

STOCK MARKET INDICES

A Committee was appointed in 1929 by the Institute and the Faculty of Actuaries to investigate the question of investment research and as a result an Investment Index of prices and average yields of stocks and shares was compiled with a base date of 31 December 1928. This index was continued with modifications until it was discontinued at 31 December 1962 following the establishing of the FT-Actuaries Share Indices which were first published on 26 November 1962.

The FT-Actuaries Indices, based on 10 April 1962, were published daily in the *Financial Times* from then up to the end of 1992 as the joint responsibility of the Institute, the Faculty and the *Financial Times*. The actuaries were responsible for the design and construction of the indices and for the industrial groupings and choice of constituents. The *Financial Times* provided the data in the form of prices, earnings and dividends and was responsible for the calculation of the indices and the day-to-day updating of this information.

FTSE ACTUARIES INDICES

From 1 January 1993 a new arrangement was brought in under which all the UK share market indices became the joint responsibility of the London Stock Exchange, the *Financial Times* and the Institute and Faculty. The FT-Actuaries Share Indices were then merged with the FTSE 100 Index (introduced at the end of 1983 to provide a real time index for derivatives), as a simple series, split into three capitalisation bands – the FTSE 100, FTSE 250 and FTSE SmallCap – which, together, made up what is now known as the FTSE Actuaries All-Share Index. The Bond Indices were similarly transferred in 1996.

The London Stock Exchange, the *Financial Times* and the Institute and Faculty had appointed a Steering Committee from their members and, together with representatives from the investment community, set the rules and control the selection of constituents and the daily calculations. Since September 1995 the interests of the *Financial Times* and London Stock Exchange have been operated by their joint (50/50) subsidiary, FTSE International Ltd.

Since 12 May 1997, the whole UK series has been calculated in real time and now consists of:

FTSE All-Share	based at 100 on 10 April 1962, comprising up to about 700 companies
FTSE 100	comprising the top 100 companies based at 1000 on 31 December 1983 and calculated in real time since that date
FTSE 250	comprising the next 250 largest companies backdated to 31 December 1985 and calculated in real time since its first publication in 1993
FTSE Actuaries 350	combining the top 350 companies and also comprising Industry Subsector Baskets
FTSE SmallCap	comprising the balance of some 350 smaller companies – capitalised more than some £45m – in the All-Share and calculated in real time. Promotions from/relegations to the Fledgling index in December 2002 raised the total to 349, but subsequent deletions during the year tend to exceed additions.

FTSE Fledgling comprising the balance of eligible quoted companies (something over 550 – topped up annually in December; 562 at the end of 2002, but with as many as 100 deletions each year) with *full* London listings.

FTSE All-Small comprising constituents of both SmallCap and Fledgling indices

Separate series of each of the above (other than the FTSE 100 Index) are calculated excluding investment companies

FTSE AIM Comprises all eligible companies on the Alternative Investment Market (677 at the end of 2002 with quarterly additions).

[Strictly the Actuarial Profession is not involved in the FTSE Fledgling and AIM indices, but they are included in the daily *Financial Times* UK indices tabulation for convenience.]

Following a 1999 Steering Committee decision, the weightings of all constituents were altered on 18 June 2001 to reflect the free float of shares available for purchase, by eliminating strategic holdings, and arranged in bands to the next higher of 20%, 30%, 40%, 50%, 75% and 100%. These bands had been applied to all new constituents added to the indices since 1 January 2000.

FTSE-Actuaries Bond Indices Comprehensive British Government Securities Indices and Yields, with a base date of 31 December 1975, replaced the original series on 17 March 1977. New Debenture and Loans and Preference Indices Yields, with base date 31 December 1977, replaced the original series on 17 March 1981. Details of the indices were given in *The FT-Actuaries Fixed Interest Indices* (G M Dobbie and A D Wilkie) *JIA* **105**, 15. The Preference Index was discontinued at the end of 1990 and the Debenture and Loan Indices were discontinued in 1994. An index for British Government Index-Linked Securities, with base date 30 April 1982, was first published on 5 July 1984. Details were given in Part 3 of *The FT-Actuaries Fixed Interest Indices* (A D Wilkie) *JIA* **112**, 369. At the beginning of 1986 separate indices for stocks of under and over five-year terms were added to the daily display. Several other enhancements were made to the British Government Securities and to the Index-linked Securities Indices in November 1998 when total return indices were added, coupon bands were discontinued and maturity bands were modified.

Further information about these indices can be obtained from the website – www.ftse.com – or from the Secretary to the Equity Indices Committee at FTSE, St Alphage House, 15th Floor, 2 Fore Street, London EC2Y 5DA (Tel: 020-7448 1800) who has available the Rules and a list of current constituents.

A full record of past prices and calculated values can be obtained either in written form or on computer disk from the FTSE Actuaries Share Indices Services, FINSTAT, One Southwark Bridge, London SE1 9HL or from FTSE.

FTSE ALL-WORLD INDEX SERIES

The FTSE All-World Index Series has been calculated since 31 December 1986, originally as the FT-Actuaries World Indices, and were published daily in the *Financial Times* in four currencies (\$, £, ¥ and local) for 29 countries and a further 15 country groupings and for the World.

In 1995 the Series became the FT/S&P – Actuaries World Indices when Standard & Poor's acquired the stake of one of the original partners, Wood Mackenzie and Co. They were then published by a consortium consisting of FTSE, Goldman Sachs & Co. and Standard & Poor's, and were compiled jointly by these three firms in conjunction with the Institute of Actuaries and the Faculty of Actuaries. Policy decisions concerning the Indices were the responsibility of a twelve-member Policy Committee, of which the Chairman and a second member were respectively Fellows of the Faculty and Institute.

On 29 November 1999, FTSE International Limited acquired the stakes in the FT/S&P Actuaries World Indices of both Goldman Sachs & Co (who remain associated with the series) and of Standard & Poor's, and this was followed on 16 December, when the changes were announced, with a further change of name to the FTSE World Index series.

The creation of the FTSE All-World Index series followed, as a result of a deal between FTSE and ING Barings, under which FTSE took exclusive rights to integrate the Baring Emerging Markets data series with its existing FTSE World Index series, resulting in an index covering 49 countries, with some 2,300 constituents, with effect from 30 June 2000. Thus the FTSE All-World Index series was the successor of the original *Financial Times* Actuaries World Indices, which were based on 31 December 1985. The new All-World series was sub-divided into three segments – Developed, Advanced Emerging and Emerging Markets – with the former World Index countries providing all those in the first two segments except Israel, Korea (South) and Taiwan and Indonesia, the Philippines and Thailand in the third. At the end of 2000, Greece was promoted from Advanced Emerging to Developed as it joined the European Currency Union.

On 22 September 2003, FTSE introduced an enhanced FTSE All-World Index Series (large/mid cap) methodology that will improve the coverage of mid cap stocks in the index and remove some smaller stocks. As a result, the FTSE All-World Index has complete coverage of all liquid mid cap stocks in addition to the complete coverage of all large cap stocks already within the index.

Additionally, in line with these enhancements, FTSE launched the FTSE Global Equity Index Series. The family contains the newly created FTSE Global Small Cap Indices and broader FTSE Global All Cap Indices (large/mid/small cap) as well as the enhanced FTSE All-World Index Series (large/mid cap).

The FTSE Global Equity Index Series further extends FTSE's equity universe – offering investors unparalleled access to over 7,000 stocks, 60,000 indices in 48 countries across the globe.

The tabulation in the *Financial Times* is now in \$ (although calculations in other currencies are available electronically to subscribers) for countries, regional and other groups, and those for economic groups and industry sectors have been added.

Consequent on these changes, the FTSE Committee structure was also changed during 2000, with the overall responsibilities of the old FTSE Actuaries Share Indices Steering Committee and the FTSE World Index Policy Committee now falling to the FTSE Policy Group, and the (worldwide) Equity indices being looked after by a new FTSE Equity Indices Committee, with that being assisted with regard to individual country and company matters by three Regional Committees – chosen by time zones – covering respectively Asia/Pacific, Europe/Middle East/Africa, and the Americas. The free float changes – set out above under

the FTSE-Actuaries Indices sector – were also applied to the FTSE All-World Indices from 18 June 2001, after being used for new constituents from 1 January 2000. A booklet setting out the construction and maintenance rules can be obtained from FTSE.

STOCK EXCHANGE CLASSIFICATION BY INDUSTRY

An Institute and Faculty working party completed a detailed classification by industry for all securities listed in the Daily Official List of the Stock Exchange at the end of 1969.

Early in 1970, substantial modifications were made to the groupings and classifications of the *FTSE-Actuaries Share Indices* to conform with the principles adopted by the working party. The Classification Sub-Committee of the Joint Index Committee of the Institute and Faculty kept under constant review these industrial groupings up to the end of 1992. This work was then carried out by the FTSE Actuaries Industry Classification Committee.

Since the autumn of 1992, the *Financial Times* has displayed companies on the two prices pages towards the back of section 2 of its daily paper under the FTSE Actuaries Index Industry Sector Groupings. The Committee carried out a major review of these groupings in 1993 and the new structure was introduced in 1994.

Further changes were prepared during 1998 and a system, based on the existing UK one but adapted for worldwide use, was progressively introduced during 1999, for the FTSE Eurotop Indices (with the introduction of the Euro) from 1 January, for the domestic FTSE Actuaries (UK series) Indices from 1 April and for the then FT/S&P Actuaries World Indices from 1 July, enabling cross-national (in particular, pan-European) industrial analyses, including the UK, with a single classification system.

During 2000, the new system – now supervised by the FTSE Global Classification Committee – was adopted by Reuters statistical services, and by several European national stock exchanges. It has subsequently been adopted by the Frank Russell organisation, of the United States, for its worldwide activities, as well as the Chinese Xinhua, Johannesburg, and Taiwan exchanges, which also have arranged their national indices with FTSE.

Any company wishing to query its classification should contact the Secretary to the Global Classification Committee at FTSE, 15th Floor, St Alphage House, 2 Fore Street, London EC2Y 5DA (Tel: 020 7448 1800).