

# Press Release

5 October 2018

## Launch of new FTSE ST Singapore Shariah Index

- **First index tracking Shariah-compliant companies listed on SGX**
- **Constituents screened against a clear set of Shariah principles to create a robust Shariah-compliant index for the Singapore market**
- **Meets growing investor demand for Shariah-compliant benchmarks**

FTSE Russell, the global index, data and analytics provider, has launched a new Shariah-compliant index tracking companies listed on the Singapore Exchange (SGX). The FTSE ST Singapore Shariah Index has been designed to track Shariah-compliant companies listed on SGX and can be used as the basis of investment products. Independent screening is carried out by Yasaar Ltd, an organisation with a global network of expert Shariah scholars. The indexes have been certified as Shariah-compliant through the issue of a Fatwa by Yasaar's principles.

The global Islamic banking and finance industry has grown over the years to have more than US\$2 trillion<sup>1</sup> in total assets as at end of 2017. This growth has been accompanied by a need for appropriate asset management tools, including benchmark equity indexes that are Shariah-compliant.

Using the FTSE ST All-Share Index as a base universe, constituents are screened against a clear set of Shariah principles to create a robust Shariah-compliant index for the Singapore market. At launch, there are 48 constituents in the FTSE FT Singapore Shariah Index.

### Business Activity Screening

Initially, companies involved in any of the following activities will be filtered out as non-Shariah compliant:

- Conventional finance (non-Islamic banking, finance and insurance, etc)
- Alcohol
- Pork related products and non-halal food production, packaging and processing or any other activity related to pork and non-halal food
- Entertainment (casinos, gambling and pornography)
- Tobacco, weapons, arms and defence manufacturing.

### Financial Ratios Screening

The remaining companies are then screened on a financial basis. The following financial ratios must be met for companies to be considered Shariah-compliant:

- Debt is less than 33.333% of total assets
- Cash and interest-bearing items are less than 33.333% of total assets
- Accounts receivable and cash are less than 50% of total assets
- Total interest and non-compliant activities income should not exceed 5% of total revenue.



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**Jessie Pak, Managing Director Asia, FTSE Russell, said:**

"We are delighted to announce the launch of the first index tracking Shariah-compliant companies listed on the Singapore Exchange. Since FTSE Russell began calculating Shariah-compliant indexes over ten years ago, we have continued to see growing demand for appropriate benchmarking tools that can be used as the basis for Shariah-compliant investment products. We look forward to working with our partners SGX and SPH as we continue to provide benchmarking, data and analytics tools for the Singapore market."

**Ng Kin Yee, Senior Vice President, Head of Market Data and Connectivity, SGX, said:**

"We welcome the FTSE ST Singapore Shariah Index to the growing suite of FTSE ST indices. The outlook for the global Islamic fund and wealth management sector continues to be positive, supported by an increasing range of Islamic financial instruments available to investors. This index will serve as a benchmark for Shariah-compliant funds looking to invest in Singapore, and potentially pave the way for creation of other Shariah-compliant products."

**Wong Wei Kong, Chairman of SPH Data Services, said:**

"Market indices must track investing trends to stay relevant, and we are glad that together with our partners FTSE Russell and SGX, we will be offering an index to meet the rising demand for Shariah-compliant benchmarks."

FTSE Russell has partnered with Singapore Press Holdings (SPH), publisher of The Straits Times newspaper, and Singapore Exchange (SGX) to manage Singapore's main stock market benchmark. The STI is widely followed by investors as the benchmark for the Singapore market and is used as the basis for a range of financial products including Exchange Traded Funds (ETFs), warrants, futures and other derivatives. FTSE International Limited is the index administrator. The FTSE ST Singapore Shariah Index will sit within the FTSE ST Index Series.

Further information on the FTSE ST Singapore Shariah Index is available at <https://www.ftse.com/products/indices/SGX-Shariah>

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<sup>1</sup> *Islamic Financial Services Industry Stability Report 2018 issued by the Islamic Financial Services Board*

**For further information:**

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## Notes to editors:

### **About FTSE Russell:**

FTSE Russell is a global index leader that provides innovative benchmarking, analytics and data solutions for investors worldwide. FTSE Russell calculates thousands of indexes that measure and benchmark markets and asset classes in more than 70 countries, covering 98% of the investable market globally.

FTSE Russell index expertise and products are used extensively by institutional and retail investors globally. Approximately \$16 trillion is currently benchmarked to FTSE Russell indexes. For over 30 years, leading asset owners, asset managers, ETF providers and investment banks have chosen FTSE Russell indexes to benchmark their investment performance and create ETFs, structured products and index-based derivatives.

A core set of universal principles guides FTSE Russell index design and management: a transparent rules-based methodology is informed by independent committees of leading market participants. FTSE Russell is focused on applying the highest industry standards in index design and governance and embraces the IOSCO Principles. FTSE Russell is also focused on index innovation and customer partnerships as it seeks to enhance the breadth, depth and reach of its offering.

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