

# Recalculation Policy and Guidelines – Equity Indices

v3.1



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# Recalculation Policy and Guidelines – Equity Indices

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## FTSE Russell Recalculation Policy

This document sets out FTSE Russell's<sup>1</sup> Index Recalculation Policy. This policy and the FTSE Russell Index Recalculation Guidelines below only apply to those indices where the relevant Ground Rules (FTSE) or Construction and Methodology (Russell) refer to this policy.

FTSE Russell makes every effort to maintain its indices to high standards. Nevertheless, inaccuracies may arise in the index and constituent data from time to time and investors, index constituents, licensees or other market participants should be aware of this. Such inaccuracies may arise as a result of a range of events, including the complexity of certain corporate events, late announced or missed dividends, pricing inaccuracies, external disruptions or market distortions, incorrect, incomplete or late data input whether occurring internally or externally to FTSE Russell, and incorrect application of index criteria such as free floats, industry sectors or constituent make-up.

Where an inaccuracy is identified, FTSE Russell will follow the steps set out in the FTSE Russell Index Recalculation Guidelines below when determining whether an index or index series should be recalculated (or updated on a go forward basis) and/or associated data products reissued. Due to the complexity of corporate events and the unpredictable nature of the issues which could arise, these guidelines should not be construed as definitive rules to determine the steps FTSE Russell will take whenever an inaccuracy is identified. In addressing inaccuracies, in complex cases, FTSE Russell reserves the right to consult market participants as to the appropriate course of action, including the decisions on whether to recalculate indices and/or reissue its associated data products.

FTSE Russell does not accept any responsibility to investors, index constituents, licensees, or other market participants for the accuracy of the index or its constituent data, and accepts no liability for any losses, damages, claims, or expenses suffered by any person as a result of any errors or inaccuracies in the compilation or calculation of the index or any constituent data, whether arising as result of negligence or otherwise.

## FTSE Russell Recalculation Guidelines

The guidelines followed by FTSE Russell when determining whether an index or index series should be recalculated and/or associated data files reissued are set out below. The terms of the FTSE Russell Index Recalculation Policy apply to these guidelines. For custom indices and indices which are only tracked by a single index user, FTSE Russell may consult the index user on the appropriate course of action. For broad data issues which have impacted the implementation of an index review, FTSE Russell may conduct a wider consultation with impacted index users before determining appropriate remedial action.

For inaccuracies relating to Sustainable Investment data used within FTSE Russell indices, please also refer to the Sustainable Investment Data Recalculation Policy and Guidelines:

[Recalculation Policy and Guidelines ESG Products.pdf \(ftserussell.com\)](#)

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<sup>1</sup> 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, The Yield Book Inc and Beyond Ratings.

## Remedial Action

Data inaccuracies occurring in the two business days prior to discovery will be reviewed and recalculated (where appropriate) if the impact is greater than the threshold detailed below.

Inaccuracies which occurred prior to the two business day period will generally not be considered for recalculation unless the inaccuracy is exceptional. However, in certain circumstances (as detailed in the table below), a forward update may be implemented for inaccuracies which occurred prior to two business days before discovery.

FTSE Russell reserves the right to determine the best course of remedial action. This can include a forward update to ensure the index is replicable. Before determining appropriate treatment consideration will be given to the time passed since the inaccuracy occurred, materiality, the proximity to the next review, or whether the inaccuracy impacts the replicability or the tracking of the index, or quarter-end or year-end index values.

## Recalculation Threshold

A performance inaccuracy greater than 0.01 bps in any of the indices listed in Appendix A will necessitate an index update. However, this list is not exhaustive and FTSE Russell may consider other indices, if extenuating circumstances exist for a particular index other than those listed in the table. For example, if the index is used as the basis for a passive ETF or due to the estimated size of assets under management tracking the index, an update may be conducted.

## Pricing, Market and Exchange Rate Issues, Name and Identifier Changes

Identified Issue	Remedial Action	Recalculation	Data File Reissue
Individual security incorrect price or currency	Recalculation if threshold is breached	Y	Y
Whole market incorrectly priced (regardless of reason)	Recalculation regardless of impact	Y	Y
Incorrect exchange rates	Recalculation regardless of impact	Y	Y
Index not calculated (outside of market holiday)	Recalculation regardless of impact	Y	Y
Name or Identifier change is missed or incorrect	Applied the next trading day	N	N

## Regular Dividends

The following details how FTSE Russell treats issues with 'regular' dividends. For more information on dividend treatment in FTSE Russell indices please see the [Corporate Actions and Events Guide](#).

Identified Issue	Remedial Action	Recalculation	Data File Reissue
Incorrect currency captured on or after ex-date	Recalculation if threshold breached	Y	Y
Incorrect amount captured on ex-date	Intra-day adjustment is applied	N	Y
Incorrect amount captured after ex-date (where ex-date <b>is not</b> the last business day of the month)	Apply compensatory dividend the next trading day.  Please note: Where capture date falls in a different month to the ex- date then treatment will be a Recalculation (e.g. ex-date 29 June, captured on 1 July)	N	N
Incorrect amount captured after ex-date (where ex-date is the last business day of the month)	Recalculation if threshold breached.	Y	Y

Identified Issue	Remedial Action	Recalculation	Data File Reissue
Dividend applied on a date prior to actual ex-date (where ex-date is in a different month to the application date)	Recalculation if threshold breached	Y	Y
Dividend applied on a date prior to actual ex-date (where ex-date is in the same month to the application date)	Apply compensatory dividend the next trading date and apply dividend for new ex-date  Please note: where actual ex-date falls within two business days of original application, no corrective action will be taken	N	N
Missed dividend captured on or after ex-date (where ex-date is not the last business day of the month) captured on or before the pay date	Applied the next trading day	N	N
Missed dividend captured on or after ex-date (where ex-date is the last business day of the month)	Recalculation if threshold breached	Y	Y
Cancelled dividend captured on or before pay date	Negative adjustment applied the next trading day	N	N
Cancelled dividend captured after pay date	No adjustment applied	N	N
Withholding tax rate	Recalculation if threshold breached	Y	Y

## Special Dividends/Capital Repayments

Identified Issue	Remedial Action	Recalculation	Data File Reissue
Missed/Cancelled/Incorrect terms/Incorrect date – Captured on ex-date	Intra-day adjustment is applied	N	Y
Missed/Cancelled/Incorrect terms/Incorrect date – Announced prior to ex-date captured after ex-date but on or before the pay date	Recalculation if threshold breached and discovered within two-day recalculation window. If not, a compensatory adjustment is applied for the next trading day	Y	Y
Terms revised – Captured after ex-date but on or before pay date	Compensatory adjustment applied for the next trading day	N	N
Missed/Cancelled/Incorrect terms/Incorrect date – Captured after pay date	No adjustment applied	N	N
Incorrect Withholding Tax	Recalculation if threshold breached	Y	Y

## Rights Issues

Identified Issue	Remedial Action	Recalculation	Data File Reissue
Rights Issue or Open Offer Missed/Cancelled/Incorrect Terms/Incorrect Date – Captured on ex-date	Intra-day adjustment is applied. See rights issue section of Corporate Actions and Events Guide for additional scenarios	N	Y
Rights Issue or Open Offer Cancelled – Captured after ex-date	Rights shares removed from the index at the rights price, giving appropriate advanced notice	N	N
Rights Issue or Open Offer Missed – Captured after ex-date but before subscription period ends	Rights applied giving appropriate advanced notice	N	N
Rights Issue or Open Offer Missed – Captured after subscription period ends	Additional shares added to the index following the regular index review process. No adjustment is applied	N	N

Identified Issue	Remedial Action	Recalculation	Data File Reissue
Rights Issue or Open Offer applied with incorrect terms – Captured after ex-date but before subscription period ends	Recalculation if threshold breached and captured within two days of ex-date. Otherwise, rights shares added/removed with compensatory adjustment	Y	Y
Rights Issue or Open Offer applied with incorrect terms – Captured after subscription period ends	Shares added/removed as necessary in line with the regular index review process	N	N
Rights Issue or Open Offer applied on incorrect date – Captured after ex-date	Rights issue removed and reapplied or no further action as deemed appropriate	N	N

## Other Corporate Events including Spin-offs, Bonus Issues, Stock Splits, and Consolidations

Identified Issue	Remedial Action	Recalculation	Data File Reissue
Missed/Cancelled/Incorrect Terms/Incorrect Date – Captured on ex-date	Intra-day adjustment is applied	N	Y
Missed/Cancelled/Incorrect Terms/Incorrect Date – Announced prior to the ex-date but captured after ex-date	Recalculation if threshold is breached	Y	Y
Missed/Cancelled/Incorrect Terms/Incorrect Date – Announced and captured after ex-date	Intra-day adjustment is applied	N	Y
Incorrect valuation of spin-off	See spin-off section of Corporate Actions and Events Guide for more details	N	Y

## Review Changes, Share and Free Float Updates

During the quarterly review/annual reconstitution lock-down period, FTSE Russell will generally avoid any further updates or revisions to ensure index stability during the period prior to the review/reconstitution implementation. However, egregious shares and free float inaccuracies discovered within the lock-down period or during the week following the review/reconstitution may be updated if the projected change compromises the replicability of the index OR if the change places potential price pressure on the company OR if there is a material inaccuracy of 50% or greater (relative) to index shares.

Any inaccuracy discovered and requiring an update during the lock-down period or the week following the review will be implemented with appropriate notice (in accordance with the notice requirements of the impacted indices). All other shares and free float inaccuracies will be updated at the following quarterly index review.

Identified Issue	Remedial Action	Recalculation	Data File Reissue
Company incorrectly added to/omitted from the index. See below for treatment in fixed number constituent indices	Remove/Add (& replace where necessary) with a minimum of two trading days' notice	N	N
Company incorrectly included in/omitted from fixed number constituent indices	<p>If it is discovered that a company has been incorrectly included in a fixed number constituent index, it will normally be removed with a minimum of two trading days' notice. The replacement company will be the company that was incorrectly omitted based on rankings at the original selection date.</p> <p>If it is discovered that a company has been incorrectly omitted from a fixed number constituent index, it will normally be added with a minimum of two trading days' notice. The company to be removed will be the company</p>	N	N

Identified Issue	Remedial Action	Recalculation	Data File Reissue
	<p>that was incorrectly added based on rankings at the original selection date.</p> <p>Note that FTSE Russell will consider all circumstances before confirming index treatment (e.g. proximity to the next review and the likelihood of reverse turnover).</p>		
Company incorrectly added to/omitted from an upcoming review	Update for the review effective date if appropriate notice allows or with a minimum of two trading days' notice, regardless of being discovered during the review lock-down period.	N	N
New or existing constituent with incorrect weight	Shares and free float updates are generally implemented at the next quarterly review (unless an inaccuracy in the index review is deemed to be egregious) or earlier where in accordance with index rules	N	N
Company added to the wrong index/sector	Update with a minimum of two trading days' notice	N	N
Foreign Ownership Restriction (FOR) omitted or more restrictive than investability weight	Update with a minimum of two trading days' notice	N	N

# Appendix A

Index Family	Indices Impacted
<b>FTSE GEIS</b>	FTSE Global All Cap Index Series (Large, Mid and Small Cap) FTSE All-World Index Series (Large and Mid Cap) FTSE World Index Series (Large and Mid Cap – Developed and Advanced Emerging only) FTSE Developed, FTSE Emerging FTSE Global Small Cap Index Series (Small Cap) FTSE Developed Small Cap, FTSE Emerging Small Cap
<b>FTSE UK Series</b>	FTSE 100, FTSE 250, FTSE All Share
<b>FTSE Italia Series</b>	FTSE MIB, FTSE MIB Dividend, FTSE Italia PIR Mid Cap
<b>FTSE Frontier Indices</b>	FTSE Frontier 50
<b>FTSE China A Indices</b>	FTSE China A50, FTSE China A All Cap
<b>FTSE Global China Inclusion Index</b>	FTSE Emerging Markets All Cap China A Inclusion
<b>Other FTSE Indices</b>	FTSEurofirst 80, BIC 50, FTSE Vietnam, FTSE China 50
<b>Partner and Exchange Indices</b>	
<b>FTSE EPRA Nareit</b> <b>FTSE Nareit</b>	FTSE EPRA Nareit Real Estate Index Series FTSE Nareit Index Series
<b>FTSE JSE</b>	FTSE/JSE Africa Index Series
<b>FTSE RAFI</b>	FTSE/RAFI Developed, FTSE/RAFI Emerging
<b>FTSE ASFA Australia Series</b>	Large Cap 50, Mid Cap 150, Small Cap
<b>Exchange Partner Indices</b>	FTSE Bursa Malaysia KLCI, STI, FTSE SET Large Cap, FTSE TWSE Taiwan 50
<b>Russell US Indices</b>	Russell 1000, Russell 2000, Russell Microcap
<b>Russell RAFI Indices</b>	Russell RAFI Global, Russell RAFI US Large Company, Russell RAFI US Small Company

# Further information

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For further information on FTSE Russell Indices please visit [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/) or e-mail [info@ftserussell.com](mailto:info@ftserussell.com).

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