

FTSE EPRA Nareit Global Real Estate Index Series – Ground Rule Update

20 December 2019

FTSE Russell would like to inform clients of the following updates to the FTSE EPRA Nareit Global Real Estate Index Series effective from March 2020:

Section 5: Criteria & Periodic Review of Constituents

5.6 Liquidity

Each security will be tested for liquidity semi-annually in March and September

- **March Review:** liquidity will be tested from the first business day of January to the last business day of December of the previous year.
- **September Review:** liquidity will be tested from the first business day of July of the previous year to the last business day of June of the current year.

A. Each security will be tested for liquidity by calculation of its median daily trading per month.

Security volume data will be taken on trading days from Sunday to Friday (where applicable) when markets are open.

When calculating the median of daily trades per month a minimum of 5 trading days in each month must exist, otherwise the month will be ignored and not used in the count. The liquidity test will be applied on a pro-rata basis where the testing period is less than 12 months.

For each month, the daily trading volume for each security is calculated as a percentage of the shares in issue for that day adjusted by the free float at the last trading day in the testing period. These daily values are then ranked in descending order and the median is taken by selecting the middle ranking day if there is an odd number of days and the mean of the middle two if there is an even number of days.

Daily totals with zero trades are included in the ranking; therefore a security that fails to trade for more than half of the days in a month will have a zero median trading volume for that month.

Any period of suspension will not be included in the test.

- B. Only exchange trading days will be included in the calculation i.e. exchange holidays will be excluded.
- C. New issues which do not have a twelve month trading record must have a minimum 20 day trading record when reviewed. Non-constituent securities which do not turnover at least 0.05% of their shares in issue (after the application of any investability weightings) based on their median daily trading volume per month in ten of the twelve months prior

to a full market review, will not be eligible for inclusion in the Index Series.

- D. An existing constituent must turnover at least 0.04% of its shares in issue (after the application of any free float weightings) based on its median daily trading volume per month for at least eight of the twelve months prior to a full market review. Where an existing constituent fails this test, it will be subject to a further test whereby the last 6 months of the testing period will be assessed on a pro-rata basis. If the constituent passes at least 4 out of the last 6 months (equating to 8 out of 12 months on a pro-rata basis), it will be considered to have passed the liquidity test. Existing constituents which fail both tests will be removed.
- E. New issues which do not qualify as entrants as defined in Rule 6.3.1 will become eligible for inclusion at the next quarterly review providing they trade a minimum of 20 days. They must turnover at least 0.05% of their shares in issue (after the application of any investability weightings) based on their median daily trading volume each month, on a pro-rata basis since listing. For those new issues which do not have at least 50% of total assets invested in real estate, liquidity will be tested from the time the company meets this eligibility criterion. The company should meet these criteria at the time of the review.

An updated copy of the FTSE EPRA Nareit Global Real Estate Index Series Ground Rules (v9.4) is now available using the following link:

FTSE EPRA Nareit Global Real Estate Index Series Ground Rules
[FTSE_EPRA_Nareit_Global_Real_Estate_Index_Series](#)

Or on the FTSE Russell website: www.ftserussell.com

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