

**GROUND RULES FOR THE  
MANAGEMENT OF  
FTSE COAST KUWAIT 40 INDEX**

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## **SECTION 1**

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### **1.0 INTRODUCTION**

- 1.1 This paper sets out the Ground Rules for the Management of FTSE Coast Kuwait 40 Index. Copies of the Ground Rules are available from FTSE.
- 1.2 The FTSE Coast Kuwait 40 Index is designed to represent and relatively track the performance of Kuwait Stock Exchange in real time for the purpose of trading exposure and derivative trading on the Kuwait Stock Exchange.
- 1.3 The FTSE Coast Kuwait 40 Index will be calculated in USD and Kuwait Dinars.

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## SECTION 2

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### 2.0 STATUS OF INDEX

2.1 A Price Index calculated on a real-time basis may exist in the following states:

**a) Firm**

- i. The FTSE Coast Kuwait 40 Index is being calculated during Official Market Hours (see Appendix A). No message will be displayed against the Index values calculated by FTSE.
- ii. The Official Closing Price for FTSE Coast Kuwait 40 Index will be the Exchange Official Closing Price for the whole market.

**b) Closed**

The FTSE Coast Kuwait 40 Index has ceased all calculations for the day. The message 'CLOSE' will be displayed against the Index values calculated by FTSE.

**c) Held**

During Official Market Hours, Index has exceeded pre-set operating parameters and the calculations have been suspended pending resolution of the problem. The message 'HELD' will be displayed against the last Index values calculated by FTSE.

**d) Indicative**

If there is a system problem or a situation in the market that is judged to affect the quality of the constituent prices at any time when the Index are being calculated, the Index will be declared indicative (e.g. normally where a 'fast market' exists in the equity market). The message 'IND' will be displayed against the Index values calculated by FTSE.

**e) Part**

If the index is being calculated during the normal Official Index Period hours, but there are less than 75% of the constituents by capitalisation available with firm prices, then the index will be displayed with the message 'PART' to indicate that only a proportion of the securities prices are included. With the exception of the message 'PART', the index will continue to be calculated and displayed as if it were firm.

2.2 The official opening and closing hours of the Index are set out in Appendix A. Variations to the official hours of the Index will be published by FTSE.

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## SECTION 3

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### 3.0 MANAGEMENT RESPONSIBILITIES

There are three groups involved in the management of the FTSE Coast Kuwait 40 Index

- a) FTSE Policy Group
- b) FTSE Coast Kuwait 40 Index Advisory Committee
- c) Coast Investment & Development Company

#### 3.1 FTSE Policy Group

- 3.1.1 FTSE is responsible for the calculation of the FTSE Coast Kuwait 40 Index. FTSE will maintain records of the market capitalisation of all constituents and will make changes to the constituents and their weightings in accordance with the Ground Rules. FTSE will implement constituent changes resulting from the semi annual review, or as otherwise required by this methodology.

#### 3.2 FTSE Coast Kuwait 40 Index Advisory Committee

- 3.2.1 The Advisory Committee will be established by FTSE and Coast Investment & Development Company – Kuwait to ensure that the management and ongoing operations of the FTSE Coast Kuwait 40 Index is independent and according to the ground rules.
- 3.2.2 The committee meets at least twice a year to review and approve all constituent changes and to ensure that such changes are implemented in accordance with the Ground Rules. The Advisory Committee will also be responsible for ensuring that the Ground Rules follow best market practice and will review and approve all changes to the Rules.

#### 3.3 Coast Investment & Development Company

- 3.3.1 Coast Investment & Development Company is responsible for providing the local expertise in monitoring any changes in the constituents.

#### 3.4 FTSE & Coast

- 3.4.1 FTSE & Coast are responsible for the implementation of corporate events and actions according to the Ground Rules. FTSE will present an audit report to the Advisory Committee twice per year. The Committee may recommend changes to the operation of the Index following consideration of the audit report.

#### 3.5 Status of These Ground Rules

- 3.5.1 These Ground Rules are a guide to the policies and procedures applying at the date of publication to the operation and maintenance to the FTSE Coast Kuwait 40 Index. They have been prepared and approved by FTSE. However, these policies and procedures, and their precise application, are subject to variation and periodic review.

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## SECTION 3

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- 3.5.2 The purpose of publishing this guide is to provide information about the general basis on which decisions relating to the calculation and publication of FTSE Coast Kuwait 40 Index are currently made.
- 3.5.3 In light of the intended purpose of this guide, and the likely variation and periodic review of the policies and procedures it contains, no liability whether as a result of negligence or otherwise is accepted by FTSE (or any person concerned with the preparation or publication of this guide) for any losses, damages, claims and expenses suffered by any person as a result of:
- a) Any reliance on this guide, and/or
  - b) Any errors or inaccuracies in this guide, and/or
  - c) Any non-application or misapplication of the policies or procedures described in this guide, and/or
  - d) Any errors or inaccuracies in the compilation or any constituent data.

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## **SECTION 4**

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### **4.0 ELIGIBLE SECURITIES**

- 4.1 All constituents listed in Kuwait Stock Exchange are eligible for inclusion in the FTSE Coast Kuwait 40 Index, with a limitation of a maximum of two companies that are not domiciled in Kuwait, called hereafter "non Kuwaiti".

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## **SECTION 5**

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### **5.0 INDEX QUALIFICATION CRITERIA**

- 5.1 Companies in Kuwait Stock Exchange are ranked by investable market capitalisation and by liquidity which is based on the previous 12 months average shares traded value.
- 5.2 A weight of 60% is applied on the investable market capitalisation and a 40% is applied for the liquidity. The top 40 companies after the ranking are therefore eligible for the FTSE Coast Kuwait 40 Index.
- 5.3 Index constituents are weighted on by investable market capitalisation.
- 5.4 The constituents should have been listed for over than 180 days in the Kuwait Stock Exchange to be included in Index universe.
- 5.5 Constituents suspended from trading for 6 consecutive months or more shall be excluded, and are only eligible for inclusion after 1 year from the date suspension has been uplifted.

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## SECTION 6

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### 6.0 PERIODIC REVIEW OF CONSTITUENTS

#### 6.1 Review Dates

6.1.1 The Advisory Committee will meet semi-annually in April and October to review the constituents of the FTSE Coast Kuwait 40 Index. The constituent reviews will be based on data collected after the close of the FTSE Coast Kuwait 40 Index calculation on the last day trading day of April and October. Constituent changes will be implemented after the close of the index calculation on the third Thursday in May and November.

#### 6.2 Steps for Conducting a Review

6.2.1 The periodic review of the constituents will follow the same procedures that have been applied to formulate the index, and the steps are:

6.2.2 All listed companies in Kuwait Stock Exchange are ranked by each of the following

- a) Investable market capitalisation
- b) Liquidity

6.2.3 All the listed companies are ranked according to the investable market capitalisation; the first 100 companies are set to be compared with the first 100 liquid companies.

6.2.4 All the listed companies are ranked according to their liquidity; the first 100 companies are filtered to be matched with the first 100 companies chosen in Rule 6.2.2.

6.2.5 If the company was available at the investable market capitalisation ranking and was not available at the liquidity ranking, the company will be filtered and removed, and vice versa.

6.2.6 For each company the final rank is calculated by weighting the investable market capitalisation rank at 60% and the liquidity rank at 40%.

6.2.7 The final rank list of constituents should have no more than two non-Kuwaiti companies.

6.2.8 Once an index component is no longer eligible security, it is removed from the index and replaced by the highest-ranked non-constituent company.

#### 6.3 Rules for Insertion and Deletion at the Periodic Review

6.3.1 The rules for inserting and deleting securities at the periodic review are designed to provide stability in the selection of constituents of FTSE Coast Kuwait 40 Index, while ensuring that the index continue to represent the market by including or excluding those securities which have risen or fallen significantly.

6.3.2 A company will be inserted at the periodic review if it rises to the 25th position or above when the eligible securities for FTSE Coast Kuwait 40 Index are ranked by investable market capitalisation and liquidity.

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## SECTION 6

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- 6.3.3 A company will be deleted at the periodic review if it falls to 55th position or below when the eligible securities for FTSE Coast Kuwait 40 Index are ranked by investable market capitalisation and liquidity.
- 6.3.4 A constant number of constituents will be maintained for FTSE Coast Kuwait 40 Index. 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 qualify to be deleted than those qualifying to be inserted, the securities of the highest ranking companies which are presently not included in the index will be inserted to match the number of companies being deleted at the periodic review.
- 6.3.5 If the highest non-constituent was a non-Kuwaiti, and the maximum eligible number of non-Kuwaiti companies is already included within the constituents, the following eligible Kuwaiti non-constituent will take its place.
- 6.4 **Reserve List**
- 6.4.1 Coast will be responsible for publishing the 10 highest ranking non-constituents of FTSE Coast Kuwait 40 Index at the time of the periodic review. The reserve list will be used at the time of deletion to any constituent in FTSE Coast Kuwait 40 Index, and will be replaced by the highest ranking non constituent.

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## SECTION 7

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### 7.0 CHANGES TO CONSTITUENT COMPANIES

#### 7.1 New Issues

- 7.1.1 Additions into the FTSE Coast Kuwait 40 Index apart from new issues will only be applied at the next review. If a new issue is so large that the effectiveness of the index would be significantly and adversely affected by its omission, the new issue will be deferred to the Committee board where a decision is to be made.
- 7.1.2 For a new issue to qualify for inclusion into the index its full market capitalisation i.e. before the application of any investability weighting, is required to rise to the 25th position, as stated in Rule 6.3.2.

#### 7.2 Deletions and Replacements

- 7.2.1 Where an existing FTSE Coast Kuwait 40 Index constituent is no longer eligible to remain in the Index due to not meeting the index requirements detailed in Section 4. The constituent will be removed from the Index. For example, a constituent would be deleted from an Index if no longer listed on an eligible exchange. The vacancy will be filled by selecting the highest ranking non-constituent by full market capitalisation i.e. before the application of any investability weighting, from the appropriate reserve list as at the close of the index calculation two days prior to the deletion.

#### 7.3 Mergers, Restructuring and Complex Takeovers

- 7.3.1 If a FTSE Coast Kuwait 40 Index constituent is acquired by a non-constituent, the company will be removed from the Index. The vacancy will be filled by selecting the highest ranking non-constituent by full market capitalisation i.e. before the application of any investability weighting, from the reserve list as at the close of the index calculation two days prior to the deletion.
- 7.3.2 Where two index constituents merge, or one index constituent is acquired by another constituent a vacancy will be created. This vacancy will be filled by selecting the highest ranking non-constituent by full market capitalisation i.e. before the application of any investability weighting, from the reserve list as at the close of the index calculation two days prior to the deletion.
- 7.3.3 If an index constituent has a complex reorganisation or demerger, the newly spun-off company will remain eligible for inclusion in the FTSE Coast Kuwait 40 Index subject to passing the criteria detailed in section 4 and its full market capitalisation i.e. before the application of any investability weighting; being larger than the smallest Index constituent.
- 7.3.4 If the Advisory Committee decides to include a new issue as a constituent security other than as part of the normal periodic review procedure, this decision must be publicly announced at the earliest practicable time.

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## **SECTION 7**

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### **7.4 Suspension of Dealing**

- 7.4.1 Where a suspension of a constituent lasts 3 trading days, the Chairman and Auditor will consult members of the Advisory Committee to consider whether the constituent should be removed. FTSE will also need to be notified at this point. When a stock has been suspended for ten consecutive trading days (and the Committee has not exercised its discretion to remove it), it will be deleted from the Index on the eleventh trading day. When a stock is otherwise removed following suspension of its quote, the stock will be removed at its suspension price unless otherwise decided by the Advisory Committee.
- 7.4.2 FTSE is required to provide notice to the market 2 days before a current constituent is removed from the index.

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## SECTION 8

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### 8.0 CHANGES TO CONSTITUENTS WEIGHTINGS

- 8.1 The review of the constituents weightings will take place quarterly in March, June, September and December of each year.
- 8.2 If a constituent accounts more than 25% of the weights of the index, then the committee will decide if and when the index is to be capped. If it is decided that the index is to be capped.
- 8.3 Any changes in constituents or corporate actions/events which take place on the following business day will be taken into account before the capping procedure is applied.
- 8.4 The free float and investability weightings for each index are taken into account before the capping procedure is applied.
- 8.5 If accumulated changes in the number of shares in issue add up to 10% or more, they are implemented between quarters. A minimum of 4 days notice will be given to users of the index. Reuters Spot Rates will be used to convert the market capitalisation into USD. If an adjustment is made, it will be applied for the first time at the next review in April of the following year.

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## **SECTION 9**

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### **9.0 AMENDMENTS TO THE GROUND RULES**

- 9.1 Changes and exceptions to these Ground Rules can be authorized only by the Advisory Committee. In the event that the Advisory Committee or any of those responsible for the operation and administration of the Index consider that an exception should be made to any of the Ground Rules, the issue must be brought to the attention of the Chairman or Auditor (or their deputies), who will normally put the matter to the Advisory Committee for a decision. If, however, the matter is urgent, the Chairman and the Auditor (or their deputies) are empowered to authorize an exception on behalf of the Advisory Committee but must immediately notify, and subsequently refer the matter to, a meeting of the Advisory Committee. Where an exception is granted to the Ground Rules, it shall not be deemed to create a precedent for future decisions of the Advisory Committee.

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## APPENDIX A

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### INDEX OPENING AND CLOSING HOURS

<b>Index</b>	<b>Open</b>	<b>Close</b>
FTSE Coast Kuwait 40 Index	06:00 (GMT)	09:45 (GMT)

#### **Delivery**

FTSE Coast 40 index will be real time at price level in KWD.

**Vendor:** Reuters

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## APPENDIX B

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### FURTHER INFORMATION

For further information and enquiries log on to: [www.ftse.com](http://www.ftse.com) or e-mail [info@ftse.com](mailto:info@ftse.com).

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