

**GROUND RULES FOR THE
MANAGEMENT OF THE
FTSE MULTINATIONAL INDEX SERIES
(Including the Local Index Series)**

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SECTION 1

1.0 INTRODUCTION

- 1.1 This paper sets out the Ground Rules for the management of the FTSE Multinational Index Series by FTSE. Copies of these Ground Rules are available on www.ftse.com.
- 1.2 The FTSE Multinational Index Series is designed to create a family of indices which recognise the significance of Multinational and Local (i.e. non-Multinational) companies.
- 1.3 The following indices are calculated:
- a) Constituents of the FTSE Developed Index are classified as Multinational or Local and allocated in the relevant index. The following Indices are calculated:

FTSE Multinational Index
FTSE Developed ex Multinationals Index
FTSE Local UK
FTSE Local Europe
FTSE Local Europe ex UK
FTSE Local Eurobloc
FTSE Local USA
FTSE Local Japan
FTSE Local Asia Pacific ex Japan
FTSE Local Australia
FTSE Local Austria
FTSE Local Belgium/Luxembourg
FTSE Local Canada
FTSE Local Denmark
FTSE Local Finland
FTSE Local France
FTSE Local Germany
FTSE Local Greece
FTSE Local Hong Kong
FTSE Local Ireland
FTSE Local Italy
FTSE Local Netherlands
FTSE Local New Zealand
FTSE Local Norway
FTSE Local Portugal
FTSE Local Singapore
FTSE Local Spain
FTSE Local Sweden
FTSE Local Switzerland
FTSE Multinational Sectors
FTSE Local Japan Sectors
FTSE Local UK Sectors
FTSE Local USA Sectors
FTSE Shariah Multinationals 150 Index

SECTION 1

- b) Constituents of the FTSE Multinational Index (see above) that are common to the FTSE All-Share Index (in the UK Index Series) are removed from the remaining constituents of the FTSE All-Share Index in order to calculate the:

FTSE All-Share ex Multinationals

- 1.4 The FTSE Multinational Index and the FTSE Developed ex Multinationals Index when combined will constitute the FTSE Developed Index.
- 1.5 The FTSE Multinational Index Series is calculated at the end of each business day and is available in Euros, Japanese Yen, UK Pounds Sterling and US Dollars. The base currency for the Index Series is US Dollars.
- 1.6 The FTSE Shariah Multinationals 150 Index will also be calculated in real time every 15 seconds in US Dollars.
- 1.7 Unless specifically detailed in this document, all areas of the methodology regarding the management of the FTSE Multinationals Index Series are related to the FTSE Global Equity Index Series and FTSE UK Series Ground Rules. The FTSE Multinationals Indices methodology should therefore be read in conjunction with these Rules. These rules are available on www.ftse.com.
- 1.8 Capital and Total Return Indices are available. The Total Return Indices are calculated using annualised dividends.

SECTION 2

2.0 STATUS OF REAL TIME INDICES

2.1 The FTSE Shariah Multinationals 150 Index is calculated in real time every 15 seconds and may exist in the following states:

(a) Firm

The index is being calculated using trade prices from the relevant local stock exchanges for all constituents during the hours of the Official Index Period.

The Official Closing Index for the FTSE Shariah Multinationals 150 Index is the last index value calculated at the end of the firm period.

(b) Closed

When the index has ceased all calculations for the day, the message 'CLOSED' is displayed against the index value.

(c) Held

During the firm period, the index has exceeded pre-set operating parameters and calculation has been suspended pending resolution of the problem. The message 'HELD' is displayed against the last index value calculated.

(d) Indicative

If there is a system problem or a situation in the market that is judged to be affecting the quality of the constituent prices at any time when the index is being calculated, the index will be declared indicative. The message 'IND' will be displayed against the index value.

(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.

SECTION 3

3.0 INDEX MANAGEMENT

- 3.1 The FTSE Multinational Index Series is managed by the FTSE Equity Indices Committee.
- 3.2 The FTSE Equity Indices Committee is responsible for undertaking the review of the FTSE Multinational Index Series and for approving changes to the constituents. The FTSE Equity Indices Committee may also approve changes to the Ground Rules.
- 3.3 FTSE is responsible for the calculation of the FTSE Multinational Index Series. 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 the resulting constituent changes from the annual review or as otherwise required by the Ground Rules.
- 3.4 Changes to constituent weightings are made by FTSE in accordance with the Ground Rules. FTSE is responsible for publicising changes to constituent weightings.
- 3.5 FTSE is also responsible for monitoring the performance of the FTSE Shariah Multinationals 150 Index throughout the day and will determine whether the status of the index should be 'firm', 'indicative', 'held' or 'part'.

SECTION 4

4.0 ELIGIBLE SECURITIES

- 4.1 Each security must be a current constituent of the FTSE Developed Index or, in the case of the FTSE All-Share ex Multinationals Index, a constituent of the FTSE All-Share Index (in the UK Index Series).
- 4.2 The share weighting of an individual constituent is the same as in the FTSE Developed Index or the FTSE All-Share Index, based on the investability weightings of that index.
- 4.3 Ground Rules for the FTSE Developed Index and the FTSE UK Index Series are available on www.ftse.com.
- 4.4 FTSE Shariah Multinationals 150 Index
 - 4.4.1 The FTSE Shariah Multinationals 150 Index will consist of the top 150 Shariah compliant companies when ranked by full market capitalisation at review.
 - 4.4.2 Each security in the FTSE Multinational Index must be included in the FTSE Multinational Index to be eligible for inclusion in the FTSE Shariah Multinationals 150 Index.
 - 4.4.3 Each security in the FTSE Multinational Index must pass the Shariah screening criteria, based on the screening process provided by Yasaar, to be eligible for inclusion in the FTSE Shariah Multinationals 150 Index.
 - 4.4.4 For further details on the Shariah screening methodology, please refer to the FTSE Shariah Global Equity Index Series Ground Rules which are available on www.ftse.com.

SECTION 5

5.0 INDEX QUALIFICATION CRITERIA

- 5.1 Companies are included in the appropriate FTSE Multinational or Local Index if they are current constituents of the FTSE Developed Index.
- 5.2 The following procedure is used to categorise Multinational and Local constituents.
- Companies are classified as “Local” if 70% or more of their sales as determined by the latest published annual report and accounts are considered to be in their domestic region.
 - Companies are classified as “Multinational” if more than 30% of their sales are considered to be outside their domestic region.

Domestic regions as classified as follows:

- Europe/Middle East/Africa
- Americas
- Asia Pacific

SECTION 6

6.0 PERIODIC REVIEW OF CONSTITUENTS

- 6.1 The FTSE Multinational Index is reviewed annually in September using data available as at end of June.
- 6.2 Changes arising from the annual review will be implemented after the close of business on the third Friday in September.
- 6.3 All constituents are reviewed by reference to the latest available published annual report and accounts for eligibility in the Multinational or Local category. Any separately published corporate event activity will be taken into account at the annual multinational review.
- 6.4 A 10% banding will be applied when reviewing the eligibility of existing constituents moving from a Local to Multinational classification and vice versa.
- A Local constituent must report more than 40% of sales outside of its domestic region to qualify as a Multinational constituent.
 - A Multinational constituent must report less than 20% of its sales outside of its domestic region to be re-classified as a Local constituent.
- 6.5 FTSE Shariah Multinationals 150 Index Review Process
- 6.5.1 The FTSE Shariah Multinationals 150 Index will be reviewed using data as at the last working day in August.
- 6.5.2 At review, all constituents of the FTSE Shariah Multinationals 150 Index must be existing or pending constituents to the FTSE Multinational Index. The review will therefore take into consideration any constituent changes to the FTSE Multinational Index announced by the FTSE Equity Indices Committee at their September meeting.
- 6.5.3 A company will be inserted into the FTSE Shariah Multinationals 150 Index at the periodic review if it passes the Shariah criteria and rises to the 125th position or above when the eligible companies are ranked by full market capitalisation (before the application of any investability weightings).
- 6.5.4 A company in the FTSE Shariah Multinationals 150 Index will be deleted at the periodic review if it fails the Shariah criteria or if it falls to the 176th position or below when the eligible companies are ranked by full market capitalisation (before the application of any investability weightings).

SECTION 6

- 6.5.5 A constant number of constituents will be maintained for the FTSE Shariah Multinationals 150 Index. Where a greater number of companies qualify to be inserted in the Index than those qualifying to be deleted (see Rules 6.5.3 and 6.5.4), the lowest ranking constituents presently included in the index will be deleted to ensure that an equal number of companies are inserted and deleted at the periodic review. Likewise, where a greater number of companies qualify to be deleted than those qualifying to be inserted (see Rules 6.5.3 and 6.5.4), 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.
- 6.5.6 The Shariah screening from Yasaar will be reassessed quarterly in March, June, September and December. The Shariah screening process uses data as at the last working day of February, May, August and November taking into account new companies being added to the FTSE Multinational Index and implemented on the working day after the third Friday of March, June, September and December.
- 6.6 FTSE Shariah Multinationals 150 Index Reserve List
- 6.6.1 FTSE is responsible for publishing the fifteen highest ranking non-constituents of the FTSE Shariah Multinationals 150 Index. This Reserve List will be used in the event that one or more constituents are deleted from the FTSE Shariah Multinationals 150 Index during the period up to the next annual review.
- 6.6.2 The Reserve List is refreshed on a quarterly basis using data as at the last working day of February, May, August and November. At each quarter, the fifteen highest ranking non-constituents will be selected when eligible companies are ranked by full market capitalisation.
- 6.6.3 Where a company is removed from the Index (under Section 7) between the review cut-off date and the implementation date, the highest ranking company by full market capitalisation from the updated Reserve List will replace the deleted company.

SECTION 7

7.0 CHANGES TO CONSTITUENT COMPANIES

7.1 Removal

- 7.1.1 A constituent will be removed from the FTSE Multinational Index Series if it ceases to be a constituent of the FTSE Developed Index. The removal will be concurrent with its removal from the FTSE Developed Index.
- 7.1.2 A constituent will be removed from the FTSE All-Share ex Multinational Index if it ceases to be a constituent of the FTSE All-Share Index (in the UK Index Series). The removal will be concurrent with its removal from the FTSE All-Share Index.
- 7.1.3 A constituent that is removed from the FTSE Shariah Multinationals 150 Index will be replaced by the highest ranking company by full market capitalisation eligible on the Reserve List (see Rule 6.6) as at the close of the index calculation five days prior to the deletion.

7.2 Additions

- 7.2.1 A constituent will be included in the FTSE Multinational Index Series, subject to its classification under Rule 5.2 if it is added to the FTSE Developed Index. The inclusion in the FTSE Multinational Index Series will be concurrent with its inclusion in the FTSE Developed Index.
- 7.2.2 A constituent will be included in the FTSE All-Share ex Multinational Index, unless it is also a constituent of the FTSE Developed Index and classified as Multinational under Rule 5.2 if it is added to the FTSE All-Share Index. The inclusion in the FTSE All-Share ex Multinational Index will be concurrent with its inclusion in the FTSE All-Share Index.

7.3 New Issues

- 7.3.1 All fast entries to the FTSE Developed Index will be considered for inclusion in the FTSE Multinational Index Series. The Multinational definition as described in Rule 5.2 will be applied to determine if the stock is a Multinational or Local constituent. The constituent will be added to the FTSE Multinational Index Series concurrent with its inclusion in the FTSE Developed Index.
- 7.3.2 All fast entries into the FTSE All-Share Index will be considered for inclusion in the FTSE All-Share ex Multinational Index, unless they are also constituents of the FTSE Developed Index and classified as Multinational under Rule 5.2. The inclusion in the FTSE All-Share ex Multinational Index will be concurrent with its inclusion in the FTSE All-Share Index.
- 7.3.3 Any fast entries entering the FTSE Multinational Index will be eligible to be included in the FTSE Shariah Multinationals 150 Index Reserve List if the company passes the Shariah criteria in the next review as detailed in Rule 6.6.2.

SECTION 7

7.4 Corporate Events

- 7.4.1 A constituent's classification as Multinational or Local will be reviewed and adjusted if necessary following a corporate event subject to the 10% banding as described under Rule 6.4. If the corporate event includes a corporate action which affects the indices, any change in classification will be implemented at the same time as the corporate action. If there is no corporate action, the change in classification will be applied as soon as practicable after the corporate event.

SECTION 8

8.0 CONTACTING FTSE

8.1 Further information on the FTSE Multinational Index Series is available from FTSE, who will also welcome comments on these Ground Rules and on the Index.

8.2 Enquiries should be addressed in the first instance to:

UK

Client Services
FTSE
12th Floor,
10 Upper Bank Street,
Canary Wharf,
London E14 5NP

+44 (0) 20 7866 1810
+44 (0) 20 7866 8958 (fax)

e-mail: info@ftse.com

USA – East Coast

Client Services
FTSE
22nd Floor,
199 Water Street,
New York,
NY 10038

+1 212 771 6980
+1 212 771 6610 (fax)

e-mail: info@ftse.com

USA – West Coast

Client Services
FTSE Americas Inc.
251 Post Street,
Suite 200,
San Francisco, CA 94108

+1 415 445 5660
+1 415 445 5666 (fax)

e-mail: info@ftse.com

France

Client Services
FTSE
40 rue La Boétie
75008 Paris

+33 (0) 1 53 76 82 88
+33 (0) 1 53 76 82 71 (fax)

e-mail: info@ftse.com

Australia

Client Services
FTSE
Level 25, Chifley Tower,
Sydney,
NSW 2000,
Australia

+61 2 9293 2866
+61 2 9293 2828 (fax)

e-mail: info@ftse.com

Spain

Client Services
FTSE
Paseo de la Castellana 66,
28046 Madrid,
Spain

+34 (0) 91 411 37 87

e-mail: info@ftse.com

Hong Kong

Client Services
FTSE
Suite 2903-2909, 29th Floor,
Two International Finance Centre
No. 8 Finance Street,
Central, Hong Kong

+852 2230 5800
+852 2230 5804 (fax)

e-mail: info@ftse.com

In Singapore please ring +65 223 3738

Japan

Client Services
FTSE
Yamato Seimei Building 21st Floor,
1-1-7 Uchisaiwaicho,
Chiyoda-Ku
Tokyo

+81 3 3581 2811
+81 3 3581 1423 (fax)

e-mail: info@ftse.com

Website: www.ftse.com

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