cap FTSE 100 beckons. For bottom performers, relegation to the FTSE SmallCap is a prospect. Below we highlight some of the most notable individual stock returns from amongst the FTSE 250 constituents of August 1996, measured over the subsequent 26 years (to August 2022):

- The highest return of a FTSE 250 constituent subsequently promoted to the FTSE 100 was from speciality chemicals company Croda International (2143%);
- The lowest return of a FTSE 250 constituent subsequently promoted to the FTSE 100 was from real estate company British Land (101%);
- The highest return of a FTSE 250 constituent remaining in the index was from engineering company Renishaw (739%);
- The lowest return of a FTSE 250 constituent remaining in the index was from financials company Provident Financial (-64%);
- The highest return of a FTSE 250 constituent relegated to the FTSE SmallCap was from industrials company Vitec (now Videndum) (99%);
- The lowest return of a FTSE 250 constituent relegated to the FTSE SmallCap was from industrials company De La Rue (-88%).

Figure 6 Notable FTSE 250 stock returns, 1996-2002

		31/808/1996 – FTSE 250				31/808/2022 – FTSE 100				Change	
		Name	ICB	Full Mcap (£m)	Weight	Name	ICB	Full Mcap (£m)	Weight	Absolute (£m)	Relative
FTSE 250 to FTSE 100	Largest Growth	Croda International PLC	Basic Materials	418.4	0.23%	Croda International PLC	Basic Materials	9384.0	0.48%	8965.6	2142.8%
	Smallest Growth	British Land Co PLC	Real Estate	1983.5	1.09%	British Land Co PLC	Real Estate	3992.9	0.21%	2009.4	101.3%
FTSE 250 to FTSE 250	Largest Growth	Renishaw PLC	Industrials	320.6	0.18%	Renishaw PLC	Industrials	2690.3	0.37%	2369.7	739.1%
	Smallest Growth	Provident Financial PLC	Financials	1219.1	0.67%	Provident Financial PLC	Financials	437.8	0.13%	-781.3	-64.1%
FTSE 250 to FTSE SmallCap	Largest Growth	Vitec Group PLC	Industrials	327.1	0.18%	Vitec Group PLC	Industrials	652.2	1.01%	325.1	99.4%
	Smallest Growth	De La Rue PLC	Industrials	1436.2	0.79%	De La Rue PLC	Industrials	167.8	0.26%	-1268.4	-88.3%

Source: FTSE Russell, 31/08/1996-31/08/2022. Past performance is not a guide to future returns.

# FTSE 250 comparisons

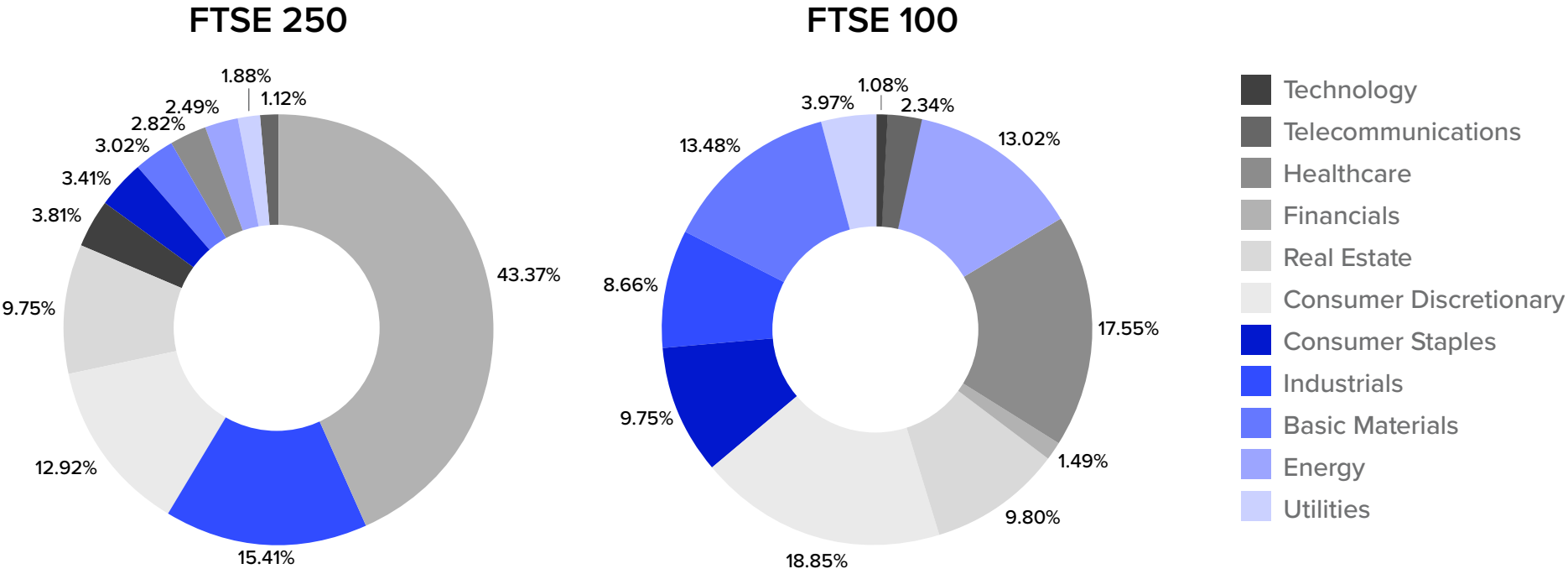
The FTSE 250 has quite different sectoral characteristics from the large-cap FTSE 100 (see Figure 7).

Measured by the 11 industries of the Industry Classification Benchmark (ICB)<sup>12</sup>, as at August 2022 the FTSE 250 had its three largest exposures in financials (43.37 percent), industrials (15.41 percent) and consumer discretionary (12.92 percent).

At the same date, the FTSE 100's largest three industries were consumer discretionary (18.85 percent), healthcare (17.55 percent) and basic materials (13.48 percent).

Figure 7: FTSE 250 and FTSE 100 industry exposures

The FTSE UK Index Series uses the Industry Classification Benchmark (ICB<sup>®</sup>) to classify constituents.



Source: FTSE Russell and London Stock Exchange, as at 31 August 2022.

Past performance in no guarantee of future results. Please see disclaimer for important information.

Please note that all values shown are for the FTSE 250 Total Return Index. Statistics based on FSTE 250 Capital Return Index may differ.

12 See <https://www.ftserussell.com/data/industry-classification-benchmark-icb>

# How do companies get into the FTSE 250?

Industry exposures, however, vary significantly over time, reflecting market trends and the performance of individual stocks. In August 1996, for example, the FTSE 250 index had less than half the weighting in financials it recorded in August 2022, while industrials, consumer discretionary and basic materials had correspondingly higher weightings in 1996 than in 2022 (see Figure 8).

Figure 8 FTSE 250 industry exposures in 1996 and 2022

ICB Industry	Aug-96	Aug-22	Difference
Financials	17.2%	43.37%	26.22%
Real Estate	4.8%	9.75%	4.93%
Technology	0.0%	3.81%	3.81%
Energy	1.5%	2.49%	1.01%
Healthcare	3.1%	2.82%	-0.30%
Consumer Staples	4.6%	3.41%	-1.22%
Telecommunications	2.4%	1.12%	-1.32%
Utilities	6.5%	1.88%	-4.59%
Basic Materials	7.9%	3.02%	-4.90%
Consumer Discretionary	20.9%	12.92%	-7.97%
Industrials	31.1%	15.41%	-15.68%

Source: FTSE Russell, 31/08/1996-31/08/2022. Past performance is not a guide to future returns.

<sup>11</sup> See [https://research.ftserussell.com/products/downloads/FTSE\\_UK\\_Index\\_Series.pdf](https://research.ftserussell.com/products/downloads/FTSE_UK_Index_Series.pdf)



## Did you know? Facts and figures about the FTSE 250

- The index launch date was 12 October 1992
- The record high of the FTSE 250 total return index was 19,523.69 on 6 September 2021
- The record low of the FTSE 250 total return index was 821.64 on 15 October 1992
- The longest consecutive losing streak (based on quarterly returns) was -42.21% between Q2 2007 and Q4 2008
- The longest consecutive winning streak (based on quarterly returns) was 113.13% between Q2 2003 and Q1 2006
- The all-time record daily value traded was £3.25bn on 19 September 2008
- The largest daily rise was 8.37% on 24 March 2020
- The largest daily fall was -9.28% on 12 March 2020
- Eight LSE-listed exchange-traded funds (ETFs) track the FTSE 250
- The first ETF launch was the iShares FTSE 250 UCITS ETF on 26 March 2004
- 44 companies in the index have green revenues, measured by FTSE Russell's green revenues data model
- The greenest constituent is Impax Environmental Markets
- There are 74 closed-end investment companies (investment trusts) in the index

Source: FTSE Russell. Unless otherwise stated, facts and figures are as at 31 August 2022. Past performance is not a guide to future returns.

# Interactions with index users

The primary means of interaction between FTSE Russell and index users (such as asset managers) is through our external advisory committees. These committees are made up of leading investment market professionals from around the world.

Committee members are drawn from organisations that make use of FTSE Russell indices, both on the buy-side and sell-side. The firms typically include asset owners, asset managers and investment consultants, as well as representatives from the broking, custodian, securities lending, digital asset and other communities.

Committee members offer a depth of knowledge, unique viewpoints and share the objective of seeking to preserve the integrity of the indices and a transparent index review process.

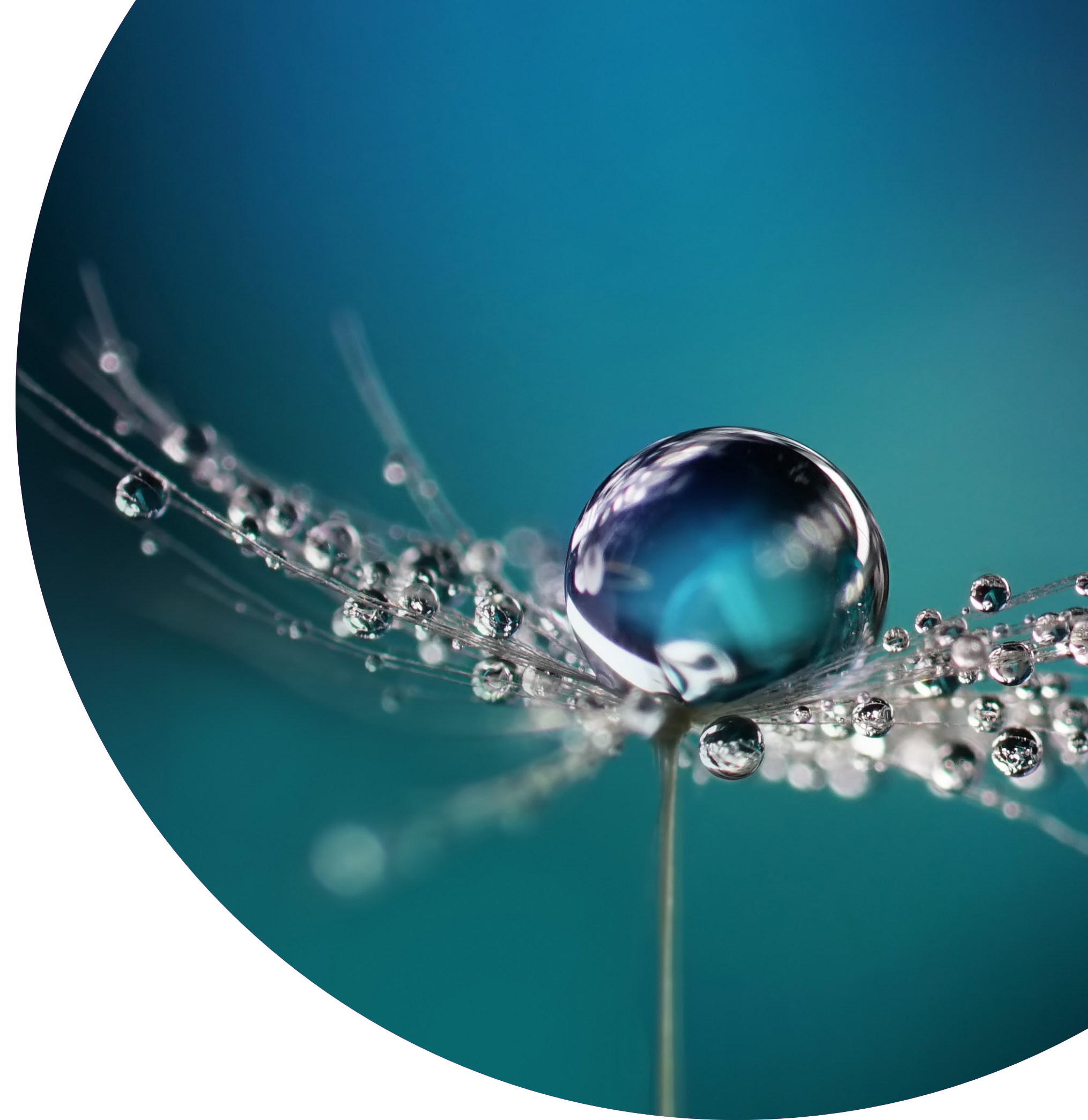
Sometimes, we conduct wider consultations on potential changes to the methodology of our indices to ensure that they continue to meet investors' requirements and define and lead global standards. Responses to these consultations provide valuable market feedback and may result in changes to FTSE Russell index methodologies.

Some of the past consultations with particular relevance for the FTSE UK Equity index series were:

- Market consultation on nationality, cross-holdings and free float in FTSE indices (1999)
- Country classification (2003)
- Market consultation on open offer implementation in the FTSE UK Index Series (2011)
- Market consultation on dual class share structures and the associated minimum voting rights requirement; and on the minimum free float requirements (2021)

Full details of these consultations, and of any resulting changes to the index ground rules, are published on the FTSE Russell website<sup>13</sup>.

<sup>13</sup> <https://www.ftserussell.com/market-consultations>





# Index oversight and governance

As one of the world's leading index providers, FTSE Russell is supervised and regulated both directly and indirectly (for example, by means of funds regulation).

Some of the most relevant global, regional and national regulations and guidelines are:

- The EU (and UK) Benchmark Regulation;
- The International Organization of Securities Commissions (IOSCO) Benchmark Principles;
- The ESMA Guidelines on ETFs and other UCITS issues;
- The US ETF listing standards;
- The EU Markets in Financial Instruments Regulation (MiFIR).

The UK's Financial Conduct Authority (FCA) has granted FTSE International Limited authorisation as a benchmark administrator and FTSE International Limited is listed on the FCA Benchmarks Register. This authorisation covers different asset classes and includes the FTSE Russell, FTSE Canada equity and fixed income index brands that are used as benchmarks in the UK.

FTSE Russell also issues a Statement of Compliance with respect to the recommendations made by the International Organization of Securities Commissions (IOSCO) in the Principles for Financial Benchmarks Final Report (the IOSCO Principles).

As a benchmark administrator, FTSE Russell has processes in place to identify, assess and manage potential conflicts of interest. Any conflicts of interest are recorded in a Conflicts of Interest Register and reviewed periodically in line with our governance framework. Conflicts of interest may arise in areas including organisational ownership, index design, clients, partners or suppliers, individual employees and directors.

These processes are subject to review by the FTSE Russell Index Management Board on an annual basis, or more frequently if the possibility of a conflict arises. If a conflict is identified, management and compliance assess the nature of the conflict and determine what controls may be put in place to manage the conflict adequately, and any disclosure that may be required. In the event that satisfactory controls cannot be established, the activity will be declined or discontinued.





# Gauging the health of the UK economy

Since its launch in 1992, the FTSE 250 has served as a measure of the UK's stock market and as a gauge of the health of the country's economy, both during periods of optimism and during periods of crisis. With a smaller share of overseas earnings, the FTSE 250 has consistently offered a more local and different sectoral focus than the large-cap FTSE 100.

Drawing upon the sixty-year history and heritage of FTSE Russell's index business in the UK, the FTSE 250 offers our clients transparency, quality and a high integrity of index methodology. The index is well-set to continue as investors' preferred mid-cap benchmark as it embarks on its fourth decade.

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### EMEA

+44 (0) 20 7866 1810

### North America

+1 877 503 6437

### Asia-Pacific

HONG KONG +852 2164 3333

TOKYO +81 (3) 6441 1430

SYDNEY +61 (0) 2 7228 5659