



**GROUND RULES FOR THE
MANAGEMENT OF THE
FTSE FINLAND 25 INDEX**

TABLE OF CONTENTS

1.0	Introduction	3
2.0	Status of Index	4
3.0	Index Management	5
4.0	Eligible Securities	6
5.0	Index Qualification Criteria	7
6.0	Periodic Review of Constituent Companies	8
6.1	Review Date	8
6.2	Steps for Conducting a Review	8
6.3	Capping Dates	8
7.0	Changes to Constituent Companies	9
7.1	New Issues	9
7.2	Deletions	9
7.3	Mergers and Takeovers	9
7.4	Split/Demerger	9
7.5	Suspension of Dealing	9
7.6	Relisting of Suspended Constituents	10
8.0	Changes to Constituent Weightings	11
9.0	Index Calculation	12
APPENDICES		
A	Index Opening and Closing Hours	13
B	Capping Methodology	14
C	Further Information	15

SECTION 1

1.0 INTRODUCTION

- 1.1 This paper sets out the Ground Rules for the Management of the FTSE Finland 25 Index. Copies of the Ground Rules are available from FTSE.
- 1.2 The FTSE Finland 25 Index is designed to reflect the performance of the largest 25 Finland listed securities, ranked by full market capitalisation, i.e. before the application of any investability weighting.
- 1.3 The FTSE Finland 25 Index is calculated in Euro.
- 1.4 Index constituents are weighted on investable market capitalisation.
- 1.5 The FTSE Finland 25 Price Index is calculated in real-time and published every 15 seconds.
- 1.6 Total Return Index is published at the end of each working day. The Total Return Indices are based on ex dividend adjustments.
- 1.7 Unless specifically detailed in this document, all areas of the methodology regarding the management of the FTSE Finland 25 Index are similar to the FTSE Global Equity Index Series Ground Rules. The FTSE Finland 25 Index methodology should therefore be read in conjunction with the FTSE Global Equity Index Series Ground Rules. These rules are available on www.ftse.com.

SECTION 2

2.0 STATUS OF INDEX

2.1 The FTSE Finland 25 Index is calculated in real time and may exist in the following states:

a) Firm

The Index is being calculated during Official Market Hours (see Appendix A). No message will be displayed against the Index values.

The Official Closing Prices for the FTSE Finland 25 Index is will be the Official Closing Prices (see Appendix A).

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.

2.2 The official opening and closing hours of the FTSE Finland 25 Index is set out in Appendix A. Variations to the official hours of the Indices will be published by FTSE.

2.3 The FTSE Finland 25 Index will not be calculated on Finland Public Holidays.

SECTION 3

3.0 MANAGEMENT RESPONSIBILITIES

3.1 FTSE

3.1.1 FTSE is responsible for the calculation of the FTSE Finland 25 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.

3.1.2 Changes to constituent weightings will be made by FTSE in accordance with the Ground Rules. FTSE is responsible for publicising and keeping a record of all changes to constituent weightings.

3.2 Re-Calculations

3.2.1 The FTSE Finland 25 Index is recalculated whenever errors or distortions occur that are deemed to be significant. Users of the FTSE Finland 25 Index are notified through appropriate media.

3.3 Status of These Ground Rules

3.3.1 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 Finland 25 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.

3.3.2 The purpose of publishing this guide is to provide information about the general basis on which decisions relating to the calculation and publication of the FTSE Finland 25 Index are currently made.

3.3.3 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.

SECTION 4

4.0 ELIGIBLE SECURITIES

- 4.1 The universe of eligible constituents is all the Finnish securities that are current constituents of the FTSE Global Equity Index Series will be eligible for Index inclusion, subject to conforming to all other rules of eligibility, free float and liquidity.

SECTION 5

5.0 INDEX QUALIFICATION CRITERIA

- 5.1 To be included in the index, a stock must pass free float and liquidity criteria.
- 5.2 The FTSE Finland 25 Index follows the same Index qualification criteria as defined in the FTSE Global Equity Index Series. Please refer to the FTSE Global Equity Index Series Ground Rules for more information. These rules are available on www.ftse.com.

SECTION 6

6.0 PERIODIC REVIEW OF CONSTITUENT COMPANIES

6.1 Review Dates

- 6.1.1 The FTSE Finland 25 Index will be reviewed semi-annually in January and July using market data at the close of the last trading day in December and June respectively.
- 6.1.2 Changes to the index will be implemented after close of business on the third Friday in January and July respectively.
- 6.1.3 FTSE will be responsible for publicising the outcome of the periodic review.

6.2 Steps for Conducting a Review

- 6.2.1 Eligible securities are taken from FTSE Global Equity Index Series Finland Index.
- 6.2.2 These have been screened for size, liquidity and free float as part of the FTSE Global Equity Index Series review.
- 6.2.3 Stocks are then ranked in descending order by their full market capitalisation.
- 6.2.4 Top 25 constituents ranked by full market capitalisation are selected for FTSE Finland 25 Index.

6.3 Capping Dates

- 6.3.1 The constituents of the FTSE Finland 25 Index are capped at 10% using prices adjusted for corporate actions as at the close of business on the second Friday in January, April, July and October. The capping is implemented after close of business on the third Friday in January, April, July and October based on the constituents, shares in issue and free float on the next trading day following the third Friday of the capping month.

SECTION 7

7.0 CHANGES TO CONSTITUENT COMPANIES**7.1 New Issues**

- 7.1.1 The FTSE Finland 25 Index will not have intra-review additions.
- 7.1.2 The new issues will be reviewed for index inclusion at the next semi-annual review. When a stock is added to the universe i.e. FTSE Global Equity Index Series, it will be therefore considered for inclusion at the next semi-annual review of the FTSE Finland 25 Index.

7.2 Deletions and Replacements

- 7.2.1 A stock will be deleted from the FTSE Finland 25 Index when the constituent is removed from the FTSE Global Equity Index Series.
- 7.2.2 Constituents will be deleted from the index when confirmation is received that acceptance levels have reached a minimum of 85% and that any new shares of the bidding company (if applicable) are listed (exceptionally, for constituents of the UK Index, the qualifying announcement is that the offer has been declared wholly unconditional). A company deleted following a takeover, with a remaining free float of 15% or less, will be re-considered for index inclusion when a stock is added to the universe i.e. FTSE Global Equity Index Series.

7.3 Mergers, Restructuring and Complex Takeovers**7.3.1 Mergers / Takeovers between Constituents**

If the effect of a merger or takeover is that one constituent in the FTSE Finland 25 Index is absorbed by another constituent, the resulting company will remain a constituent of FTSE Finland 25 Index at the combined weight.

7.3.2 Mergers / Takeovers between a Constituent and a Non-Constituent

If a constituent company in the FTSE Finland 25 Index is taken over by a non-constituent company, the original constituent will be removed from the Index.

7.4 Splits / Demergers

- 7.4.1 If an index constituent has a complex reorganisation or demerger, the newly spun-off company will remain eligible for inclusion in FTSE Finland 25 Index.

7.5 Suspension of Dealing

- 7.5.1 Where a constituent is suspended it may remain in the FTSE Finland 25 Index, at the price at which it is suspended, for up to 10 business days. During this time on advice from FTSE may agree to delete the constituent immediately either at its suspension price or at a value of zero. This change will be effected after the close of the index calculation and prior to the start of the index calculation on the following day. Removing a constituent at zero indicates that the stock is believed to be valueless.
- 7.5.2 When a suspension of a constituent lasts beyond noon on the tenth business day (and the option to remove the constituent has not been exercised), the constituent will normally be deleted from the index on the eleventh trading day, either at its suspension price or at zero. Where suspension is for a reason not to the detriment of the constituent, it may be retained or removed at its suspension price.

SECTION 7

7.6 **Re-listing of Suspended Constituents**

- 7.6.1 If a company relists then it will be eligible for inclusion in the FTSE Finland 25 Index at the next semi-annual review providing it meets the eligibility criteria as defined in Section 5.

SECTION 8

8.0 CHANGES TO CONSTITUENT WEIGHTINGS

- 8.1 For the purposes of computing the FTSE Finland 25 Index and to prevent a large number of insignificant weighting changes, the number of shares in issue for each constituent security is amended only when the total shares in issue held within the index system changes by more than 1% on a cumulative basis.
- 8.2 If a corporate action is applied to a constituent of the index which involves a change in the number of shares in issue, the change in shares will be applied simultaneously with the corporate action.
- 8.3 Changes of shares in issue not arising from corporate actions, amounting to less than 10% of the number of shares in issue but more than 1% will be made quarterly after the close of business on the third Friday of March, June, September and December.
- 8.4 If accumulated changes in the number of shares in issue add up to 10% or more or when an accumulated share change represents USD 2bn of a company's total market capitalisation, they are implemented between quarters. A minimum of 4 days notice will be given to users of the index. WM/Reuters Spot Rates will be used to convert the market capitalisation into USD. The USD 2bn threshold may be adjusted annually in December by FTSE. If an adjustment is made, it will be applied for the first time at the next review in June of the following year.
- 8.5 All adjustments are made before the start of the index calculations on the day concerned, unless market conditions prevent this.

SECTION 9

9.0 INDEX CALCULATION

9.1 Prices

9.1.1 The FTSE Finland 25 Index uses actual trade prices for securities with local stock exchange quotations. Reuter's real-time spot currency rates are used in the index calculation.

9.2 Calculation Frequency

9.2.1 The FTSE Finland 25 Index will be calculated in real-time and published every 15 seconds during their opening hours using real time prices.

9.3 Index Calculation

9.3.1 The FTSE Finland 25 Index will be displayed to two decimal points.

9.3.2 The FTSE Finland 25 Index is calculated using the following formula:

$$\sum_{i=1}^N \frac{(p_i \times e_i \times s_i \times f_i \times c_i)}{d}$$

Where,

- $i = 1, 2, \dots, N$
- N is the number of securities in the Index.
- p_i is the latest trade price of the component security (or the price at the close of the Index on the previous day).
- e_i is the exchange rate required to convert the security's currency into the Index's base currency.
- s_i is the number of shares in issue used by FTSE for the security, as defined in these Ground Rules.
- f_i is the Investability Weighting Factor to be applied to a security to allow amendments to its weighting, expressed as a number between 0 and 1, where 1 represents a 100% free float. This factor is published by FTSE for each security in the underlying index.
- c_i is the Capping Factor to be applied to a security to correctly weight that security in the index. This factor maps the investable market capitalisation of each stock to a notional market capitalisation for inclusion in the Index. This factor is published by FTSE for each security in the Index.
- d is the divisor, a figure that represents the total issued share Capital of the Index at the base date. The divisor can be adjusted to allow changes in the issued share Capital of individual securities to be made without distorting the Index.

APPENDIX A

INDEX OPENING AND CLOSING HOURS

Index	Open	Close
FTSE Finland 25 Index	08:00 (GMT)	16:30 (GMT)

APPENDIX B

CAPPING METHODOLOGY

The algorithm is applied to each constituent of the FTSE Finland 25 that requires capping. Any constituents whose weights are greater than 10% are capped at 10%. The weights of all lower ranking constituents are increased as a consequence of reducing the weights of the bigger stocks. The remaining lower ranking constituents are then checked and if they exceed 10% they are also capped at 10%. This process is repeated until no constituent weight exceeds 10%.

The Constituent Capping Factor c_i is given by:

$$c_i = \frac{Z}{I \times (p_i \times s_i \times f_i)} \sum_{j \in J} (p_j \times s_j \times f_j)$$

Where,

- i denotes the security to be capped.
- j denotes an uncapped security.
- J is the subset of securities that are uncapped.
- p_k is the official closing price of the k^{th} security.
- s_k is the number of shares in of the k^{th} security.
- f_k is the free float factor of the k^{th} security.
- I is the percentage of the index represented by all uncapped constituents.
- Z is the percentage capping level.

APPENDIX C

FURTHER INFORMATION

For further information and enquiries log on to: www.ftse.com

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