

# FTSE UK Dividend Yield Select Index

v1.7



**FTSE  
RUSSELL**

An LSEG Business

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## Section 1

# Introduction

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## 1. Introduction

- 1.1 This document sets out the ground rules for the construction and management of the FTSE UK Dividend Yield Select Index. Copies of the ground rules are available from [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/).
- 1.2 The FTSE UK Dividend Yield Select Index is designed to reflect the performance of high yielding stocks selected from the FTSE 100 Index.
- 1.3 These ground rules should be read in conjunction with the FTSE UK Index Series ground rules, which are available at [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/).
- 1.4 The FTSE UK Dividend Yield Select Index does not take account of ESG factors in its index design.
- 1.5 The total return index includes income based on ex-dividend adjustments.
- 1.6 The index is published in Pounds Sterling (GBP).
- 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 FTSE Fixed Income Europe Limited), FTSE Fixed Income LLC, The Yield Book Inc and Beyond Ratings.
- 1.8 FTSE Russell hereby notifies users of the index series that it is possible that circumstances, including external events beyond the control of FTSE Russell, may necessitate changes to, or the cessation of, the index series and therefore, any financial contracts or other financial instruments that reference the index series or investment funds that use the index series to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index series.
- 1.9 Index users who choose to follow this index series or to buy products that claim to follow this index series 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 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;
  - any inaccuracies in these ground rules;
  - 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 series 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 series<sup>1</sup>.

2.1.2 FTSE is responsible for the daily calculation, production and operation of the index series, 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 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; and
- disseminate the index.

2.1.3 FTSE is responsible for monitoring the performance of the FTSE UK Dividend Yield Select Index throughout the day and will determine whether the status of the Index should be firm, closed, 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 (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.

2.2.2 As provided for in the Statement of Principles for FTSE Russell Equity Indices, 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.

<sup>1</sup> 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 Statement of Principles for FTSE Russell Equity Indices (the Statement of Principles)

Indices need to keep abreast of changing markets and the ground rules cannot anticipate every eventuality. Where the ground 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 FTSE Russell's Index Governance Board.

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

[Statement of Principles.pdf](#)

#### 3.2 Queries and Complaints

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 Recalculation Policy and Guidelines

3.4.1 Where an inaccuracy is identified, FTSE Russell will follow the steps set out in the FTSE Russell Index Recalculation Guidelines when determining whether an index or index series should be recalculated and/or associated data products reissued. Users of the FTSE UK Dividend Yield Select Index will be 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](mailto:info@ftserussell.com).

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

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

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 or a Security.pdf](#)

### **3.6 Policy for Benchmark Methodology Changes**

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

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

### **3.7 FTSE Russell Governance Framework**

- 3.7.1 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 Benchmarks<sup>2</sup>, the European benchmark regulation<sup>3</sup> and the UK benchmark regulation<sup>4</sup>. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE Russell Governance Framework.pdf](#)

### **3.8 Real Time Status Definitions**

- 3.8.1 Please refer to the following guide for details of real time status definitions for indices that are calculated in real time

[Real Time Status Definitions.pdf](#)

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

<sup>3</sup> 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.

<sup>4</sup> The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019.

## Section 4

# Methodology

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## 4. Methodology

### 4.1 Data cut-off date

The data cut-off date for the determination of price, dividend yield and liquidity data is the close of business on the last trading day of the month before the review month.

### 4.2 Liquidity

4.2.1 Liquidity is defined as the average daily trading volume (in GBP) over the three months prior to the data cut-off date.

### 4.3 Dividend yield

4.3.1 The dividend yield is the 12-month trailing (realised) dividend yield as of the cut-off date.

### 4.4 Upside return

4.4.1 The upside return is the average positive daily return over the 12 months prior to the cut-off date.

### 4.5 Eligible constituents

4.5.1 The eligible constituents are those in the FTSE 100 index with liquidity (rule 4.2.1) of greater than GBP 10 million.

### 4.6 Selection and weighting of constituents

4.6.1 From the eligible constituents (rule 4.5), the 40 stocks having the highest upside return (rule 4.4) are selected.

4.6.2 From the 40 selected stocks, the 20 with the highest dividend yield (rule 4.3) are selected.

4.6.3 The 20 selected stocks are weighted in proportion to liquidity (rule 4.2.1) and capped at 10%, with excess weight redistributed in proportion to liquidity.

## Section 5

# Periodic review of constituents

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## 5. Periodic review

- 5.1 The FTSE UK Dividend Yield Select Index will be reviewed quarterly in March, June, September and December, based on liquidity, yield and price data at the close of business on the last trading day of the month prior to review, with constituents of the FTSE 100 Index as of the Monday following the third Friday of the review month.
- 5.2 The review will be implemented after the close of business on the third Friday of March, June, September and December in line with the underlying FTSE 100 Index.



## Section 6

# Changes to constituent companies

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## 6. Changes to constituent companies

### 6.1 Intra-review additions

6.1.1 Additions into the FTSE 100 Index will be considered for inclusion in the FTSE UK Dividend Yield Select Index at the next review.

### 6.2 Intra-review deletions

A constituent will be removed from the FTSE UK Dividend Yield Select Index if it is also removed from the underlying FTSE 100 Index. A minimum of two days' notice will be provided and its weight will be distributed pro-rata amongst the remaining constituents.

## Section 7

# Corporate actions and events

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## 7. Corporate actions and events

7.1 If a constituent of a FTSE UK Dividend Yield Select 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 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 Capitalisation Weighted Indices using the following link:

[Corporate Actions and Events Guide for Non Market Cap Weighted Indices.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. These include the following:

- capital repayments
- rights issues/entitlement offers
- stock conversion
- splits (sub-division)/reverse splits (consolidation); and
- 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, if 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.

### 7.3 Takeovers, mergers and demergers

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

### 7.4 Suspension of dealing

Suspension of dealing rules can be found within the Corporate Actions and Events Guide for Non Market Capitalisation Weighted Indices.

## Section 8

# Index calculation method

## 8. Index calculation method

### 8.1 Prices

8.1.1 The FTSE UK Dividend Yield Select Index uses actual closing mid-market or last trade prices, where available, for securities with local market quotations. Further details can be accessed using the following link:

[Closing Prices Used For Index Calculation.pdf](#)

### 8.2 Calculation frequency

8.2.1 The index series will be calculated on an end-of-day basis.

### 8.3 Index calculation

8.3.1 The index series is calculated using the algorithm described below:

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

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 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 weight adjustment 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:

$$c_i = \frac{\widehat{W}_i}{W_i}$$

where  $\widehat{W}_i$  are the constituent index weights as calculated in Section 5 and  $W_i$  are the underlying eligible universe investable market capitalisation index weights as at the most recent review date; and

- $d$  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 opening and closing hours

Index	Open	Close
FTSE UK Dividend Yield Select Index		
Monday to Friday	8:00	16:30

**Note**

1. The indices will be calculated during normal trading hours of the London Stock Exchange and will be closed on UK holidays.

## Appendix B

# Further information

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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 UK Dividend Yield Select 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](mailto:info@ftserussell.com).

**Website:** [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/)

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