



FTSE Russell Nationality Alignment Consultation: Next Steps

03 March 2017

FTSE Russell would like to thank all those who responded to the *Nationality Alignment Consultation*.

FTSE Russell has reviewed the responses to the consultation and subsequently discussed these with the FTSE Russell Regional Equity Advisory Committees and the FTSE Nationality Committee.

As a result of these discussions, FTSE Russell has determined that there was insufficient support at this time for the implementation of a single nationality rule that could be used in both FTSE and Russell indexes. There was however support for the introduction of an enhanced rule for determining whether companies should be assigned a nationality of China.

In the light of this, FTSE Russell intends to proceed as follows:

- There will be no change to the nationality rule used to determine eligibility for the Russell US indexes at the June 2017 reconstitution.
- There will be no change to the nationality rule used in the FTSE Global Equity Index Series for the September 2017 semi-annual review.
- For the avoidance of doubt there will be no change to the nationality rule used in the FTSE UK Index Series.
- The nationality rule used to determine whether a stock has Chinese nationality will be implemented, as set out in the consultation, at the September 2017 reviews. This rule specified that A-shares, B-shares, H-shares, P-chips, S-chips, Red-chips and N-shares - and no other securities - would be assigned Chinese nationality in the FTSE Russell indexes. A summary of the definitions of the various share types can be found [here](#).
- As a result of the above, N-shares and S-chips - including Alibaba and Baidu - will be considered for inclusion in FTSE China indexes as part of the FTSE Global Equity Index Series (GEIS). This includes customized indexes and other indexes that are derived from FTSE GEIS or utilize it as a selection universe. Due to the impact of including these additional constituents, FTSE Russell will consult with users and other stakeholders with respect to the optimal timing and phasing of their inclusion. Please note that FTSE GEIS currently excludes China A shares, although A-shares are included as part of the FTSE Global China A Inclusion Indexes.
- N-shares and S-Chips will not be eligible for inclusion in the FTSE China 50 Index as only China share classes that are listed on the Stock Exchange of Hong Kong (HKEX) are included.
- The FTSE China A50 Index only includes China A-shares and is not impacted by the nationality changes.
- The FTSE MPF Index Series will not be impacted by the nationality changes.
- For other FTSE China indexes which have their own eligibility criteria or are used as exchange traded products, such the FTSE Greater China Index, FTSE Russell will undertake further consultations with stakeholders with respect to the potential inclusion of N-shares and S-chips in China.
- For clarity, and despite the precedent set by the inclusion of N-shares in certain China indexes, Depositary Receipts including ADRs without a listed underlying share currently remain ineligible

for the FTSE Global Equity Index Series. i.e. The N-share designation will supersede the ADR with an underlying share requirement, for the purposes of index eligibility.

- FTSE Russell will be consulting further on the eligibility criteria, including nationality criteria, that will be used in the Russell Global Index (ex-US) from September 2017. Please refer to the Russell Global Index reconstitution disseminated concurrently with this announcement for additional information. A further notice with respect to the future constitution of the Russell Global Index (ex-US) will be published on or before 31 May 2017.

[Chinese_S_Chips_and_N_Shares.xlsx](#)

For further information please contact FTSE Russell Client Services at info@ftserussell.com or call:

Australia	+1800 653 680
Hong Kong	+852 2164 3333
Japan	+81 3 3581 2764
London	+44 (0) 20 7866 1810
New York	+1866 551 0617

Alternatively please visit our website at www.ftserussell.com

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