

## FTSE UK Index Series User Consultation June 2011

FTSE is inviting users of the FTSE UK Index Series to participate in a market consultation on index methodology. As a business we constantly strive to achieve the highest possible standards in index design and calculation. Listening to the needs of the market has been a critical factor in helping us to achieve our 15 year track record of innovation.

The feedback to the 2011 User Consultation will be presented to FTSE's committees, with proposals for any Ground Rules changes, and thence to the FTSE Policy Group for ratification. FTSE Committees are made up of independent market practitioners.

### How to Respond to the Consultation

We would be grateful if you would spend 15 minutes to respond to our consultation and give us your views. Please visit [www.ftse.com/2011Consultation](http://www.ftse.com/2011Consultation) to view the consultation and respond online.

If you have any questions or comments, please contact us at [consultations@ftse.com](mailto:consultations@ftse.com).

The consultation will close on 29 July 2011.

## Open Offer Implementation

FTSE's current practice is to include open offer shares in the UK index series at market price following the close of the subscription period. Arguably this causes indices to be understated as no adjustment is made to reflect the open offer discount. This understatement may not be severe but during the deleveraging crisis of 2008 FTSE estimates that certain open offers caused the FTSE 250 to be understated by approximately five points.

### FTSE 100 Stocks

In the event of a sizeable open offer from a FTSE 100 stock, any index understatement could adversely affect derivative trades. Consequently FTSE proposes that in the event of a FTSE 100 stock announcing an open offer, FTSE will suspend dissemination of all affected indices until the open offer has been properly implemented in the index (as a pseudo rights issue). The recently announced change to the LSE's Admission and Disclosure Standards requiring an open offer to be announced before 07.15 on the ex-date should ensure that downtime to the FTSE 100 is minimal. However, other indices in which the stock appears will continue to be held for a period whilst the necessary divisor changes are implemented.

- 1 Do you agree that in the event of a FTSE 100 stock announcing an open offer before the open on the ex-date, FTSE should suspend calculation of the FTSE UK series and other indices in which the stock is a constituent to allow for the necessary divisor changes?
- 2 If you believe that index suspension should be subject to an index impact threshold, what should that threshold be in terms of basis points of the FTSE 100?

### Non-FTSE 100 Stocks

FTSE would also like to consult users on the appropriate implementation of open offers on non-FTSE 100 stocks. Users may deem that halting index dissemination for these stocks is both unnecessary and undesirable, but believe other mitigating courses of action are possible.

- 3 Please indicate your preference (from a range of options)