



FTSE MIB Index

v3.2



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Section 1

Introduction

1.0 Introduction

- 1.1 The FTSE MIB is a benchmark index for the Italian equity markets. Capturing approximately 80% of the domestic market capitalisation, the index is comprised of highly liquid companies in Italy.
- 1.2 The FTSE MIB Index measures the performance of 40 shares listed on Borsa Italiana and seeks to replicate the broad sector weights of the Italian stock market. The index is derived from the universe of stocks trading on the Borsa Italiana (Bit) MTA and MIV markets. The index has been created to be suitable for futures and options trading, as a benchmark index for Exchange Traded Funds (ETFs), and for tracking large capitalisation stocks in the Italian market.
- 1.3 The FTSE MIB Index is market capitalisation weighted after adjusting constituents for float. Individual constituent weights are capped at 15%.
- 1.4 This document sets out the Ground Rules for the construction and management of the FTSE MIB Index. Copies of the Ground Rules are available from FTSE Russell, Borsa Italiana and on the websites www.ftserussell.com and www.borsaitaliana.it. The rules will be available in English and Italian. In case of doubt, the English version will prevail.
- 1.5 A FTSE MIB Price Index and a FTSE MIB Total Return Index are calculated in EUR in real time.
- 1.6 A FTSE MIB Banks 15% Capped Index is also calculated. Constituents of the FTSE MIB Banks 15% Capped Index are those constituents of the FTSE MIB Index with an ICB Supersector classification of Banks (ICB code 8300). Other FTSE MIB Supersector 15% Capped indexes may be calculated subject to demand.
- 1.7 The base value of the FTSE MIB Index was set at the level of the MIB 30 Index at the close of trading on 31 October 2003 (10,644). Historical values for the FTSE MIB Index have been back calculated to 31 December 1997 (24,402). The base value for FTSE MIB Banks 15% Capped Index was set at 10,000 at the close of trading on 30 December 2011.
- 1.8 **FTSE Russell**

FTSE Russell is a trading name of FTSE International Limited (FTSE), Frank Russell Company (Russell), FTSE TMX Global Debt Capital Markets Inc. and FTSE TMX Global Debt Capital Markets Limited (together, "FTSE TMX") and MTSNext Limited. FTSE, Russell and FTSE TMX are each benchmark administrators of indexes. References to FTSE Russell should be interpreted as a reference to the relevant benchmark administrator for the relevant index.

1.9 **Statement of Principles for FTSE Russell market capitalisation weighted equity indexes (the Statement of Principles)**

Indexes 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 Policy Advisory Board for discussion before approval by the FTSE Russell Governance Board.

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

[Statement of Principles.pdf](#)

1.10 FTSE Russell considers that the FTSE MIB Index meets the IOSCO Principles for Financial Benchmarks as published in July 2013.

Full details can be accessed at www.iosco.org.

Details of FTSE Russell's Statement of Compliance with respect to the IOSCO Principles can be accessed using the following link:

[iosco Statement](#)

1.11 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 should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index.

1.12 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 errors or 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 errors or inaccuracies in the compilation of the index or any constituent data.



Section 1

Management Responsibilities

2.0 Management Responsibilities

2.1 FTSE International Limited (FTSE)

2.1.1 FTSE is the Benchmark Administrator as defined by the IOSCO Principles for Financial Benchmarks published in July 2013.

2.1.2 FTSE is responsible for the daily calculation, production and operation of the FTSE MIB 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;
- publicise changes to the constituent weightings resulting from their ongoing maintenance and the periodic reviews;
- disseminate the indexes..

2.1.3 The weights of constituents in the real time indexes shall be used in the calculation of the end of day indexes.

2.1.4 FTSE is responsible for monitoring the performance of the FTSE MIB Index throughout the day and will determine whether the status of the index should be Firm, Indicative or Held (see Appendix E).

2.1.5 FTSE is responsible for the Ground Rules and any other associated index methodology documents, and for approving all changes to the Ground Rules and any other associated index methodology documents.

2.2 Borsa Italiana

2.2.1 Borsa Italiana (Blit) operates the MTA and MIV markets upon which all index constituents must trade.

2.2.2 Blit is responsible for the rules governing derivative contracts that trade on the IDEM market. Wherever possible, corporate actions in the index are treated so as to be consistent with the IDEM Derivatives Corporate Action Policy (Borsa Italiana Announcement nr. 18730 dated November 9 2011).

2.2.3 Specifically, BIt calculates the K factor used to adjust constituent weights to account for certain corporate actions (see rule 7.5) and specifies whether dividends should be classified as ordinary or extraordinary.

2.3 **FTSE Italia Index Series Technical Committee**

2.3.1 The FTSE Italia Index Series Technical Committee has been established to advise on the periodic reviews of the index, to support the management of corporate actions affecting index constituents, to review changes to the Ground Rules and other methodology documents and to recommend other changes for subsequent review and approval by the FTSE Russell Governance Board.

2.3.2 The Terms of Reference of the FTSE Italia Index Series Technical Committee are set out on the FTSE Russell website and can be accessed using the following link:

[FTSE Italia Index Series Technical Committee.pdf](#)

2.4 **Amendments to the Ground Rules**

2.4.1 These Ground Rules shall be subject to regular review (at least once a year) by FTSE Russell to ensure that they continue to meet the current and future requirements of investors and other index users. 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 Governance Board before approval is granted.

2.4.2 As provided for in Rule 1.9, 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.

2.5 **Queries, complaints and appeals**

A constituent or prospective constituent company (or professional advisor acting on behalf of the company), a national organisation or a group of no fewer than ten users of the indexes from different organisations acting in their professional capacity may appeal against decisions taken by FTSE Russell.

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

[Queries and Complaints Policy.pdf](#)

FTSE Russell's Appeal Process can be accessed using the following link:

[Appeals Against Decisions.pdf](#)



Section 3

Eligible Securities

3.0 Eligible Securities

- 3.1 The FTSE MIB Index constituent shares are selected from the broad Italian equity universe, to ensure the index best represents the Italian equity markets for investors.
- 3.2 All stocks, traded on Borsa Italiana's MTA and MIV markets, except for savings shares (azioni di risparmio) and preferred shares, are eligible for inclusion in the FTSE MIB Index.
- 3.3 Savings or preferred shares, however, may be eligible if the ordinary shares of a company are not listed or have consistently less liquidity than the savings or preferred shares.
 - 3.3.1 Foreign listed companies can be included if they have complied with BIt requirements in terms of dissemination of information.

Section 4

Index Qualification Criteria

4.0 Index Qualification Criteria

A candidate pool for index constituent selection is identified by examining all stocks using the following criteria:

4.1 Market capitalisation

The float-adjusted market capitalisation is determined through an Investable Weight Factor (IWF):

$IWF = 100\% - \text{Sum of the \% of shareholdings held by restricted shareholders}$

4.1.1 Investability weighting

Constituents of the FTSE MIB Index 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

Free float restrictions will be calculated using available published information. For equity shares of companies that have a free float greater than 5%, the actual free float will be rounded up to the next highest whole percentage number. Companies with a free float of 5% or below are excluded from the index.

B. Percentage point thresholds

Following the application of an initial free float restriction, a constituent's free float will only be changed if its rounded free float moves to more than 3 percentage points above or below the existing rounded free float. Where a company's actual free float moves to above 99%, it will not be subject to the 3 percentage points threshold and will be rounded to 100%.

A constituent with a free float of 15% or below will not be subject to the 3 percentage points threshold.

C. Changes in free float

A constituent's free float will also be reviewed on publication of further information on restricted shareholdings. For changes resulting from a corporate event, refer to the Corporate Actions and Events Guide for further information. Where a change is not corporate event driven, the update in free float will be applied after the close of business on the third Friday of March, June, September and December, whichever comes first. The data cut-off for these quarterly

changes will be the close of business on the third Wednesday of the month prior to the review month. Any change in free float will be subject to Rule 4.1 B.

- 4.1.2 Treasury shares are always excluded from the shares in issue, regardless of their size.
- 4.1.3 The primary sources of shareholder information for Italian companies are CONSOB (Commissione Nazionale per le Società e la Borsa) and issuers' official communications (annual report, quarterly reports and prospectuses).
- 4.1.4 The analysis is based on the total stake held by the ultimate shareholder. In the case of stock lending contracts or nominee holdings, the analysis is based on the owner of shares and not on the person/entity having the voting rights. In the case of shares lent to banks, the analysis is based on the owner of the shares and not on the bank, and is independent of the allocation of voting rights.
- 4.1.5 Shares with a free float of 5% or below are not eligible for inclusion in the index.

4.2 **Liquidity**

- 4.2.1 Liquidity is measured by the stock's 6-month value traded in euro on Borsa Italiana order book markets, and by number of days traded.

4.3 **New listings**

- 4.3.1 Newly listed shares are eligible for inclusion in the selection procedure providing they have traded a minimum of 20 days. Newly listed shares whose capitalisation is greater than or equal to 3% of the current market capitalisation of the FTSE Italia All-Share Index will enter the index from the start of trading.

4.4 **Shares outstanding**

- 4.4.1 The primary source of information for Italian shares is the Borsa Italiana Official List.

Section 5

Periodic Review of Constituents

5.0 Periodic Review of Constituents

5.1 Review dates

- 5.1.1 The index will be reviewed on a quarterly basis in March, June, September and December. Any constituent changes will be implemented after the close of business on the third Friday of the review month.
- 5.1.2 If the third Friday of the review month is a holiday, the preceding closing days prices will be used.
- 5.1.3 FTSE is responsible for publishing the outcome of the periodic review.

5.2 Steps for conducting a review

- 5.2.1 The underlying universe for the FTSE MIB Index is all stocks trading on the Borsa Italiana MTA and MIV markets (except for preferred and saving shares).
- 5.2.2 The FTSE MIB Index will consist of the 40 most liquid and highly capitalised stocks listed on the Borsa Italiana MTA and MIV markets selected according to the algorithm in Appendix B.
- 5.2.3 Foreign listed companies are eligible for inclusion in the FTSE MIB Index if they comply with the Blt requirements in terms of dissemination of information.
- 5.2.4 The selection procedure is based on size (free float adjusted market capitalisation) and liquidity (six months turnover), according to the procedure detailed in Appendix B. FTSE, with the support of the FTSE Italia Index Series Technical Committee, is responsible for the implementation of the algorithm and will decide whether special circumstances would warrant making an exceptional change to the index constituents.
- 5.2.5 Changes in the ICB classification of FTSE MIB constituents may trigger a change in the composition of the FTSE MIB Banks 15% Capped Index.

5.3 Capping methodology

- 5.3.1 The constituents of the FTSE MIB Index and the FTSE MIB Banks 15% Capped Index are capped at 15% at the time of the quarterly reviews. Capping procedures are run on the Monday following the second Friday of March, June, September and December, they are based on Friday closing prices and they are implemented after the close of trading of the third Friday of March, June, September and December. Any constituents whose weights are greater than 15% are capped at 15%. The weights of all lower ranking constituents are increased correspondingly. The weights of lower

ranking constituents are then checked and if they exceed 15% they are also capped at 15%. This process is repeated until no constituent weight exceeds 15%. For technical details, see Appendix C.

- 5.3.2 The weight of each stock in the FTSE MIB Index and the FTSE MIB Banks 15% Capped Index is evaluated in terms of its adjusted market capitalisation versus the index, and will be re-evaluated at each quarterly review.



Section 6

Changes to Constituent Shares

6.0 Changes to Constituent Shares

6.1 New issues

6.1.1 An index addition outside of a quarterly review is made only if a vacancy is created by an index deletion. Index additions are made according to size and liquidity. A newly listed company is added to the index only when an appropriate vacancy occurs and is subject to proven liquidity for at least three months. An exception may be made for extraordinary large global offerings where expected trading volume justifies inclusion.

6.1.2 New listing

Newly listed shares whose capitalisation is greater than or equal to 3% of the current market capitalisation of the FTSE Italia All-Share Index are added to the index with an extraordinary revision, to be applied on the first day of listing. FTSE will announce the revision and will confirm it as soon as all required information is available (start of trading date, shares in issues, free float, IPO price).

6.2 Deletions

Deletions outside quarterly reviews can occur due to acquisitions, mergers and spin-offs, or bankruptcies and suspensions, if the relevant index constituent no longer meets the criteria for inclusion or is no longer representative of its industry group, for example in the following situations:

6.2.1 Positive outcome of a tender offer

For each tender offer, the FTSE Italia Index Series Technical Committee will agree internally beforehand what the level of acceptance should be to determine whether a tender offer is successful or partially successful, with consideration of the expected liquidity post-event. If the offer is partially successful and there is a change in the IWF, a notice period of two trading days will be provided. If acceptances exceed the threshold identified by the FTSE Italia Index Series Technical Committee, the constituent will be removed from the index with two trading days notice. A replacement constituent will be added from the reserve list created using the procedure described in Appendix B, also with two trading days notice.

6.2.2 Significant and ascertained or presumed reduction in liquidity or capitalisation

The constituent will be removed and replaced in a full rebalancing that uses closing prices of all constituents.

6.2.3 **Whenever BIt, in accordance with BIt Rules, delists a constituent company** (e.g. in cases of the involvement of the issuer in insolvency procedures or in cases of the liquidation of the issuer) the constituent is removed and replaced in a full rebalance that uses the closing prices of all constituents.

6.3 **Suspended Companies**

6.3.1 If a constituent is suspended, FTSE Russell will determine its treatment as follows:

- If a constituent is declared bankrupt without any indication of compensation to shareholders, the last traded price will be adjusted down to zero value and it will subsequently be removed from the index with T+2 notice.
- In all other cases, the constituent will continue to be included in the index for a period of up to 20 business days at its last traded price.
- If the constituent continues to be suspended at the end of that period, it will be subject to review and a decision will be taken to either allow the constituent to remain in the index for a further period of up to 20 business days or to remove it at zero value. In making this determination, FTSE Russell will take into account the stated reasons for the suspension. These reasons may include announcements made by the company regarding a pending acquisition or restructuring, and any stated intentions regarding a date for the resumption of trading.
- This procedure will be repeated at successive 20 business day intervals thereafter until either trading recommences or the suspension period reaches 80 business days.
- If the suspension period reaches 80 business days and the constituent has not announced a firm date for the resumption of trading during the 40 business day period, FTSE Russell will provide notice that the constituent will be removed at zero value at the next index review following the expiry of the 40 business day period.
- In certain limited circumstances where the index weight of the constituent is significant and FTSE Russell determines that a market-related value can be established for the suspended constituent, for example because similar company securities continue to trade, deletion may take place at the market-related value instead. In such circumstances, FTSE Russell will set out its rationale for the proposed treatment of the constituent at the end of the 80 business day period.
- If following the end of the 80 business day period, a suspended constituent that has not announced a firm date for the resumption of trading nevertheless resumes trading before its planned removal date, the constituent will continue to be removed from the index as previously announced but in these circumstances the deletion will be implemented at market value.
- If during the minimum 40 business day notice period, a suspended constituent that had previously announced a firm date for the resumption of trading within that period then nevertheless fails to resume trading on that date, FTSE Russell will give notice that the constituent will be removed at the index review following the expiry of an additional notice period of 40 business days.
- If a constituent has been removed from the index and trading is subsequently restored, the constituent will only be re-considered for inclusion after a period of 12 months from its deletion. For the purposes of index eligibility it will be treated as a new issue.

6.4 **Mergers / takeovers**

6.4.1 **Mergers / takeovers between constituents**

If the two merging companies, both the acquiring and the acquired, are index constituents, the newly merged entity will be included in the FTSE MIB Index and a new constituent will be added according to the list created using the procedure described in Appendix B, to fill the gap created by the merger.

6.4.2 **Mergers / takeovers between a constituent and a non-constituent**

If a non-constituent acquires a current constituent of the FTSE MIB Index, the latter will be removed from the index and will be replaced with a new constituent. The non-constituent acquiring company would be eligible for consideration if it qualifies in all other respects. FTSE Russell will make an announcement detailing any index change.

6.4.3 Weights of the constituents are based on the closing price and the number of shares after the merger. When there is a merger, there will be a full rebalancing of the index.

6.5 **FTSE MIB Banks 15% Capped Index**

6.5.1 Changes to the FTSE MIB Banks 15% Capped Index will be concurrent with changes to the FTSE MIB Index.



Section 7

Index Maintenance

7.0 Index Maintenance

The maintenance of the FTSE MIB Index consists of corporate actions, periodic revisions to the index and changes due to vacancies created by the deletion of constituents of the index. The maintenance activity is carried out by FTSE Russell with the objective of minimising the turnover among index constituents.

7.1 Divisor adjustments

7.1.1 In the event of an index change or corporate action resulting in a change to shares in issue or free float that affects the market capitalisation of the index, the divisor is adjusted to ensure continuity of the FTSE MIB Index.

7.1.2 The new divisor is obtained by dividing the new Adjusted Market Capitalisation by the Adjusted Market Capitalisation before corporate actions, then multiplying by the old divisor as in the following examples.

7.1.3 Example of divisor adjustments

The example involves a change to the index performed at the end of the day, effective for the start of the following day (examples include change in shares in issue):

Index status at the end of day before divisor adjustments:

End of Day Index Market Cap	=	€ 249,254,750,824.2380
Index Value (unrounded)	=	28,350.0558811976000
Divisor	=	8,792,037.372651160

In this example there is a shares in issue update adjustment arising from the conclusion of a capital increase by a constituent that leads to a larger divisor amount:

Index status effective at the opening of the session after divisor adjustments:

Adjusted Index Market Cap	=	€ 268,049,338,945.3990
Index Value (unrounded)	=	28,350.0558811976000
New divisor	=	$(268,049,338,945.3990 / 249,254,750,824.2380) \times$ $8,792,037.372651160 = 9,454,984.500512940$

7.2 Number of constituents

7.2.1 The number of constituents in the index is analysed at each quarterly review (March, September, June and December) to assess whether the index adequately represents the market. If FTSE Russell, with the support of the FTSE Italia Index Series Technical Committee, decides the number of constituents needs to be changed, a change will be made after providing the market with ample notice.

7.3 Constituent pricing at periodic reviews

7.3.1 At periodic reviews, the prices applied to all constituents of the index are the closing prices of the third Friday of the rebalancing month.

- On rebalancing days (usually Friday), when the closing auction price of one or more of the constituents in the FTSE MIB Index has not been set by the end of the closing auction session because there is no match in the market, FTSE Russell will use the reference price, defined by Blt as the volume weighted average price of trades in the last 10 minutes of the session (in the absence of trading in that period, the latest traded price in the session; in case of absence of trading, the previous session reference price).
- If the auction price is not valid, FTSE Russell will use the reference price.
- If the constituent is suspended, FTSE Russell will use the closing auction price (in its absence, the reference price) set in the previous session, adjusted for any relevant corporate actions.

7.4 Share & IWF updates

7.4.1 All share and IWF changes are updated on a quarterly basis using the closing prices on the third Friday of March, June, September and December, to coincide with the expiry of derivatives of IDEM contracts. The index will be disseminated from the beginning of the next continuous trading session.

7.4.2 The number of shares in issue used is that shown on the Official List (net of treasury shares) at the cut-off date before the review (as announced every year by FTSE Russell), updated according to Rule 7.5.1.; the same cut-off date applies to IWF updates. In cases where constituents have a merger or a capital increase under way, the shares are the number of shares following the operation (adjusted by the adjustment coefficient in the case of capital increases, as explained subsequently), unless FTSE Russell decides to make an exception. In the case of capital increases subscribed by third parties without a right issue, FTSE Russell with the advice of the FTSE Italia Index Series Technical Committee may decide to include newly issued shares even before the update of the Blt Official List.

7.4.3 **15% Capping adjustments.** The 15% capping adjustment factors are adjusted at each quarterly rebalancing. The capping numbers are calculated based on the closing prices on the second Friday of March, June, September and December, using the share & IWF numbers from the previous end of month (updated according to Rule 7.5.1).

7.4.4 The announcement of the Capping Adjustments to the new IWFs is made alongside the announcement of the new number of shares in issue at the close of trading, no later than the third business day before the effective date, by way of a technical notice.

7.5 Corporate actions

Event	Timing	Adjustment Factor	Divisor Adjustment
Share change greater than 10% - standard	Effective using End of Day prices		Yes
IWF change greater than 10% - standard	Effective using End of Day prices		Yes
Intra quarter constituent change	Effective using End of Day prices	Adjustment to price. Adjustment to shares	Yes
Rights offering*	End of Day	Adjustment to price. Adjustment to shares	No
Special Dividend*	End of Day	Adjustment to price. Adjustment to shares	No
FTSE Italia Index Series Technical Committee assigned capital return*	End of Day	Adjustment to price.	Yes
Split and reverse split*	End of Day	Adjustment to price. Adjustment to shares	No
Spin-off*	End of Day	See section below	

* At the occurrence of any of these events, the same adjustment methodology applied by Blt for stock options traded on the Blt Markets shall be applied to the FTSE MIB Index.

7.5.1 Share & IWF change

- A. Following corporate actions (for example, mergers and capital increases) which result in a change in the number of outstanding shares greater than 10%, the number of outstanding shares will be adjusted in the index at the end of the corporate action period. All other changes to shares outstanding will occur at the quarterly review; to prevent a large number of insignificant weighting changes, the number of shares in issue for each constituent is amended only when the total shares in issue held within the index system changes by more than 1% on a cumulative basis.
- B. When there is a change larger than 10% in the number of shares or in the IWF of a constituent, the index will be adjusted to reflect the new market capitalisation. This change will be performed at the end of the day and will trigger a divisor update.
- C. In the case where a shares in issue or IWF change is a result of a “market wide event” such as an institutional placement, sell down via a book build or partial takeover offer, FTSE may decide to implement changes in IWF that are greater than 3%.
- D. All announcements regarding ongoing changes to shares and IWFs will be done on a ‘best efforts’ basis. Whilst the primary source for IWF changes is CONSOB, public announcements of sell downs and Patti di Sindacato changes by the companies themselves will be sourced where appropriate. Similarly, the Blt Official List is the primary source for share changes. However, a public announcement of an institutional placement by a company or of the results of a capital increase may call for FTSE to announce a change to shares outstanding prior to the Official List being updated.

7.5.2 Rights issues

- A. On the ex-date, in order to keep the weight of the constituent stable, the number of shares for the constituent will be adjusted by dividing it by the K factor produced by Blt, with no divisor adjustment. Blt calculates the K factor as $P(\text{ex})/P(\text{cum})$, the ratio of the theoretical share price ex-rights and the latest share price cum right as set out in the IDEM Derivatives Corporate Action Policy available at:

www.borsaitaliana.it/derivati/corporateactions/nuovacorporateactionpolicy.en_pdf.htm

In the case where a warrant or convertible bond is included in a capital increase, the K factor is calculated using the theoretical value of the warrant and convertible bonds. For more details refer to the IDEM Derivatives Corporate Action Policy.

- B. At the end of the subscription period, if the capital increase results in a change greater than 10% of the outstanding shares, the FTSE MIB Index will adjust the shares upon receipt of an announcement by the company regarding the number of shares subscribed at the end of the subscription period. If the Official List has been updated prior to this announcement, it will be used to adjust the shares outstanding. In case of capital increases assisted by a banking guarantee where a portion of shares were not subscribed to, FTSE may increase the share number for the whole amount, in order to avoid the need of subsequent reviews in a short period of time.
- C. At a quarterly rebalance, the shares outstanding for a constituent that is conducting a capital increase assisted by a banking guarantee may be updated at the review, prior to the end of the subscription period, to avoid the need to adjust the index again soon after the review.

7.5.3 Highly dilutive right issues

Highly dilutive right issues, defined as rights issues where the K factor produced by Blt is below 0.50, will be treated in the following way:

New shares will be included in the index on a separate call line (“dummy line”) together with outstanding rights valued on a nil paid basis. The index will include these three lines for the whole subscription period:

- Ordinary line, valued at market price;
- Call (“dummy line”), evaluated at the subscription price;
- Nil Paid Rights line, evaluated at market price. (Please note that in the Italian market, the Nil Paid trades as a lot, i.e. their number of shares is equal to the number of shares in the Ordinary line).

The number of shares in the Ordinary line, Call (“dummy line”) and Nil Paid Rights line will be published by FTSE in a Technical Notice after the close of trading on the last day before the ex-date. These figures will be set so as not to alter the weight of the constituent in the basket; no divisor change will occur before the ex-date.

Once the rights have stopped trading on Blt equity market, the Nil Paid Rights line will remain evaluated with the last available price.

After the close of the subscription period the Call (“dummy line”) and the Nil Paid Rights line will be deleted and the shares in issue for the Ordinary line will be increased to the number before the ex-date divided by Blt K factor, with no divisor change.

Once the issuer has notified the new number of shares, FTSE will publish a Technical Notice detailing the new number of shares, the effective date and the timing of the divisor change.

7.5.4 Treatment of extraordinary dividends

Definition – In order to ensure coherent treatment with IDEM traded derivatives, Borsa Italiana rules for adjustments on the IDEM market will be followed. More precisely, Borsa Italiana shall take account of distributions of dividends, in cash or in kind that the company classifies as additional with respect to dividends derived from the distribution of the normal profits for the year or with respect to the normal dividend policy. If the company does not classify dividends, Borsa Italiana may consider dividends to be extraordinary that are characterised by elements establishing their additional nature with respect to the company's normal dividend policy and shall immediately inform the market.

For adjustment purposes, Borsa Italiana may consider as extraordinary the whole dividend or just a part thereof.

Further information regarding the business rules relating to extraordinary dividends can be found in the publication entitled Corporate Action Policy (please refer to Borsa Italiana Announcement nr. 18730 dated November 9 2011).

Treatment – Extraordinary Dividends are treated in accordance with Borsa Italiana's practice, using generally accepted rules of financial equivalence. The adjustment coefficient, rounded to six decimal places, is calculated as follows:

$$K = (P_{cum} - D_{ord} - D_{ext}) / (P_{cum} - P_{ord})$$

P_{cum} = the share's closing price on the day preceding the detachment of the extraordinary dividend

D_{ord} = amount of the possible ordinary dividend

D_{ext} = amount of the extraordinary dividend

The last traded price for the constituent and the number of shares in the index are adjusted using the K factor produced by Blt and, consequently, there is no divisor adjustment. The index treatment implies that the cash received from a special dividend is reinvested into that stock and the overall weight of the constituent in the index remains the same.

7.5.5 Splits and reverse splits

In the case of a split or a reverse split, the closing price and the number of outstanding shares are modified by applying the appropriate Adjustment Factor (called the K factor). The divisor remains unchanged.

7.5.6 Extraordinary revision: additions and deletions to the index

- A. Any changes to the constituents of the index are conducted using closing prices for all constituents after the close of trading on the day before the ex-date.
- B. An index addition generally will be made only if a vacancy is created by an index deletion.
- C. Index additions will be made after a review of candidates is made in accordance with the principles applicable to the construction of the FTSE MIB Index (as described in the preceding section).

FTSE Russell may at any time elect for a shorter announcement periods for extraordinary revisions or rebalancing, subject to the market being promptly informed.

7.5.7 15% Capping factors

FTSE Russell reserves the right to adjust the capping factors should there be an extraordinary market event outside the quarterly rebalance, such as an addition to and/or deletion from the index. The market will be notified of any capping factor alterations via press releases announcing the upcoming index change, two-to-three business days before the event.

7.5.8 Spin-offs

On the first day after a FTSE MIB constituent spin-off both companies are included in the index.

At the end of that day, FTSE Russell runs an extraordinary ranking of the index universe, using last day before spin-off shares in issue and free float, last month before spin-off average price and last six months before spin-off turnover, splitting the values for the two companies involved in the spin-off according to first day post spin-off market capitalisation. This procedure does not represent an extraordinary revision, its aim is only to evaluate the ranking of the two companies involved in the spin-off.

Three scenarios are considered, according to the ranking:

1. If both companies (the index constituent and its spin-off) are within the first 45 companies in the basket ranking (see Appendix B), up until the next review, the index will consist of 41 companies, including both the companies involved in the spin-off.
 - Before the ex-date, shares in issue and prices are adjusted according to the spin-off terms, and no divisor change is made.
 - At the subsequent periodic review, in order to calculate the ranking parameters, the pre spin-off liquidity of the two Companies involved in the spin-off is split according to the spin-off terms.
 - At the subsequent periodic review, the constituent with the lowest ranking (not necessarily one of the two involved in the spin-off) is removed from the index.
 - Where the index consists of 41 companies and an extraordinary revision, outside of the planned periodic review, results in the deletion of a constituent, the index will revert back to 40 companies and no replacement will be required from the Reserve List. The next periodic review will be run according to the usual procedures.
2. If one of the two companies is below the first 45 in the basket by ranking, the smaller company will be excluded from the FTSE MIB basket. The exclusion is effective two days after the announcement date. On the first day after the announcement, at the end of trading:
 - The company is excluded from the index,
 - A new divisor is calculated.
3. If both companies are below the first 45 companies by basket ranking, neither company is chosen to remain in the index, and the first company in the reserve list is included in the index. The exclusions are effective two days after the announcement date. On the first day after the announcement, at the end of trading:
 - The constituents are removed from the index,
 - The highest ranking company in the reserve list is included in the index,
 - A new divisor is calculated.

The notification period for spin-offs is dependent on the corporate action. The announcement, however, is made as soon as practicable according to the timetable of the corporate action, with at least three days notice where possible.



Section 8

Industry Classification Benchmark (ICB)

8.0 Industry Classification Benchmark (ICB)

8.1 Classification structure

8.1.1 The FTSE MIB Index constituents are classified into Industries, Supersectors, Sectors and Subsectors, as defined by the Industry Classification Benchmark (ICB).

8.1.2 Details of the Industry Classification Benchmark are available from FTSE Russell and published on the FTSE Russell website (www.ftserussell.com) and can be accessed using the following link:

[ICB](#)

8.2 Classification changes

8.2.1 Changes to the classification of a company within the FTSE MIB Index are determined in accordance with the ICB rules.

8.2.2 Where a significant change takes place in a company's structure as a result of a corporate event (such as a merger or demerger), its ICB classification may be reassessed.

8.2.3 Any adjustment resulting from a change in a company's classification under Rule 8.2.2 will be implemented at the same time that any relevant constituent changes are implemented in the index.

8.2.4 Periodic changes to the industry classification will be effective on the Monday after the third Friday of March, June, September and December. The cut-off date for the receipt of data or other justification relating to any such change is the second Friday of February, May, August and November.

Further details can be found in the Industry Classification Benchmark Ground Rules:

[ICB_Rules.pdf](#)



Section 9

Index Calculation

9.0 Index Calculation

9.1 Prices

9.1.1 The FTSE MIB Index uses prices from actual trades on MTA and MIV electronic share trading platform, of the Borsa Italiana during Official Market Hours.

9.1.2 The last index value is calculated using Closing Auction prices or, if there is no Closing Auction price for a particular constituent, the last price traded as at the end of the Continuous Trading phase.

9.1.3 Borsa Italiana's closing price is used by Borsa Italiana's Market Supervision division in the calculation of K factors to be applied to the index for corporate actions. Borsa Italiana's Reference price plays no part in the FTSE MIB Index calculation.

9.2 Calculation frequency

9.2.1 The FTSE MIB Index and FTSE MIB Banks 15% Capped Index are calculated on a real-time basis in EUR.

9.3 Methodology

9.3.1 The FTSE MIB Index is calculated using a base-weighted aggregate methodology. This means the level of an index reflects the total float-adjusted market value of all of the constituent stocks relative to a particular base period. The total market value of a company is determined by multiplying the price of its stock by the number of shares in issue (net of treasury shares) after adjusting for float. An Indexed number is used to represent the result of this calculation in order to make the value easier to work with and track over time. The index is calculated in real time.

9.4 Index precision

The level of precision for the index calculation is as follows:

- Index values are published rounded to two decimal places, real time;
- Index values are published rounded to two decimal places, end of day;
- Share prices are rounded to four decimal places;
- Numbers of shares outstanding are expressed in units;
- IWFs are rounded to three decimal places;
- Capped IWFs are rounded to six decimal places;
- Market capitalisation is stated to five decimal places, although the calculation uses un-rounded numbers;
- The divisor is stated to eight decimal places and calculated using un-rounded index values.

9.5 Index calculation

The FTSE MIB Index and FTSE MIB Banks 15% Capped Index value I_t , at time t , are calculated using the following formula:

$$I_t = M_t / D_t$$

Where M_t = total free float adjusted market capitalisation at time t , equal to:

$$M_t = \sum_i p_{it} \times q_{it} \times IWF_{it}$$

And

p_{it} = The last traded price, at time t , of the i^{th} -share. Where the shares of one of the constituents are suspended, the index is calculated using the price of the latest trade concluded before the suspension.

q_{it} = Number of shares in the index. The number of shares in issue for the security i^{th} , as defined in these Ground Rules, net of treasury shares.

IWF_{it} = Investable Weighting Factor (adjusted for capping) for the i^{th} share.

D_t = Value of the index divisor at time t .

9.6 Total return indexes

9.6.1 The FTSE MIB index and FTSE MIB Banks 15% Capped Index are additionally calculated as a total return index. The total return index calculations add the income a stock's dividend provides to the performance of the index. The total return calculation for the FTSE MIB Index calculation can be expressed as:

$$RI_t = RI_{t-1} \times I_t / [I_{t-1} - (AD_t / D_t)]$$

Where:

t = time period.

RI_t = Return Index at time t .

I_t = Capital Index at time t .

I_{t-1} = Capital Index at time $t-1$.

AD_t = Aggregated market value of dividends effective at time t .

D_t = Divisor at time t .

Note the formula (AD_t / D_t) calculates the XD adjustment for an index.

Aggregate dividend

The aggregate dividend (Di) represents the sum of the dividend value of all stocks included in the index:

$$AD_t = ad_t \times n_t \times w_t$$

Where:

ad_t = the actual dividend for the stock in period t .

n_t = the number of shares issued and outstanding at the end of the period t .

w_t = the investability weight of the stock in the index in period t .

9.7 Dividend Yield

The dividend yield for a stock is calculated as follows:

$$\text{Stock Annual Dividend} / \text{Stock Price} = \text{Stock Yield (\%)}$$

The dividend yield for an index is calculated as follows:

$$\text{Dividend Mkt Cap} / \text{Index Mkt Cap} = \text{Index Yield (\%)}$$

Notes:

1. Dividend Market Capitalisation is the sum of the stock dividend market values within the index e.g. annual dividend x shares x weight. Dividends will need to be converted into euro if different.
2. Index Market Cap is the net market cap for the index.



Appendix A: Index Opening and Closing Hours

Index	Open	Close
FTSE MIB Index	09:01	17:36*
FTSE MIB Banks 15% Capped Index	09:01	17.36

Notes:

- * Subject to receipt of final closing prices.
- The indexes will be calculated on all business days of the year, except those defined as market holidays according to the Borsa Italiana market calendar.
- Timings are CET.



Appendix B: Basket Selection Procedure

1. Start from the universe of all eligible shares, excluding AIM Italia shares, MTA International shares, multiple lines (preferred and non-voting shares), long-term suspended shares.
2. Create a file where for each share we have (period: last two quarters ending in the cut-off date announced every year by FTSE Russell):
 - shares name - SN,
 - shares in issue net of treasury shares (end of period)⁽¹⁾ - SiI,
 - free float (end of period)⁽¹⁾ - FF,
 - average of daily₍₂₎ official prices (vwap) of the last month - P,
 - total euro turnover in the period⁽³⁾ - T,
 - number of days of listing in the period – d.

(1) *where available, from FTSE Russell figures used for FTSE MIB Index and other FTSE Italia indexes*

(2) *calculated on days with trading only*

(3) *for shares admitted to listing in the last two quarters, the initial 5 days of trading are excluded*

3. For each share compute the adjusted market capitalisation:

$$AMC_i = SiI_i \times FF_i \times P_i$$

4. Compute for each share the Alpha parameter as the ratio between adjusted mkt cap and daily turnover:

$$\alpha_i = AMC_i / T_i / d_i$$

5. Foreign share filter: check all foreign shares and remove those whose Alpha is larger than 500
6. Compute the Market Alpha parameter as the ratio between the universe adjusted mkt cap and the universe daily turnover:

$$\alpha_{MK} = \sum_i AMC_i / (\sum_i T_i / d_i)$$

7. Compute for each share the ILC (indicator of liquidity and adjusted capitalisation) parameter as the sum of the adjusted market cap and the product of daily turnover by the Market Alpha:

$$ILC_i = AMC_i + (\alpha_{MK} \times T_i / d_i)$$

8. Liquidity filter: remove shares whose Alpha is larger than [(average of 5 highest Alpha of the FTSE MIB Index constituents) x 1.5] and those with less than 20 days of trading

9. Free Float filter: remove shares whose free float is below 5% unless they are in the first 40 per adjusted market cap
10. Size filter: remove shares ranking below #100 per absolute mkt cap
11. The restricted universe obtained is therefore ranked according to the ILC parameter
12. The basket selection will be based on the ILC ranking, with a buffer of 4. Current basket constituent shares will be removed from the basket should they rank 45th or below, and will be replaced by non constituent shares with the highest ranking. Should a non-constituent share would rank 36th or above, it would enter the basket, replacing the constituent share with the lowest ranking.
13. In the review results announcement, a list of the first four eligible shares outside the selected basket, ranked by ILC (the Reserve List) will be added.
14. Intra-quarter extraordinary revision may be triggered only by the new listing of a large company (as defined in the Ground Rules), by the spin-off from a constituent share, by the delisting or suspension of a constituent or by a decline in the market cap or free float affecting its liquidity. In that case, the choice of the share to be removed / added to the index will be based – unless FTSE Russell decides differently – on the above mentioned Reserve list.



Appendix C: Capping Methodology

15% Capping threshold

Since March 19, 2007, any stock in the FTSE MIB Index or FTSE MIB Banks 15% Capped Index whose weight exceeds 15% of the overall index is capped at 15%. The weight of each stock in the FTSE MIB Index and FTSE MIB Banks 15% Capped Index is evaluated in terms of its adjusted market capitalisation versus the index, and is re-evaluated at each index rebalancing. The extra “weight” removed from the overweighted stock(s) is distributed to all other stocks in proportion to their relative weights.

The capping is applied as follows:

Step 1: Identify any constituents with an index weight in excess of 15%

After calculating the adjusted market capitalisation of each of the index constituents (Price x Shares x IWF), identify which, if any, of the constituents is greater than 15% of the total adjusted capitalisation of the index.

Step 2: Calculate the Capping Factor of the overweight stock(s)

For any stocks with a weight greater than 15%, exclude it (them) and sum up the adjusted market capitalisation of the remaining 39 (38, ...) constituents and set that value as 85% (70%, ...), then calculate the total market capitalisation, dividing it by 0.85 (0.70, ...). Divide the 15% of total above by the actual adjusted market capitalisation of the stock(s) above 15%, thus obtaining the Underweight Factor.

Step 3: Adjust the IWF's by the Capping Adjustment Factor

For each index constituent above 15%, multiply the original IWF by its Capping Adjustment Factor.

Step 4: Repeat the process if needed

Recalculate the new adjusted market capitalisation & weights for the index constituents. If any weights are still greater than 15% repeat steps 2 through 4, iteratively, until no stock has a weight over 15% in the index.

In order to integrate the capping element for the FTSE MIB Index and FTSE MIB Banks 15% Capped Index into real-time index calculation platforms without the need of adding a new element, the original IWF figure will be replaced by an adjusted IWF that will combine both the IWF and CAF (Capping Adjustment Factor) figures into one.



Appendix D: Communications and Notices

Event	Timing	Days Notice
Constituent change stemming from a quarterly review	Effective using end of day prices	12 business days – Technical Notice
Share changes stemming from the quarterly reviews	Effective using end of day prices	2 business days – Technical Notice
Capping changes stemming from the quarterly reviews	Effective using end of day prices	2 business days – Technical Notice
Share change greater than 10% - standard	Effective using end of day prices	2 business days – Technical Notice
IWF change greater than 10% - standard	Effective using end of day prices	2 business days – Technical Notice
Intra quarter constituent change	Effective using end of day prices	2 business days – Technical Notice
Share and/or IWF changes stemming from a tender offer	Effective using end of day prices	2 business days – Technical Notice
Constituent changes stemming from a tender offer	Effective using end of day prices	2 business days – Technical Notice
Treatment of a rights issue	End of last <i>cum</i> day	On <i>ex</i> date
Changes resulting from a spin-off	End of day	2 business days notice where practicable

(For the sake of clarity, the wording “business days” refers to unaffected days between the announcement and the implementation date (both excluded): 2 business days means for example announcement on Friday, implementation from start of trading of Wednesday.)



Appendix E: Status of Index

The FTSE MIB Index is calculated on a real-time basis in EUR.

The FTSE MIB Index may exist in the following states:

A) Firm

The index is active and being calculated during Official Market hours (see Appendix A).

B) Closed

The index has ceased all calculations for the day. The message 'CLOSE' will be displayed against the index values calculated by FTSE Russell.

C) Held

During Official Index period, an index has exceeded pre-set operating parameters and the calculation has been suspended pending resolution of the problem. The message 'HELD' will be displayed against the last index value calculated by FTSE Russell.

D) Indicative

If there is a system problem or situation in the market that is judged to affect 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 calculated by FTSE Russell.

The official opening and closing hours of the FTSE MIB Index series are aligned with those of Borsa Italiana markets and are set out in Appendix A. Variations to the official hours of the Indexes will be published by FTSE.

The FTSE MIB Index is calculated and published on all days when Borsa Italiana is open for trading.

A separate index, the FTSE MIB Open Index, is calculated using constituents' opening auction prices. Due to the random closing mechanism of the opening auction, the first FTSE MIB Index value published may contain both opening auction prices and continuous trading prices: Therefore it may not match the FTSE MIB Open Index value. The FTSE MIB Open Index methodology is available at:

[FTSE_MIB_Open_Index_\(English\).pdf](#)

(For clarity, the value Borsa Italiana adopts for the settlement of FTSE MIB derivatives is based on constituents' auction prices; the value may not coincide with the FTSE MIB Open Index in circumstances where an auction period is extended).



Appendix F: 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 MIB 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.

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