

# FTSE Custom Global AI Select Index

v1.0

The index is not, and is not intended to be, used by supervised entities in the European Union or United Kingdom and accordingly, the European Benchmark Regulation\* and the UK Benchmark Regulation# do not apply to the index. Consequently, supervised entities within the European Union and the United Kingdom are not permitted to use the index as a benchmark as set out in article 3(1)(7) of the European Benchmark Regulation.

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\* [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 Benchmarks \(Amendment and Transitional Provision\) \(EU Exit\) Regulations 2019 \(which amends the European benchmark regulation in the United Kingdom\)](#)



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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 Custom Global AI Select Index calculated by FTSE Russell.

1.2 The FTSE Custom Global AI Select Index is designed to represent the performance of 50 companies focused on artificial intelligence computing power, Large Language Model, and transformation and enhancement of existing software business through artificial intelligence technology.

1.3 These Ground Rules should be read in conjunction with the FTSE Global Equity Index Series Ground Rules, which are available at [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/).

1.4 The FTSE Custom Global AI Select Index does not take account of ESG factors in its index design.

1.5 Price, total return and net-of-tax total return indices will be calculated on an end-of-day basis.

Total return indices include income based on ex-dividend adjustments. All dividends are applied as declared in FTSE Total Return Indices.

Net-of-tax Total Return Indices are also calculated based on the maximum withholding tax rates applicable to dividends received by institutional investors who are not resident in the same country as the remitting company and who do not benefit from double taxation treaties.

1.6 The base currency for the index is US Dollars. Index values may also be published in other currencies.

### 1.7 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. and FTSE Fixed Income Europe Limited), FTSE Fixed Income LLC, FTSE (Beijing) Consulting Limited, Refinitiv Benchmark Services (UK) Limited, Refinitiv Limited and Beyond Ratings.

### 1.8 Index objective and intended use

1.8.1 The index and index statistics are intended to reflect the investment markets included in the index definitions and to facilitate the detailed analysis of such markets.

1.8.2 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.

1.8.3 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, and/or

- any inaccuracies in these Ground Rules, and/or
- 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.<sup>1</sup>

2.1.2 FTSE is responsible for the daily calculation, production and operation of FTSE Custom Global AI Select 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 reviews;
- disseminate the indices.

2.1.3 Underlying companies are governed by their respective underlying index ground rules and associated committees.

### 2.2 Amendments to these Ground Rules

2.2.1 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. 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.

2.2.2 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 Ground Rules should subsequently be updated to provide greater clarity.

<sup>1</sup> FTSE is not the benchmark administrator of the Index Series as the term administrator is defined in the [IOSCO Principles for Financial Benchmarks](#) and [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 FTSE Global Equity Index Guide to Calculation Methods

The aim of the guide is to describe how the indices are calculated, to facilitate users' replication of the index in order to support their investment and trading activities and to assist users in understanding the factors which influence the performance of the indices.

[FTSE Global Equity Index Guide to Calc.pdf](#)

### 3.2 Corporate Actions and Events Guide

3.2.1 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](#)

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

Indices need to keep abreast of changing markets and the Ground Rules cannot anticipate every eventuality. Where the Ground 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.

FTSE Russell's Statement of Principles can be accessed using the following link:

[Statement of Principles.pdf](#)

### 3.4 Queries and Complaints

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

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

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

3.5.1 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](#)

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

3.6.1 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](#)

### **3.7 Recalculation Policy and Guidelines**

- 3.7.1 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 should be recalculated and/or associated data products reissued. Users of the FTSE Custom Global AI Select 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](mailto:info@ftserussell.com).

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

### **3.8 Policy for Benchmark Methodology Changes**

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

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

### **3.9 FTSE Russell Governance Framework**

- 3.9.1 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 ensure compliance with the IOSCO Principles for Financial Benchmarks<sup>2</sup>, the European benchmark regulation<sup>3</sup> and the UK benchmark regulation<sup>4</sup>. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE Russell Governance Framework.pdf](#)

### **3.10 Real Time Status Definitions**

- 3.10.1 Please refer to the following guide for details of real time status definitions for indices which are calculated in real time.

[Real Time Status Definitions.pdf](#)

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

<sup>3</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>4</sup> The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019.

## Section 4

# Eligible securities

### 4. Eligible securities

4.1 The eligible securities of the FTSE Custom Global AI Select Index must be constituents of the following indices:

- FTSE Global All Cap plus US Executive Order Exclusions Index

4.2 The following single securities are eligible for inclusion in the FTSE Custom Global AI Select Index:

<b>ISIN</b>	<b>Security Name</b>
US8740391003	Taiwan Semiconductor Manufacturing ADR
USN070592100	ASML Holding ADR
US0420682058	Arm Holdings ADR



## Section 5

# Periodic reviews and weighting methodology

## 5. Periodic reviews and weighting methodology

### 5.1 Review dates

5.1.1 The FTSE Custom Global AI Select Index is reviewed semi-annually in March and September. The review will be implemented after the close of business on the third Friday (i.e. effective the following Monday) of the review month.

5.1.2 E Fund Management Co., Ltd (“EFund”) is responsible for determining and providing the list of constituents subject to eligible securities defined in Section 4, using data at the close of business prior to the last business day of the month prior to the review month (“EFund Data Provision Date”).

### 5.2 Constituents selection criteria

5.2.1 E Fund Management Co., Ltd (“EFund”) is responsible for determining and providing the list of constituents subject to eligible securities defined in Section 4.

5.2.1.1 Business activities screening:

Companies with their main business activities related to artificial intelligence computing power, Large Language Model, and transformation and enhancement of existing software business through artificial intelligence technology are considered for inclusion.

5.2.1.2 Size ranking:

Securities selected in 5.2.1.1 are ranked by 6-month average daily free float market capitalization in descending order.

5.2.1.3 Eligible constituent List:

The 55 highest ranking securities from 5.2.1.2 will be selected as eligible constituents.

5.2.1.4 Category assignment:

Each security in the eligible constituent list will be assigned a category based on the nature of their main business activities:

- Core Group: constituents with primarily business related to artificial intelligence computing power activities
- Non-core Group: all other constituents

5.2.2 EFund will provide, on the EFund Data Provision Date, the list of 55 eligible constituents with their respective ranking from Rule 5.2.1.2 and category assignments from Rule 5.2.1.4.

### 5.3 Weighting Methodology

5.3.1 The top 50 ranked securities provided in Rule 5.2.2, taking into account of the scheduled constituent change in the eligible universe in Rule 4.1, will form the constituents of FTSE Custom Global AI Select Index.

5.3.2 The constituents of FTSE Custom Global AI Select Index are weighted by investable market capitalisation.

5.3.3 The constituents will be capped semi-annually as part of the periodic review in March and September.

5.3.4 The following capping process is applied to the index.

1) Market-level aggregate capping:

- China Markets (including Hong Kong):

The sum of weights of all constituents listed on Hong Kong and China stock exchanges are capped at the China Adjusted AI Application Penetration Rate ( $PR_c$ ).

For the avoidance of doubt,  $PR_c$  will not exceed the sum of (i) 15% times the number of Core Group constituents and (ii) 7% times the number of Non-Core Group constituents in the China Markets (including Hong Kong).

- Other Markets:

The sum of weights of all other constituents are capped at International Adjusted AI Application Penetration Rate ( $PR_{int}$ ).

For the avoidance of doubt,  $PR_{int}$  will not exceed the sum of (i) 15% times the number of Core Group constituents and (ii) 7% times the number of Non-Core Group constituents in the Other Markets.

- Excess weight is distributed pro-rata across all companies in markets with spare capacity.

EFund is responsible for determining  $PR_c$  and  $PR_{int}$  based on company level artificial intelligence penetration data. EFund will provide  $PR_{int}$  and  $PR_c$  data on the last business day of the month prior to the review month.

The sum of  $PR_{int}$  and  $PR_c$  is 100%.

2) Stock-level capping:

Within each defined market group above, i.e. China markets (including Hong Kong) and Other markets:

- Constituents from Core Group defined in 5.2.1.4 are capped at 15%.
- Constituents from Non-Core Group defined in 5.2.1.5 are capped at 7%.

Weight in excess of the maximum stock weight is redistributed pro-rata across the remaining constituents within the market group.

5.3.5 Following capping, the weight of each constituent in the index moves freely in line with price movements.

5.3.6 The calculation of the constituent capping factors will be based on prices at close on the second Friday of the review month using shares in issue and investability weights as designated to take effect after close on the third Friday of the review month (i.e. taking effect on the review effective date).

5.3.7 The calculation will take into account any corporate actions/events that take effect after close on the second Friday of the review month up to and including the review effective date if they have been announced and confirmed by the second Friday of the review month.

5.3.8 Corporate actions/events announced after the second Friday of the review month that become effective up to and including the review effective date will not result in any further adjustment.

## Section 6

# Changes to constituent companies

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## 6. Changes to constituent companies

### 6.1 Intra-review additions

6.1.1 The FTSE Custom Global AI Select Index will not accept intra-review additions. Additions to the index will be considered for inclusion at the next semi-annual review.

### 6.2 Intra-review deletions

6.2.1 A constituent will be removed from the FTSE Custom Global AI Select Index if it is also removed from FTSE Global All Cap plus US Executive Order Exclusions Index. The deletion from FTSE Custom Global AI Select Index will be concurrent with its deletion from FTSE Global All Cap plus US Executive Order Exclusions Index. The weight of the deleted stock will be distributed pro-rata amongst the remaining constituents of FTSE Custom Global AI Select Index.

## Section 7

# Corporate actions and events

## 7. Corporate actions and events

7.1 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide for Market Cap Weighted Indices 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)
- 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 Russell will provide notice advising of the timing of the change.

### 7.2 Mergers, restructuring and demergers

- 7.2.1 If a constituent is acquired by a non-constituent, the company will be removed from the FTSE Custom Global AI Select Index and its weight will be distributed pro-rata amongst the remaining constituents.
- 7.2.2 If the non-constituent is added to the relevant eligible universe as a result of the stock merger or acquisition, it will be considered for inclusion at the next semi-annual review.
- 7.2.3 If the effect of a merger or takeover is that one constituent of the FTSE Custom Global AI Select Index is absorbed by another constituent, the resulting company will remain a constituent of the index and any cash resulting from a merger or takeover will be distributed pro-rata amongst the remaining constituents.
- 7.2.4 If an index constituent has a demerger and the newly spun-off company is eligible for inclusion in the FTSE Global All Cap plus US Executive Order Exclusions Index, it will also be eligible for inclusion in the FTSE Custom Global AI Select Index.
- 7.2.5 If an index constituent has a demerger and the newly spun-off company is ineligible for inclusion in the in the FTSE Global All Cap plus US Executive Order Exclusions Index, its treatment can be found within the Corporate Actions and Events Guide.

### 7.3 Suspension of dealing

Suspension of dealing rules can be found within the Corporate Actions and Events Guide.

## Section 8

# Treatment of dividends

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## 8. Treatment of dividends

8.1 Declared dividends are used to calculate the Standard Total Return Index. All dividends are applied as at the ex-div date.

8.2 The net of tax Total Return Index also calculated based on the maximum withholding tax rates applicable to dividends received by institutional investors who are not resident in the same country as the remitting company and who do not benefit from double taxation treaties.

Withholding tax rates used in the net-of-tax indices can be accessed using the following link:

[Withholding Tax Service](#)

Please also refer to the FTSE Russell Withholding Tax Guide which can be accessed using the following link:

[FTSE Russell Withholding Tax Guide.pdf](#)

## Section 9

# Index calculation

## 9. Index calculation

### 9.1 Calculation frequency

9.1.1 FTSE Custom Global AI Select Index use actual closing mid-market or last trade prices, where available, for securities with local bourse quotations.

### 9.2 Index calculation

9.2.1 FTSE Custom Global AI Select Index will be calculated to an accuracy of eight decimal points.

9.2.2 FTSE Custom Global AI Select Index are 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 FTSE Custom Global AI Select 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.
- $f_i$  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 eligible index.
- $c_i$  is the Capping Factor to be applied to a security to correctly weight that 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

# 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 Custom Global AI Select Index is available from FTSE Russell.

For contact details please visit the FTSE Russell website or contact FTSE Russell client services at [info@ftserussell.com](mailto:info@ftserussell.com).

Website: [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/)

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