




DFM Shari'a Index

DFMSI

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|----------------|---------|---------------|---------------------|
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Dubai Financial Market



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1. Introduction

a. 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 the trading of securities issued by 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 became 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.

The DFM Indices are designed to represent the performance of DFM Listed companies, providing market participants a comprehensive and complementary set of indexes on the general market performance (the **DFM General Index**), sector performance (**DFM Sector Indices**) and **Shari'a-compliant companies' performance (DFM Shari'a Index (DFMSI))**.

b. About DFM Sharia Index (DFMSI)

The **DFMSI (DFM Shari'a Index)** was officially launched by Dubai Financial Market on the 27th of **October, 2019**. The index demonstrates the performance of the Dubai Financial Market Shari'a-compliant listed companies. The DFMSI is a barometer presenting the true picture of **Shari'a-compliant companies** listed on the DFM to support the investment community and business media alike in tracking Dubai stocks.

The index has a Base date of 31/12/2009.

2. Eligible Universe

a. DFM listings

- **All classes of Shari'a-compliant** ordinary shares listed on the DFM are eligible for inclusion in the DFMSI.
- Other listed financial instruments such as Bonds, Sukuk and ETFs are excluded.
- New listings will be considered to be included in the Index after one month of the first trading date.

3. Index Calculation

The DFMSI 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.

a. Index Formula

The index is calculated based on the following Formula:

The **DFM Shari'a Index (DFMSI)** uses the free-float adjusted market capitalization of all constituent companies.

The DFM Shari'a index (DFMSI) = Sum (Current FF adjusted Market Capitalization of all constituent companies) divided by

Sum (Old FF adjusted Market Capitalization of all constituent companies) multiplied by 1000

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

Where:

i - Index constituent stocks (i = 1 to n)

P - Price of stock

S – Shares outstanding

FFF – Free Float Factor

1000 – Base Index Value

b. Constituent Weightings:

Constituents of the DFMSI 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.

c. 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 10% of the total index's market capitalization.

In order to implement the capped weight, a Rated Factor (RF) is calculated for the constituent company whose weight in the index exceeds 10% at the time of review.

$$RF_a = 10 \times \frac{(P_i * S_i * FFF_i)}{U \times MCap} \div (P_a * S_a * FFF_a)$$

Where:

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

10 – 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 10%. 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 10% in weight then the process is repeated including the new constituent(s) which require capping. This process is then repeated until no further constituents require capping.

d. Calculation and Dissemination

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

Bloomberg Code: DFMSI

Reuters Code: DFMSI

4. Index Management Responsibilities

Dubai Financial Market is responsible for the operations of the DFM Shari'a 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

The oversight of the index management function at the DFM is undertaken by an Indices Policy Committee that is responsible for the overall governance and management of the **DFM Shari'a** Index. The Committee includes senior officials from DFM. The DFM Indices 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.

b. Index Rules Changes

The Index rules will be reviewed by the DFM Indices 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 Shari'a Index.**

c. Implementation of Rule Changes

In the event that the DFM Indices Policy Committee recommends changes to the DFM Sharia Index (DFMSI) Rules, **such a decision will be informed to the market via DFM's official website giving three (3) months' notice in advance wherever possible.** In case, the three 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.

d. 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 practicable within the given circumstances.

5. Index Maintenance

a. Index Reviews and Effective dates

The DFMSI is reviewed on a Quarterly basis based on the statistical Classification of listed **companies on the Dubai Financial Market in terms of compliance with Shari'a law.**

This review focuses on continuing eligibility and changes to free float for index constituents. Additions/deletions or changes in free-float approved by the DFM Indices Policy Committee post-review are communicated to the market via exchange Notice.

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 Indices 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' meetings and is of a temporary nature, the member will remain in the Index and the 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 the member will remain in the Index and the Index calculation will consider the last price of such member.
- If suspension of trading in an index member is a result of any regulatory action, then the DFM Indices Policy Committee will decide on the necessary treatment of such member in the Index inclusion.
- If such suspension is expected to be of a long-term nature, the DFM Indices Policy Committee may decide to exclude this member from the Index after providing reasonable notice to the market. Until such member is removed, it will continue to remain in the DFMSI 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 DFMSI 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 one day in advance of the actual implementation date.

