

FTSE TWSE Taiwan Shariah Index

v2.9

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Section 1

Introduction

1. Introduction

- 1.1 This document sets out the Ground Rules for the construction and management of FTSE TWSE Taiwan Shariah Index. Copies of the Ground Rules are available from FTSE Russell on the website www.lseg.com/en/ftse-russell/.
- 1.2 The FTSE TWSE Taiwan Shariah Index is designed to represent the performance of Taiwan companies selected from the FTSE Global Equity Index Series that are listed on FTT –Taiwan (Taipei) and are compliant according to Yasaar and the Shariah screening methodology. The stocks that are listed on FTO – Taiwan (Taipei OTC) will not be eligible for inclusion.
- 1.3 The FTSE TWSE Taiwan Shariah Index does not take account of ESG factors in its index design.
- 1.4 A price index is calculated in New Taiwan Dollars in real time.
- 1.5 Capital and total return indices are calculated in US Dollars at the end of the day, using WMR Closing Spot Rates.
- 1.6 The index commenced calculation on 22 September 2003 with a starting value of 5,000.
- 1.7 Unless specifically detailed in this document, all areas of the methodology regarding the management of the FTSE TWSE Taiwan Shariah Index are similar to the FTSE Global Equity Index Series Ground Rules. The FTSE TWSE Taiwan Shariah Index methodology should therefore be read in conjunction with the FTSE Global Equity Index Series Ground Rules and FTSE Shariah Global Equity Index Series. These rules are available on www.lseg.com/en/ftse-russell/.
- 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 which 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.

- 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 because of negligence or otherwise is accepted by FTSE Russell (or any person concerned with the preparation or publication of these Ground Rules) 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 index¹.

2.1.2 FTSE is responsible for the daily calculation, production and operation of the FTSE TWSE Taiwan Shariah Index and will;

- maintain records of the index weightings of all constituents;
- make changes to the constituents and their weightings in accordance with the Ground Rules;
- carry out the periodic index reviews of the index 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 The weightings of constituents in the real time index shall be used in the calculation of the end of day indices.

2.2 Status of these Ground Rules

2.2.1 These Ground Rules provide information about the publication of the FTSE TWSE Taiwan Shariah Index Series and set out the methodology underlying the FTSE TWSE Taiwan Shariah Index Series.

2.3 Yasaar

2.3.1 Yasaar is responsible for ascertaining the Shariah compliance of constituents of the FTSE TWSE Taiwan Shariah Index. Yasaar bases its compliance determinations on data supplied by FTSE Russell that is filtered by its proprietary software screens and then reviewed and approved by the Yasaar Shariah Board.

2.3.2 All additions to the FTSE TWSE Taiwan Shariah Index are subject to the approval of the Yasaar Shariah Board. Please refer to the Yasaar website for details of the Shariah compliant scholars (www.yasaar.org).

¹ 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).

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.

- 3.1.1** 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 Queries and Complaints

- 3.2.1** FTSE Russell's complaints procedure can be accessed using the following link:

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

3.3 Index Policy for Trading Halts and Market Closures

- 3.3.1** 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](#)

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

- 3.4.1** Details of FTSE Russell's treatment can be accessed using the following link:

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

3.5 Recalculation Policy and Guidelines

- 3.5.1** 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 Shariah Index will be 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.

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

3.6 Policy for Benchmark Methodology Changes

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

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

3.7 FTSE Russell Governance Framework

3.7.1 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 Benchmarks², the European benchmark regulation³ and the UK benchmark regulation⁴. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE Russell Governance Framework.pdf](#)

3.8 Real Time Status Definitions

3.8.1 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](#)

² IOSCO Principles for Financial Benchmarks Final Report, FR07/13 July 2013.

³ 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.

⁴ The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019.

Section 4

Index construction

4. Index construction

4.1 Eligible securities

4.1.1 The universe of eligible constituents is all the Taiwan securities that are current constituents of the FTSE Global Equity Index Series and listed on the Main Board of the Taiwan Stock Exchange, subject to conforming to all other rules of eligibility, free float and liquidity. Stocks listed on the Taipei Exchange will not be eligible.

4.1.2 The shares, investability weightings and treatment of secondary lines of stock of constituents are the same as in the FTSE Global Equity Index Series.

4.1.3 Companies will be included in the FTSE TWSE Taiwan Shariah Index if they are:

- A. current large- and mid-cap constituents of the FTSE Global Equity Index Series
- B. they are also considered to be Shariah compliant as defined in rule 4.2

4.2 Shariah screening methodology by Yasaar

4.2.1 Yasaar will ensure that all constituents and potential constituents are screened quarterly to determine their Shariah status. An overview of the Yasaar/FTSE Russell stock screening criteria are listed below.

4.2.2 Companies involved in the following activities are non-permitted business sectors:

- A. conventional finance (non-Islamic banking, finance and insurance, etc);
- B. alcohol and intoxicants: All forms of Alcohol or Alcohol based products and other intoxicants including, but not limited to, those participating in the alcohol/intoxicants trade businesses and offerings including the entire process chain; such as distillers, conveyers, packagers, distributors, vendors, storers, bars and restaurants;
- C. pork-related products and non-halal food production, packaging and processing or any other activity related to pork and non-halal food;
- D. entertainment (casinos, gambling, cinema, music, pornography and hotels);
- E. tobacco in all its forms, processors, vendors and manufacturers including but not limited to raw or treated tobacco, electronic cigarettes and vapes, cigarettes, cigars, Shisha and other water pipes using tobacco.
- F. weapons, arms and defence manufacturing.

This list is not exhaustive and is provided as a basic guidance to the broad principles involved.

4.2.3 After companies have been screened by their business sector activity, the remaining companies are further examined on their finances to ensure that those companies are Shariah compliant. Only those companies that pass the following financial ratios will be considered Shariah compliant:

- A. debt is less than 33.333% of total assets;
- B. cash and interest-bearing items are less than 33.333% of total assets;
- C. accounts receivable and cash are less than 50% of total assets; and
- D. total interest and non compliant activities income should not exceed 5% of total revenue.

Companies that change financial compliance between two successive quarters will be monitored to check if their debt and/or cash/interest bearing ratios fall within 33.333% +/- 5% (i.e. below 31.667% and 35% or above). If, during the monitoring period, any company remains above or below 33.333% +/- 5% for two consecutive quarters, the compliance of that company will change accordingly.

Appropriate purification of dividends is at 5%. This ratio calculates the recommended purification amount to be paid by the investor.

Section 5

Index qualification criteria and periodic review of constituents

5. Index qualification criteria and periodic review of constituents

5.1 Index qualification criteria

- 5.1.1 To be included in the index, a stock must pass free float and liquidity criteria.
- 5.1.2 FTSE TWSE Taiwan Shariah 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.lseg.com/en/ftse-russell/.

5.2 Review dates

- 5.2.1 For the FTSE TWSE Taiwan Shariah Index, Shariah screening will be reassessed quarterly in March, June, September and December in line with the quarterly screening from Yasaar. The Shariah screening process (please see section 4) uses data as at the close of business on the Monday four weeks prior to the review effective date.
- 5.2.2 Changes arising from the review i.e. taking into account new companies entering the FTSE Global Equity Index Series at the periodic review will be implemented after the close of business on the third Friday (i.e. effective Monday) March, June, September and December.
- 5.2.3 A constant number of constituents will not be maintained for the FTSE TWSE Taiwan Shariah Index.

Section 6

Changes to constituent companies

6. Changes to constituent companies

6.1 New issues

6.1.1 There will be no fast-entry additions to the FTSE TWSE Taiwan Shariah Index. If a large- or a mid-cap constituent is added to the FTSE Global Equity Index Series, it will become eligible for inclusion in the FTSE TWSE Taiwan Shariah Index subject to satisfying section 4 at the next periodic review.

6.2 Deletions and replacements

6.2.1 If a constituent ceases to be a large- or a mid-cap constituent of the FTSE Global Equity Index Series, it will be removed from the FTSE TWSE Taiwan Shariah Index.

6.2.2 If a constituent of the FTSE TWSE Taiwan Shariah Index ceases to meet the eligibility criteria detailed in section 4, it will be removed from the FTSE TWSE Taiwan Shariah Index at the quarterly Shariah screening review.

6.3 Mergers, restructuring and complex takeovers

6.3.1 If an existing constituent is acquired for eligible shares (or a combination of eligible shares and cash) by another constituent, the constituent being acquired is deleted on the effective date of the acquisition. The enlarged company will remain a constituent of the index.

6.3.2 If an index constituent acquires or merges with a non-constituent, the acquiring constituent will remain in the index providing it meets the eligibility criteria as defined in section 4.

6.3.3 If an existing constituent is acquired for eligible shares (or combination of eligible shares and cash), then the purchasing company is added to the index if eligible in all other respects and the existing constituent is deleted on the same date.

6.4 Splits/demergers

6.4.1 If an index constituent has a complex reorganisation or demerger, the newly spun-off company will remain eligible for inclusion in FTSE TWSE Taiwan Shariah Index.

6.5 Suspension of dealing

6.5.1 The FTSE TWSE Taiwan Shariah Index will treat suspension of dealing in line with the FTSE Global Equity Index Series.

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

[Suspended Companies Rule.pdf](#)

Section 7

Industry Classification Benchmark (ICB)

7. Industry Classification Benchmark (ICB)⁵

7.1 Classification structure

- 7.1.1 The FTSE TWSE Taiwan Shariah Index constituents are classified into industries, supersectors, sectors and subsectors, as defined by the ICB.
- 7.1.2 Details of the ICB are available from FTSE Russell and published on the FTSE Russell website (www.lseg.com/en/ftse-russell/).

⁵ FTSE indices migrated to the new ICB classification system in March 2021.

Section 8

Index algorithm and calculation method

8. Index algorithm and calculation method

8.1 Prices

8.1.1 The FTSE TWSE Taiwan Shariah Index uses official closing prices, where available, for securities.

8.1.2 WMR FX Benchmarks real-time exchange rates are used in the real-time index calculations.

8.2 Calculation frequency

8.2.1 The index will be calculated in real-time and published every 5 seconds.

8.3 Index calculation

8.3.1 The FTSE TWSE Taiwan Shariah Index is calculated using the following formula:

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

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; 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 A

Index opening and closing hours

Index	Open	Close
FTSE TWSE Taiwan Shariah Index	01:00	05:35

Timings are UK hours.

Notes:

1. The index will not be calculated on Taiwan public holidays.
2. WMR Closing Spot Rates™ are used.

Appendix B

Status of index

The FTSE TWSE Taiwan Shariah Index is calculated in Taiwan Dollars on a real-time basis.

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 Shariah Index is set out in Appendix A. Variations to the official hours of the index will be published by FTSE Russell.

Appendix C

Further information

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 Shariah Index 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/ or contact FTSE Russell via e-mail at info@ftserussell.com.

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