



DFM General Index Rulebook

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1. Introduction

About DFM

Dubai Financial Market (DFM) was established as a public institution with its own independent corporate body. DFM operates as a secondary market for trading of securities issued by the public shareholding companies, bonds issued by the Federal Government or any of the local Governments and public institutions in the country, units of investment funds and any other financial instruments, local or foreign, which are accepted by the market. The DFM commenced operations on March 26, 2000 and the first Islamic Shari'a-compliant exchange globally since 2007. Following its initial public offering in November 2006, when DFM offered 1.6 billion shares, representing 20 per cent of its paid-up capital of AED 8 Billion, DFM became a public joint stock company and its shares were listed on 7 March 2007 with the trading symbol (DFM). Following the IPO, the Government of Dubai retained the remaining 80 per cent of DFM Company.

About DFM General Index (DFMGI)

The DFMGI (DFM General Index) was officially launched by Dubai Financial Market on 3rd December, 2006. The index is aimed to replicate the performance of the Dubai Financial Market listed companies. The DFMGI has been the true barometer for the Dubai stocks and is followed widely by the investor community and business media alike.

The index has a Base date of 31/12/2003

2. Eligible Universe

DFM listings

- All classes of ordinary shares primarily listed on DFM are eligible for inclusion in the DFMGI.
- Dual listed securities where DFM is the secondary Market are not eligible for inclusion.
- Other listed financial instruments such as bonds, sukuk and ETFs will be excluded.
- New listing to be considered at the Index after one month of the first trading date.

Good Standing

- The company must be in good standing in the public domain.

Companies meeting the above eligibility criteria form the Eligible Universe from which indexconstituents are selected.



3. Index Construction Methodology

The Eligible Universe is screened on Market Capitalization (Size) and Liquidity

A. Market Capitalization:

The index is based on the market capitalization methodology. Each stock represented in the index contributes the index proportionally to its market capitalization adjusted for free float.

B. Free Float Factor (FFF)

Free Float adjustment is applied to market capitalization by assigning Free Float Factor (FFF) which is based on the standard Free Float% as below:

25% of the market value of the company in case the free for trade shares are between 5% - 25%
50% of the market value of a company in case the free-for-trade-shares are between 25% - 50%
75% of the market value of a company in case the free-for-trade-shares are between 50% - 75%
100 % of the market value of a company in case the free-for-trade-shares are between 75% -100%

Any company will be excluded from the index if the percentage of free-for-trade shares is less than 5% of its total capital.

C. Liquidity Screen

The criteria's that select the "most traded stocks" listed in the index are the following: The eligible stocks are screened for sufficient liquidity as follows:

- The total trade value of the company shares shouldn't be less than 1% of the total trade value of DFM during the evaluation period (six months), or 10% of the company's market capitalization (Velocity) at the end of the evaluation period.
- The company shares should be traded on 50% of the total trade days throughout the evaluation period.
- Total number of transactions on the company shares should not be less than 150 transactions.
- The trade volume should not be less than 500,000 shares throughout the evaluation period.
- The total trade value shouldn't be less than AED 100 million throughout the evaluation period.



4. Index Calculation

The DFMG index is calculated in real-time and published during the hours of trading.

The index is calculated based on the last trade prices of stock and updated per each trade.

Index Formulae

The index is calculated based on the following Formula:

DFM Index uses the free-float adjusted Market Cap of all constituent companies

DFM index= Sum (Current FF adjusted Market Cap of all constituent companies) divided by
Sum (Old FF adjusted Market Cap of all constituent companies) multiplied by 1000

$$\frac{(P_i * S_i * FFF_i) \times 1000}{(P_i * S_i * FFF_i)}$$

Where:

i - Index constituent stocks (i = 1 to n) P - Price of stock

S - Shares outstanding FFF - Free Float Factor 1000 - Base Index Value

Constituent Weightings:

Constituents of the DFMG Index are weighted as per Total Market Capitalization and adjusted for free float. Free float shares exclude government ownership and major stockholdings that are 5% and above.

Free float for the "less traded stocks" is capped at 20%. (Free float definition may be refined to include Entities acting in concert even where% is less than 5%)



Capping of Weights

In order to maintain the quality of the index and prevent domination by large constituent companies, the maximum index constituent weight is capped at 20% of the total index's market cap.

In order to implement the capped weight, a Rated Factor (RF) is calculated for the constituent company whose weight in the index exceeds 20% at the time of review.

$$RFa = 20 \times \frac{(Pi * Si * FFFi)}{U \times MCap} \div (Pa * Sa * FFFa)$$

Where:

RFa - Rated Factor (RF is applied to a constituent where the weight exceeds 20%)

20 - Capping percentage targeted

U - Percent of the index represented by all uncapped constituents

The constituent capping factor is calculated for all constituents whose uncapped weight after the application of FF Market cap weightings is greater than 20%. The weights of the capped and uncapped constituents in the index are then calculated. If following the application of this capping procedure other constituents have moved above 20% in weight then the process is repeated, now including the new constituent(s) which require capping. This process is then repeated until no further constituents require capping.

Calculation and Dissemination:

DFM General Index is calculated real-time during DFM trading hours and will be available through the DFM trading terminals, DFM website (www.dfn.ae); and designated data vendors including Bloomberg, Reuters, Zawya, etc.)

Bloomberg Code: DFMGI Reuters Code: DFMGI



5. Index Management Responsibilities

Dubai Financial Market is responsible for the operations of the DFM General Index. DFM maintains records of market capitalization and free float for the constituents in line with the calculation methods highlighted in the rules.

a. Index Governance

i. Index Policy Committee

The oversight of the index management function at the DFM is undertaken by an Index Policy Committee that is responsible for the overall governance and management of the DFM General Index. The committee includes senior officials from DFM.

The DFM Index Policy Committee is responsible for ensuring that strict adherence to the index rules is observed during periodic reviews of the index portfolio and must also provide guidance on handling of special corporate events in relation to the index constituents.

ii. Using Discretion

As a policy, DFM does not use discretion in daily Index functions. Whenever there is a situation not clearly mentioned in the DFMGI rulebook, DFM under the guidance of the Index Policy Committee may use discretion. Such discretionary decisions shall be transparently informed to the market. Discretion may be applied in cases of unusual corporate actions which are highly complicated or in unpredictable situations like natural disaster, war et c.

iii. Index Audit

The DFMGI calculation and maintenance is subject to internal audit as part of the market operations function. DFM maintains records of all decisions of the index policy committee and the changes with regard to index members.

b. Index Rules Changes

The Index rules will be reviewed by the DFM Index Policy Committee whenever such a review is warranted or at least once every year. Such review will cover index methodology and index maintenance including management of corporate actions and market notifications. The purpose of the review and any on-going changes to these rules is to ensure independence and objectivity of the rules that govern the DFM General Index.



c. Public Consultation

DFM will adopt public consultation exercise in case of a proposal or a recommendation that relate to the index methodology including but not limited to index calculation formulae and rules relating to daily maintenance of the DFM General Index. In this regard, DFM will put up a consultation note on its website for public to comment. The consultation period will be open for 1 month. DFM will collate feedback from the consultation and present to the Index Policy Committee for final decision on the matter.

d. Implementation of Rule Changes

In the event that the Index Policy Committee recommends changes to the DFM General Index Rules, such a decision will be informed to the market via DFM official website giving three (3) months' notice in advance wherever possible. In case, 3 months advance notice cannot be given due to circumstances, then DFM will notify the market as soon as practicable before the implementation of the rule changes.

e. Termination of Index Calculation

In the event that DFM decides to terminate the index calculation permanently, it will provide minimum three (3) months' notice to the market or in situations when such time notice is not possible, DFM will provide a notice period of as much as practical within the given circumstances.



5. Index Maintenance

a. Index Reviews and Effective dates

The DFMG index is reviewed on semi-annual basis by the middle of January and July each year based on the statistical listed company data for recent 6 months (January to June) and (July to December) respectively. This review focuses on continuing eligibility and changes to free float for index constituents. Additions/ deletions or changes in free-float approved by the Index Policy Committee post review are communicated to the market via exchange notice.

The announced changes become effective from the first business day of February and August each year.

b. Additions and Deletions Outside Reviews

New listings may be considered for inclusion to the Index after one month of the first trading date. For sufficiently large new company listings, DFM Index Policy Committee may consider early inclusion and will notify the effective date of inclusion of the company via exchange Notice.

Certain Corporate Actions may require to delete a company from the index. In such cases, the deletion will be effective on the same day as the corporate action.

In the above cases, DFM will communicate the changes to the market via Notice as soon as practicable along with the effective dates.

c. Index Member Suspension or Delisting

- If any index member is suspended as a result of issuer board meetings or shareholders meeting and is of a temporary nature, the member will remain in the Index and Index calculation will consider last price of such member.
- If any index member is suspended as a result of any technical issues, and is of a temporary nature, then member will remain in the Index and Index calculation will consider last price of such member.
- If suspension of trading in an index member is a result of any regulatory action, then the Index committee will decide on necessary treatment of such member in Index inclusion.
- If such suspension is expected to be of long term nature, Index committee may decide to exclude this member from Index after providing reasonable notice to the market. Until such member is removed, it will continue to remain in the Index and the Index will be calculated using the last traded price of such a member.
- In case of delisting of an index member, that company will be deleted from the DFMGI effective from the date of delisting from DFM.



d. Handling Corporate Actions

Corporate Actions like Suspension, Delisting, Bonus Shares, Stock Splits, Capital Restructuring, Mergers & Acquisitions, Spin-offs etc. necessitate changes to the index. Such index constituent changes and consequent weights of the index companies will be implemented immediately on becoming effective. Such changes will be announced at least a day in advance of the actual implementation date.

The actions that are generally considered for specific Corporate Actions are enlisted in the table in Appendix below

Corporate Actions Table		
Corporate Action	Index Adjustment	Divisor Adjustment (Y/N)
Stock Dividend (Bonus), Stock Split	Index shares are multiplied by and price is divided by the split factor.	No
Capital Reduction, Reverse Stock Split	Index shares are divided by and price is multiplied by the event factor	No
Spin offs / De-mergers	Generally, the parent company will be excluded upon spin off. However, if information regarding price adjustment is available and discernable, the parent company may remain in the index with an adjusted price - Index Management Committee discretion.	Yes
Rights Issues	Closing price is adjusted and index shares will be increased as per the Rights Ratio.	Yes
Change in total outstanding shares	Index shares will be readjusted and will lead to rebalancing	Yes
Constituent Changes	For out of review addition/ deletion, normal index rebalancing will be applicable	Yes



Complaints and Grievances

Any investor can file a complaint with the DFM market in connection with the DFM General Index if he believes he has good reasons to do so.

For any feedback or complaints, please email us on index@dfm.ae

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