

# FTSE ENHANCED LIQUIDITY RULE

On 22nd Dec 2006, FTSE announced an enhanced liquidity measure in the FTSE Global Index Series. The enhancement will provide investors with a more accurate representation of true investability of companies in our global indices.

This method has been developed in concert with the FTSE Index Committees, consisting of leading market professionals from around the globe, including, amongst others, pension plan trustees, investment managers and financial analysts.

The new enhanced method will be implemented at the FTSE Asia Pacific ex Japan Review conducted in March 2007.

## WHAT ARE THE CHANGES?

Previous FTSE Liquidity Rule	Enhanced FTSE Liquidity Rule
The previous liquidity rule was based on a monthly total trading volume of free-float adjusted shares in issue (monthly volume / free float adjusted shares in issue).	The enhanced liquidity method is based on a monthly median of daily liquidity for every trading day of the month (daily volume / free float adjusted shares in issue). These values are ranked and the middle value will be the median for that month.

  

Event	Previous FTSE Liquidity Rule	Enhanced FTSE Liquidity Rule
<b>Additions at review</b>	<ul style="list-style-type: none"> <li>Must trade <b>0.5%</b> of free-float adjusted shares in issue based on monthly total trade in <b>10 out of 12 months</b></li> </ul>	<ul style="list-style-type: none"> <li>Must trade <b>0.05%</b> of free-float adjusted shares in issue based on median trade in <b>10 out of 12 months</b></li> </ul>
<b>Existing constituent</b>	<ul style="list-style-type: none"> <li>Must trade at least <b>0.5%</b> of its free-float adjusted shares in issue based on monthly total trade per month in <b>8 out of 12 months</b></li> </ul>	<ul style="list-style-type: none"> <li>Must trade at least <b>0.04%</b> of its free-float adjusted shares in issue based on its median daily trade per month in <b>8 out of 12 months</b></li> </ul>
<b>New Issues outside review</b>	<ul style="list-style-type: none"> <li>Must turnover at least <b>0.5%</b> of its free-float adjusted shares in issue per month in <b>10 out of 12 months</b></li> <li>New issues which do not have a twelve month trading record must turnover at least <b>0.5%</b> of its free-float adjusted shares in issue per month in <b>each month</b> since their listing</li> </ul>	<ul style="list-style-type: none"> <li>Must turnover at least <b>0.05%</b> of its free-float adjusted shares in issue based on their median daily trade per month in <b>each month</b> since their listing. Minimum three month trading record</li> </ul>

## WHAT ARE THE BENEFITS?

Change	Benefit
<ul style="list-style-type: none"> <li>Using the median of daily trading volume instead of total monthly trading volume.</li> </ul>	<ul style="list-style-type: none"> <li>Provides a more accurate representation of true investability daily liquidity than is achieved either by a monthly total or average portrays.</li> <li>Excludes stocks that fail to trade for more than half of the trading days in a month.</li> <li>Avoids distortion by extreme values.</li> <li>Excludes stocks that only trade heavily during a few days of the month.</li> </ul>
<ul style="list-style-type: none"> <li>Increased threshold for stocks to enter index.</li> </ul>	<ul style="list-style-type: none"> <li>Avoids previously deemed illiquid companies to re-enter the index.</li> </ul>
<ul style="list-style-type: none"> <li>IPO seasoning. Increased threshold to a minimum of 3 months trading prior to entering the index.</li> </ul>	<ul style="list-style-type: none"> <li>Avoids adding new issues with initial high turnover post IPO listing.</li> </ul>

FOR FURTHER INFORMATION VISIT [WWW.FTSE.COM](http://WWW.FTSE.COM), EMAIL [INFO@FTSE.COM](mailto:INFO@FTSE.COM) OR CALL YOUR LOCAL FTSE OFFICE:

BEIJING +86 10 6515 9265 BOSTON +1 888 747 FTSE (3873) FRANKFURT +49 (0) 69 156 85 144 HONG KONG +852 2230 5800

LONDON +44 (0) 20 7866 1810 MADRID +34 91 411 3787 NEW YORK +1 888 747 FTSE (3873)

PARIS +33 (0) 1 53 76 82 88 SAN FRANCISCO +1 888 747 FTSE (3873) TOKYO +81 3 3581 2811