

# FTSE TWSE Taiwan Index Series

v5.1

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## Section 1

# Introduction

## 1. Introduction

- 1.1 This document sets out the Ground Rules for the construction and management of the FTSE TWSE Taiwan Index Series. Copies of the Ground Rules are available from FTSE Russell and the Taiwan Stock Exchange (see Appendix F) or from [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/) and [www.twse.com.tw/zh/page/products/indices/series.html](http://www.twse.com.tw/zh/page/products/indices/series.html).
- 1.2 The FTSE TWSE Taiwan Index Series is designed to represent the performance of the Taiwan stock market. The FTSE TWSE Taiwan Index Series consists of:
  - FTSE TWSE Taiwan 50 Index;
  - FTSE TWSE Taiwan 50 30% Capped Index<sup>1</sup>;
  - FTSE TWSE Taiwan Mid-Cap 100 Index;
  - FTSE TWSE Taiwan Eight Industries Index; and
  - FTSE TWSE Taiwan Technology Index.
- 1.3 The FTSE TWSE Taiwan Index Series does not take account of ESG factors in its index design.
- 1.4 Each index is calculated and published in New Taiwan Dollars in real time and New Taiwan Dollars and US Dollars at the end of the day.
- 1.5 The FTSE TWSE Taiwan Index Series is calculated in real time and published every five seconds.
- 1.6 Total return indices are published at the end of each working day. The total return indices include income based on ex-dividend adjustments.
- 1.7 The base currency of the benchmark is New Taiwan Dollars (TWD). Index values may also be published in other currencies.
- 1.8 FTSE Russell**

FTSE Russell is a trading name of FTSE International Limited, Frank Russell Company, FTSE Global Debt Capital Markets Limited (and its subsidiaries FTSE Global Debt Capital Markets Inc.), FTSE Fixed Income LLC, FTSE (Beijing) Consulting Limited.
- 1.9 FTSE Russell hereby notifies users of the index that it is possible that circumstances, including external events beyond the control of FTSE Russell, may necessitate changes to, or the cessation of, the index and therefore any financial contracts or other financial instruments that reference the index or investment funds that use the index to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index.

<sup>1</sup> For further information on the FTSE TWSE Taiwan 50 30% Capped Index, please see the Capping Methodology Guide which can be accessed using the following link: [Capping Methodology Guide](#).

- 1.10 Index users who choose to follow this index or to buy products that claim to follow this index should assess the merits of the index's rules-based methodology and take independent investment advice before investing their own or client funds. No liability whether as a result of negligence or otherwise is accepted by FTSE Russell for any losses, damages, claims and expenses suffered by any person as a result of:
- any reliance on these Ground Rules;
  - any inaccuracies in these Ground Rules;
  - any non-application or misapplication of the policies or procedures described in these Ground Rules; and/or
  - any inaccuracies in the compilation of the Index or any constituent data.

## Section 2

# Management responsibilities

## 2. Management responsibilities

### 2.1 FTSE International Limited (FTSE)

2.1.1 FTSE is the benchmark administrator of the index series<sup>2</sup>.

2.1.2 FTSE is responsible for the daily calculation, production and operation of the index series, and will:

- maintain records of the index weightings of all constituents and reserve companies;
- make changes to the constituents and their weightings in accordance with the Ground Rules;
- carry out the periodic index reviews of the index series and apply the changes resulting from the reviews as required by the Ground Rules;
- publish changes to the constituent weightings resulting from their ongoing maintenance and the periodic review; and
- disseminate the indices.

2.1.3 FTSE will produce and issue the end-of-day products according to the information obtained as above. FTSE is responsible for producing end-of-day products.

### 2.2 Taiwan Stock Exchange Corporation (TWSE)

2.2.1 TWSE is responsible for real-time calculation and dissemination of the FTSE TWSE Taiwan Index Series throughout the market open period on a trading day.

2.2.2 TWSE will assist in monitoring of all pricing, corporate actions and intraday market issues in relation to the FTSE TWSE Taiwan Index Series.

### 2.3 Amendments to these Ground Rules

2.3.1 These Ground Rules shall be subject to regular review (at least once a year) by FTSE Russell to ensure that they continue to best reflect the aims of the index series. Any proposals for significant amendments to these Ground Rules will be subject to consultation with FTSE Russell advisory committees and other stakeholders if appropriate. The feedback from these consultations will be considered by the FTSE Russell Index Governance Board before approval is granted.

<sup>2</sup> The term administrator is used in this document in the same sense as it is defined in [Regulation \(EU\) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds](#) (the European Benchmark Regulation) and [The Benchmarks \(Amendment and Transitional Provision\) \(EU Exit\) Regulations 2019](#) (the UK Benchmark Regulation).

- 2.4 As provided for in the Statement of Principles for FTSE Russell Equity Indices, where FTSE Russell determines that the Ground Rules are silent or do not specifically and unambiguously apply to the subject matter of any decision, any decision shall be based as far as practical on the Statement of Principles. After making any such determination, FTSE Russell shall advise the market of its decision at the earliest opportunity. Any such treatment will not be considered as an exception or change to the Ground Rules, or to set a precedent for future action, but FTSE Russell will consider whether the rules should subsequently be updated to provide greater clarity.
- 2.5 Material changes to the Ground Rules will be announced in advance to allow for comments from index users and the market in general.

## Section 3

# FTSE Russell index policies

## 3. FTSE Russell index policies

These Ground Rules should be read in conjunction with the following policy documents, which can be accessed using the links below.

### 3.1 Corporate Actions and Events Guide

3.1.1 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide using the following link:

[Corporate Actions and Events Guide.pdf](#)

### 3.2 Statement of Principles for FTSE Russell Equity Indices (the Statement of Principles)

3.2.1 Indices need to keep abreast of changing markets and the Ground Rules cannot anticipate every eventuality. Where the rules do not fully cover a specific event or development, FTSE Russell will determine the appropriate treatment by reference to the Statement of Principles, which summarises the ethos underlying FTSE Russell's approach to index construction. The Statement of Principles is reviewed annually and any changes proposed by FTSE Russell are presented to the FTSE Russell Index Policy Advisory Board for discussion before approval by the FTSE Russell Index Governance Board.

The Statement of Principles can be accessed using the following link:

[Statement of Principles.pdf](#)

### 3.3 Queries and Complaints

3.3.1 FTSE Russell's complaints procedure can be accessed using the following link:

[Benchmark Determination Complaints Handling Policy.pdf](#)

### 3.4 Index Policy for Trading Halts and Market Closures

3.4.1 Guidance for the treatment of index changes in the event of trading halts or market closures can be found using the following link:

[Index Policy for Trading Halts and Market Closures.pdf](#)

### 3.5 Index Policy in the Event Clients are Unable to Trade a Market or a Security

3.5.1 Details of FTSE Russell's treatment can be accessed using the following link:

[FTSE Russell Index Policy in the Event Clients are Unable to Trade a Market or a Security.pdf](#)

### **3.6 Recalculation Policy and Guidelines**

Where an inaccuracy is identified, FTSE Russell will follow the steps set out in the FTSE Russell Index Recalculation Guidelines when determining whether an index or index series should be recalculated and/or associated data products reissued. Users of the FTSE TWSE Taiwan Index Series are notified through appropriate media.

For further information refer to the FTSE Russell Recalculation Policy and Guidelines document, which is available from the FTSE Russell website using the link below or by contacting [info@ftserussell.com](mailto:info@ftserussell.com).

[Recalculation Policy and Guidelines Equity Indices.pdf](#)

### **3.7 Policy for Benchmark Methodology Changes**

3.7.1 Details of FTSE Russell's policy for making benchmark methodology changes can be accessed using the following link:

[Policy for Benchmark Methodology Changes.pdf](#)

### **3.8 FTSE Russell Governance Framework**

3.8.1 To oversee its indices, FTSE Russell employs a governance framework that encompasses product, service and technology governance. The framework incorporates the London Stock Exchange Group's three lines of defence risk management framework and is designed to meet the requirements of the IOSCO Principles for Financial Benchmarks<sup>3</sup>, the European benchmark regulation<sup>4</sup> and the UK benchmark regulation<sup>5</sup>. The FTSE Russell governance framework can be accessed using the following link:

[FTSE Russell Governance Framework.pdf](#)

### **3.9 Real Time Status Definitions**

3.9.1 For indices which are calculated in real time, please refer to the following guide for details of real time status definitions:

[Real Time Status Definitions.pdf](#)

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<sup>3</sup> IOSCO Principles for Financial Benchmarks Final Report, FR07/13 July 2013.

<sup>4</sup> Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds.

<sup>5</sup> The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019.

## Section 4

# Index construction

## 4. Index construction

### 4.1 Eligible securities

The stocks listed on the Taiwan Stock Exchange are eligible to join FTSE TWSE Taiwan Index Series.

All classes of equity in issue are eligible for inclusion in the FTSE TWSE Taiwan Index Series subject to conforming with rules 4.1 to 4.6 (see Appendix A and Appendix B).

Altered-Trading-Method (Full Delivery) Stocks are not eligible to be included in the FTSE TWSE Taiwan Index Series (see Appendix A for definition of Altered-Trading-Method Stocks).

### 4.2 Investability weighting

Constituents of the FTSE TWSE Taiwan Index Series are adjusted for free float and foreign ownership limits.

Further details on free float restrictions can be accessed using the following link:

[Free Float Restrictions.pdf](#)

#### A. Initial weighting

Companies with a free float of 5% or below are excluded from the index.

A company that has a free float greater than 5% but less than or equal to 15% will be eligible for the index providing the full market capitalisation of the company is greater than 2.5 billion US Dollars or equivalent local currency and it qualifies in all other respects. Constituent companies that have a free float greater than 5% but less than or equal to 15% will be deleted from the index if their full market capitalisation is less than USD two billion or equivalent local currency at the time of the review.

#### B. Foreign ownership restrictions

FTSE Russell's index methodology takes account of the restrictions placed on the equity holdings of foreign investors in a company where these have been imposed by a government, regulatory authority or the company's constitution.

Further details of the foreign ownership restrictions can be accessed using the following link:

[Foreign Ownership Restrictions and Minimum Foreign Headroom Requirement.pdf](#)

#### C. Minimum foreign headroom requirement

FTSE Russell defines "foreign headroom" as the percentage of shares available to foreign investors as a proportion of the company's foreign ownership limit (FOL), i.e.  $(FOL - \text{foreign holdings})/FOL$ .

For example, if a company has a foreign ownership limit of 49%, of which 39% is held by foreign investors, the foreign headroom is calculated as 20.41% i.e.  $(49\% - 39\%)/49\%$ .

Further details of the minimum foreign headroom requirement can be accessed using the following link:

[Foreign Ownership Restrictions and Minimum Foreign Headroom Requirement.pdf](#)

### 4.3 Partly paid shares

Where a company's shares are issued partly, or nil, paid, if any, and the call dates are already determined and known, the market price will, for the purposes of calculating its market capitalisation, be adjusted so as to include all such calls (i.e. the fully paid price).

### 4.4 Convertible preference shares

Convertible preference shares are excluded until converted.

### 4.5 Ineligible sectors

4.5.1 Companies whose business is that of holding equity and other investments (e.g. investment trusts) which are classified by the Industry Classification Benchmark (ICB)<sup>6</sup> as closed end investments (30204000) and non-equity investment instruments that are classified by the ICB as open end and miscellaneous investment vehicles (30205000) will not be eligible for inclusion.

### 4.6 Liquidity

4.6.1 Each security will be tested for liquidity annually in March by calculating its monthly median daily trading volume.

- A. When calculating the median daily trading volume per month of any security, a minimum of five trading days in that month must exist, otherwise the month will be excluded from the test.

Liquidity will be calculated for the annual March review from the first business day of March of the previous year to the review cut-off date in February.

For further details please refer to the FTSE Global Equity Index Series – Guide to Calculation Method for the Median Liquidity Test, which can be accessed using the following link:

[Guide to calculation method for liquidity](#)

- B. New issues and newly eligible securities that do not have a 12-month trading record must have a minimum 20 days' trading record when reviewed and will be tested from the date of eligibility. Trading records prior to this date will not be considered. They must turnover at least 0.050% of their shares in issue (after application of any investability weighting\*) based on their median daily trading volume each month on a pro-rata basis since listing.
- C. Securities becoming eligible for addition to the FTSE TWSE Taiwan Index Series under section 4 at the quarterly reviews in March, June, September and December must turnover a minimum of 0.050% of their shares in issue (after application of any investability weighting\*) based on their median daily trading volume each month on a pro-rata basis prior to the quarterly review.
- D. In exceptional market conditions, if trading volumes are very low, the percentage figure stated in rules 4.6.1 and 4.6.1B may be reduced to avoid a large number of constituents being removed from the FTSE TWSE Taiwan Index Series. This discretion may not be applied to individual securities. If this discretion is exercised, a public statement to that effect should be issued at least two weeks prior to the quarterly review.

\*When testing liquidity, the investability weight as at the last date in the testing period will be used for the calculation of the whole of that period.

Please note: where the investability weight is equal or greater to the foreign ownership limit (FOL), then the FOL at the end of the testing period will be used for the calculation for the whole of that period.

<sup>6</sup> FTSE indices migrated to the new ICB classification system in March 2021.

## Section 5

# Qualification criteria

## 5. Qualification criteria

### 5.1 FTSE TWSE Taiwan 50 Index

5.1.1 The FTSE TWSE Taiwan 50 Index consists of the largest 50 companies by full market value (subject to rules 6.3.1 and 6.3.2) that qualify under Section 4 as eligible for inclusion in the index (see Appendix A).

### 5.2 FTSE TWSE Taiwan 50 30% Capped Index

5.2.1 The FTSE TWSE Taiwan 50 30% Capped Index will contain the same constituents as the FTSE TWSE Taiwan 50 Index with companies capped quarterly so that no more than 30% of the index weight may be allocated to a single constituent.

### 5.3 FTSE TWSE Taiwan Mid-Cap 100 Index

5.3.1 The FTSE TWSE Taiwan Mid-Cap 100 Index consists of the next 100 companies ranked by full market value (subject to rules 6.3.1 and 6.3.2), outside the FTSE TWSE Taiwan 50 Index that qualify under Section 4 as eligible for inclusion in the index (see Appendix A).

### 5.4 FTSE TWSE Taiwan Eight Industries Index

5.4.1 The FTSE TWSE Taiwan Eight Industries Index consists of all the constituents from FTSE TWSE Taiwan 50 Index and FTSE TWSE Taiwan Mid-Cap 100 Index with the following Industry Group under the ICB.

A. Energy (60)

B. Basic materials (55)

C. Industrials (50)

D. Consumer staples (45)

E. Healthcare (20)

F. Consumer discretionary (40)

G. Telecommunications (15)

H. Utilities (65)

### 5.5 FTSE TWSE Taiwan Technology Index

5.5.1 The FTSE TWSE Taiwan Technology Index consists of all the constituents from the FTSE TWSE Taiwan 50 Index and the FTSE TWSE Taiwan Mid-Cap 100 Index with classification of industry group technology (10) under the ICB system.

## Section 6

# Review of constituents

## 6. Review of constituents

### 6.1 Review dates

- 6.1.1 The quarterly reviews of the FTSE TWSE Taiwan Index Series take place in March, June, September and December using data from the close of business on the Monday four weeks prior to the review effective date. Any constituent changes will be implemented after the close of business on the third Friday (i.e. effective Monday) of the review month.
- 6.1.2 The annual review will take place at the same time as the March quarterly review, where in addition to the standard review process liquidity will also be tested (see rule 4.6).
- 6.1.3 Details of the outcome of the review and the dates on which any changes are to be implemented will be published after the close of business on the first Friday of the review month to give users of the index sufficient notification of the changes before their implementation.

### 6.2 Responsibilities and reporting

- 6.2.1 FTSE Russell will announce any constituents to be inserted or deleted as part of the quarterly review as governed by rule 6.3. All eligible securities will be ranked by their full market capitalisations (i.e. before the application of any investability weightings).
- 6.2.2 FTSE Russell is responsible for publishing the outcome of the quarterly review.

### 6.3 Rules for insertion and deletion at the quarterly review

- 6.3.1 A company will be inserted at the periodic review if it rises above the position stated below for the relevant index when the eligible securities for the FTSE TWSE Taiwan Index Series are ranked by market value:
- |                                    |   |                         |
|------------------------------------|---|-------------------------|
| FTSE TWSE Taiwan 50 Index          | – | risen to 40th or above  |
| FTSE TWSE Taiwan Mid-Cap 100 Index | – | risen to 130th or above |
- 6.3.2 A company will be deleted at the periodic review if it falls below the position stated below for the relevant index when the eligible securities for the FTSE TWSE Taiwan Index Series are ranked by market value:
- |                                    |   |                          |
|------------------------------------|---|--------------------------|
| FTSE TWSE Taiwan 50 Index          | – | fallen to 61st or below  |
| FTSE TWSE Taiwan Mid-Cap 100 Index | – | fallen to 171st or below |
- 6.3.3 Companies deleted from the FTSE TWSE Taiwan 50 Index at the periodic review will normally be included in the FTSE TWSE Taiwan Mid-Cap 100 Index. Companies added to the FTSE TWSE Taiwan 50 Index at the periodic review will be deleted from the FTSE TWSE Taiwan Mid-Cap 100 Index if it is a constituent at review time.

6.3.4 A constant number of constituents will be maintained for the FTSE TWSE Taiwan 50 Index, the FTSE TWSE Taiwan 50 30% Capped Index and the FTSE TWSE Taiwan Mid-Cap 100 Index. Where a greater number of companies qualify to be inserted in the index than those qualifying to be deleted (see rules 6.3.1 and 6.3.2), 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 6.3.1 and 6.3.2), the securities of the highest-ranking companies that 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 A constant number of constituents will not be maintained for the FTSE TWSE Taiwan Eight Industries Index or the FTSE TWSE Taiwan Technology Index. Changes made to the FTSE TWSE Taiwan 50 Index and the FTSE TWSE Taiwan Mid-Cap 100 Index at the periodic review will be made automatically to the FTSE TWSE Taiwan Eight Industries Index or the FTSE TWSE Taiwan Technology Index, i.e. if a new addition to the FTSE TWSE Taiwan 50 Index or the FTSE TWSE Taiwan Mid-Cap 100 Index with classification industry groups as outlined in rules 5.4.1 and 5.5.1 respectively and is not presently a constituent in the FTSE TWSE Taiwan Eight Industries Index or the FTSE TWSE Taiwan Technology Index, it will be added in the respective index. Naturally the present constituent will be deleted from the FTSE TWSE Taiwan Eight Industries Index or the FTSE TWSE Taiwan Technology Index if it is no longer a constituent in either the FTSE TWSE Taiwan 50 Index or the FTSE TWSE Taiwan Mid-Cap 100 Index at the periodic review.

#### **6.4 Reserve lists**

6.4.1 FTSE Russell is responsible for publishing the five highest-ranking non-constituents of the FTSE TWSE Taiwan 50 Index and 10 highest-ranking non-constituents of the FTSE TWSE Taiwan Mid-Cap 100 index following each quarterly review. This reserve list will be used if one or more constituents are deleted from the FTSE TWSE Taiwan Index Series during the period up to the next quarterly review of the index.

6.4.2 Where a company is removed from the index (under Section 7) after periodic changes to the index have been published but before the periodic changes have been implemented, the highest-ranking company by full market capitalisation from the new reserve list (excluding current index constituents) will replace the deleted company.

6.4.3 If only two reserve list stocks remain available for the FTSE TWSE Taiwan 50 Index or the FTSE TWSE Taiwan 50 30% Capped Index or five remain for the FTSE TWSE Taiwan Mid-Cap 100 Index, FTSE Russell will publish an additional three or five reserve list stocks.

6.4.4 For the publication of additional reserve list stocks, companies will be selected using the rankings determined at the previous quarterly review but will be re-ranked using prices two days prior to the last deletion of a constituent.

#### **6.5 Capping constituent weights at the periodic review**

6.5.1 The constituents of the FTSE TWSE Taiwan 50 30% Capped Index are capped at the quarterly review so that no company represents more than 30% of the index. For further information on the FTSE TWSE Taiwan 50 30% Capped Index, please see the Capping Methodology Guide, which can be accessed using the following link: [Capping Methodology Guide](#).

## Section 7

# Changes to constituent companies

## 7. Changes to constituent companies

### 7.1 Removal and replacement

- 7.1.1 If a constituent is delisted, ceases to have a firm quotation, is subject to a takeover or has ceased to be a viable constituent as defined by the Ground Rules, it will be removed from the list of constituents and, in case of the FTSE TWSE Taiwan 50 Index, the FTSE TWSE Taiwan 50 30% Capped Index and the FTSE TWSE Taiwan Mid-Cap 100 Index, it will be replaced by the highest-ranking company by full market capitalisation eligible on the reserve list (see rule 6.4) as at the close of the index calculation two days prior to the deletion.
- 7.1.2 Where the company to be removed is a constituent of the FTSE TWSE Taiwan 50 Index or the FTSE TWSE Taiwan 50 30% Capped Index, the replacement company will be taken from the highest-ranking company on the FTSE TWSE Taiwan 50 Index reserve list and a constituent removed from the FTSE TWSE Taiwan Mid-Cap 100 Index will be replaced by the highest-ranking company on the FTSE TWSE Taiwan Mid-Cap 100 Index reserve list.
- 7.1.3 Changes made to the FTSE TWSE Taiwan 50 Index, the FTSE TWSE Taiwan 50 30% Capped Index or the FTSE TWSE Taiwan Mid-Cap 100 index will be reflected in the FTSE TWSE Taiwan Eight Industries Index and the FTSE TWSE Taiwan Technology Index.
- 7.1.4 The removal and replacement are effected simultaneously with the provision of a two-day notice period.
- 7.1.5 A company deleted following a takeover, with a remaining free float of 15% or less, will not be re-considered for index inclusion until completion of a one-year trading record.

### 7.2 Mergers, takeovers and splits

- 7.2.1 If the effect of a merger or takeover is that one constituent is absorbed by another constituent in the FTSE TWSE Taiwan 50 Index, the FTSE TWSE Taiwan 50 30% Capped Index or the FTSE TWSE Taiwan Mid-Cap 100 Index, the resulting company will remain a constituent of the Index and a vacancy will be created. This vacancy will be filled by selecting the highest-ranking security by full market capitalisation from the reserve list (see rule 6.4) as at the close of the index calculation two days prior to the deletion and related indices adjusted in accordance with rules 7.1.2 and 7.1.3.
- 7.2.2 If a constituent company in the FTSE TWSE Taiwan 50 Index, the FTSE TWSE Taiwan 50 30% Capped Index or the FTSE TWSE Taiwan Mid-Cap 100 Index is acquired by a non-constituent company, if the company resulting from the takeover is eligible, it will replace the acquired company in the index. If the resulting company is not eligible, the acquired company will be replaced by the highest-ranking company on the reserve list as at the close of the index calculation two days prior to the replacement.
- 7.2.3 If a constituent company is split to form two or more companies, the resulting companies will be eligible for inclusion as index constituents in the appropriate FTSE TWSE Taiwan Index Series based on their respective full market capitalisation(s) i.e., before the application of any investability weighting and if they qualify in all other respects.
- 7.2.4 If a FTSE TWSE Taiwan 50 Index (or FTSE TWSE Taiwan 50 30% Capped Index) constituent splits into two or more companies, one or more of these companies may remain in the FTSE TWSE Taiwan 50 Index.

Where one or more of the new companies are eligible to remain in the FTSE TWSE Taiwan 50 Index, the smallest FTSE TWSE Taiwan 50 Index constituent(s) will become constituent(s) of the FTSE TWSE Taiwan Mid-Cap 100 Index and the lowest FTSE TWSE Taiwan Mid-Cap 100 Index constituent(s) will be deleted.

7.2.5 If a FTSE TWSE Taiwan Mid-Cap 100 Index constituent splits into two or more companies, one or more of these companies may remain in the FTSE TWSE Taiwan Mid-Cap 100 Index. Where one or more of the new companies are eligible to remain in the FTSE TWSE Taiwan Mid-Cap 100 Index, the smallest FTSE TWSE Taiwan Mid-Cap 100 Index constituent(s) will be deleted.

7.2.6 Index constituent changes resulting from a split will be determined based on market values at close on day one of trading and applied with two days' notice. For example, the FTSE TWSE Taiwan 50 Index may have more than 50 companies for three days.

### 7.3 New issues

7.3.1 Where a company, whether an existing constituent or not, undertakes an initial public offering (IPO) of a new equity security, that security will be eligible for fast entry inclusion to the FTSE TWSE Taiwan 50 Index if its full market capitalisation which would ensure the company joins the FTSE TWSE Taiwan 50 Index in 20th position or higher, before the application of individual constituent investability weightings. In such a case, the security will normally be included after the close of business on the fifth day of official trading and advance notification will be given accordingly. In the event of the fifth day of trading occurring during the week of the index review, an eligible fast entrant will be added to the index concurrent with the review effective date. The fast entry security is not required to have a minimum trading record or to pass a liquidity test. The security that is the lowest-ranking constituent by full market capitalisation of the FTSE TWSE Taiwan 50 index will be selected for removal and will normally be included in the FTSE TWSE Taiwan Mid-Cap 100 Index and the security that is the lowest-ranking constituent by full market capitalisation of the FTSE TWSE Taiwan Mid-Cap 100 Index will be selected for removal.

Please note: only those shares being offered for sale in the IPO will be included within the index weighting at the time of fast entry inclusion (subject to not being categorised as restricted shares as defined in the free float restrictions document).

7.3.2 A new equity security (IPO) that does not qualify for fast entry under rule 7.3.1 (but which meets the criteria for eligible securities set out in section 4) will be eligible for inclusion at the next quarterly review, if large enough to become a constituent of the FTSE TWSE Taiwan Index Series at that time. The company may also qualify for inclusion to the FTSE TWSE Taiwan Index Series reserve list (see rule 6.4).

7.3.3 An equity security with a new secondary market listing on TWSE (i.e. where there is a primary listing on another exchange) will be considered for inclusion at the next quarterly review.

7.3.4 Newly eligible securities, for example a non-constituent moving to an eligible market, will be reviewed for inclusion at the next quarterly review.

7.3.5 Variable, best effort and direct listing IPOs\* will not be considered for fast entry inclusion since FTSE Russell is:

- unable to confirm if the minimum free float requirement has been met; and
- unable to assign an accurate free float for the purposes of the index calculation.

7.3.6 Variable, best effort and direct listing IPOs will be considered for index inclusion at the next quarterly review if, by the review cut-off date, a public disclosure\* (which has been published post IPO) is available confirming the updated shareholder structure. Index inclusion remains subject to meeting all other eligibility criteria. If the post IPO shareholder structure has not been disclosed by the review cut-off date, the evaluation of the company will be deferred to a subsequent quarterly review.

\*A public disclosure is typically by way of a company filing, stock exchange notice or shareholding regulatory announcement.

#### **7.4 Suspended companies**

7.4.1 Suspension of dealing rules can be found using the following link:

[Suspended\\_Companies\\_Rule.pdf](#)

7.4.2 If the suspended company is deleted from the index, it will be replaced with the highest-ranking company on the reserve list by full market capitalisation as at the close of the index two days prior to the replacement.

7.4.3 If the procedure detailed in rule 7.4.2 above results in the removal of a constituent of the FTSE TWSE Taiwan Mid-Cap 100 Index to replace a deleted FTSE TWSE Taiwan 50 Index constituent, that FTSE TWSE Taiwan Mid-Cap 100 Index constituent will be replaced with the highest-ranking company by full market capitalisation on the reserve list. All changes will occur simultaneously.

#### **7.5 Altered-Trading-Method (Full Delivery) Stocks**

7.5.1 If a constituent changes status to an Altered-Trading-Method Stock, it will normally be deleted from the FTSE TWSE Taiwan 50 Index, FTSE TWSE Taiwan 50 30% Capped Index or FTSE TWSE Taiwan Mid-Cap 100 Index at the next quarterly review and it will only be reconsidered for index inclusion at the next periodic review after a period of 12 months from its deletion subject to it no longer being classified as an Altered-Trading-Method Stock. For the purposes of the index eligibility, it will be treated as a new issue.

## Section 8

# Corporate actions and events

## 8. Corporate actions and events

8.1 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide using the following link:

[Corporate Actions and Events Guide.pdf](#)

A corporate action is an action on shareholders with a prescribed ex-date. The share price will be subject to an adjustment on the ex-date. These include the following:

- capital repayments;
- rights Issues/entitlement offers;
- stock conversion;
- splits (sub-division)/reverse splits (consolidation); and
- scrip issues (capitalisation or bonus issue).

A corporate event is a reaction to company news (event) that may impact the index depending on the index rules. For example, a company announces a strategic shareholder is offering to sell their shares (secondary share offer) – this could result in a free float weighting change in the index. Where an index adjustment is required, FTSE will provide notice advising of the timing of the change.

### 8.2 Shares in issue

Changes to the number of shares in issue for constituent securities are covered in the Corporate Actions and Events Guide.

### 8.3 Investability weightings

8.3.1 Changes to free float for constituent securities are covered in the Corporate Actions and Events Guide.

## Section 9

# Industry Classification Benchmark (ICB)

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## 9. Industry Classification Benchmark (ICB)<sup>7</sup>

### 9.1 Classification structure

- 9.1.1 The FTSE TWSE Taiwan Index Series constituents are classified into industries, supersectors, sectors and subsectors, as defined by the ICB.
- 9.1.2 Details of the ICB are available from FTSE and published on the FTSE Russell website ([www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/)) and can be accessed using the following link:  
[Industry Classification Benchmark](#)
- 9.1.3 If a current constituent in the FTSE TWSE Taiwan Eight Industries Index or the FTSE TWSE Taiwan Technology Index has a classification change that means it is no longer eligible in its associated Industry Group, the stock will be deleted from the FTSE TWSE Taiwan Eight Industries Index or the FTSE TWSE Taiwan Technology Index. The implementation will be after the close of the index calculation on the third Friday of March, June, September and December.
- 9.1.4 If a constituent in FTSE TWSE Taiwan 50 Index, FTSE TWSE Taiwan 50 30% Capped Index or FTSE TWSE Taiwan Mid-Cap 100 Index changes classification from another industry group to one of the eligible industries of the FTSE TWSE Taiwan Eight Industries Index the stock will be included in the FTSE TWSE Taiwan Eight Industries Index or the FTSE TWSE Taiwan Technology Index. The implementation will be after the close of the index calculation on the third Friday of March, June, September and December.

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<sup>7</sup> FTSE Indices migrated to the new ICB classification system in March 2021.

## Section 10

# Index algorithm and calculation method

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## 10. Index algorithm and calculation method

### 10.1 Prices

- 10.1.1 The FTSE TWSE Taiwan Index Series uses actual trade prices for securities from the Taiwan Stock Exchange. The foreign exchange rates received from WMR FX Benchmarks at the closing time of the Index (see Appendix B and Appendix C) are used to calculate the end of day index values in US Dollars.
- 10.1.2 The FTSE TWSE Taiwan Index Series receives share prices in real time.

### 10.2 Calculation frequency

- 10.2.1 The FTSE TWSE Taiwan 50 Index, the FTSE TWSE Taiwan 50 30% Capped Index, the FTSE TWSE Taiwan Mid-Cap 100 Index, the FTSE TWSE Taiwan Eight Industries Index and the FTSE TWSE Taiwan Technology Index are published every five seconds during the official index period, using last trade prices.

### 10.3 Algorithm

- 10.3.1 The index algorithm and calculation method are detailed in Appendix D.

## Appendix A

# Market and stock exchange

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1. The FTSE TWSE Taiwan Index Series consists of the companies that trade on the Taiwan Stock Exchange.
2. Altered-Trading-Method (Full Delivery) Stocks: when a company has financial or operation problems, the stocks are required of altering trading method as full delivery. That is, when receiving orders to trade stocks listed under the alter-trading-method category, securities brokers shall take full delivery of the proceeds (if buy) or stocks (if sell) before making trading quotes. The competitive auction for stocks listed under the altered-trading-method category shall without exception be conducted. The settlement cycle becomes T+0 instead of T+2. For further information of Altered-Trading-Method Stock, please see article 49 of operating rules of the Taiwan Stock Exchange Corporation, available on:

<http://eng.selaw.com.tw/LawArticle.aspx?LawID=FL007304&ModifyDate=1110428>

And Taiwan Stock Exchange Corporation Regulations Governing Trading of Stocks in the Altered-Trading-Method Category, available on:

<http://eng.selaw.com.tw/LawArticle.aspx?LawID=FL007123&ModifyDate=1090226>

## Appendix B

# Eligible exchange, market segment and exchange rate

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### Market eligible for the FTSE TWSE Taiwan Index Series

Region	Market	Exchange location	Exchange and Market Segment
Asia/Pacific	Taiwan	Taipei	Taiwan Stock Exchange - Main Board Taiwan Innovation Board (TIB)

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### Foreign exchange rate

The FTSE TWSE Taiwan Index Series is calculated in New Taiwan Dollars for real-time calculation.

The foreign exchange rates received from WRM FX Benchmarks at the closing time of the index (13:35, local time – see Appendix C) are used to calculate the final index levels and are termed the “closing FTSE TWSE Taiwan Index Series foreign exchange rate”.

## Appendix C

# Index and market opening and closing hours

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Index	Open	Close
FTSE TWSE Taiwan 50 Index	09:00	13:35
FTSE TWSE Taiwan 50 30% Capped Index	09:00	13:35
FTSE TWSE Taiwan Mid-Cap 100 Index	09:00	13:35
FTSE TWSE Taiwan Eight Industries Index	09:00	13:35
FTSE TWSE Taiwan Technology Index	09:00	13:35
<b>Stock market trading times:</b>		
Taiwan	09:00	13:30

All times are local Taiwan Time

The FTSE TWSE Taiwan Index Series is calculated on each day trading takes place in Taiwan Stock Exchange.

## Appendix D

# Index algorithm and calculation method

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The index is calculated using the algorithm described below.

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

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 Russell 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 Russell 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; and
- $d$  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 E

# Status of indices

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### **Calculation states**

The FTSE TWSE Taiwan Index Series is calculated in real time.

For further details of real time definitions please refer to the following guide:

[Real Time Status Definitions.pdf](#)

The official opening and closing hours of the FTSE TWSE Taiwan Index Series are set out in Appendix C. Variations to the official hours of the indices are published by FTSE Russell as appropriate.

The FTSE TWSE Taiwan Index Series are calculated on each day trading takes place on the Taiwan Stock Exchange.

## Appendix F

# Further information

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A Glossary of Terms used in FTSE Russell's Ground Rule documents can be found using the following link:

[Glossary.pdf](#)

Further information on the FTSE TWSE Taiwan Index Series is available from FTSE Russell and the Taiwan Stock Exchange.

To contact FTSE Russell, please visit the FTSE Russell website at [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/) or contact FTSE Russell via e-mail at [info@ftserussell.com](mailto:info@ftserussell.com).

Or:

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