

FAQ



China N-Shares and China S-Chips Treatment FAQ

Effective September 2017



Contents

Introduction.....	4
1.0 What indexes are impacted by the change in nationality of China N-shares and S-chips?	5
2.0 When will the change be effective?.....	5
3.0 How will the change be implemented?	5
4.0 Is there a list of eligible securities designated as China N-shares and China S-chips?	6
5.0 When will the final changes be announced?.....	6
6.0 What is the cut-off date for selecting the eligible universe for the September 2017 semi-annual review?	6
7.0 Treatment of Initial Public Offerings – how will they be added?	6
8.0 If a security is already a constituent of FTSE GEIS, will it be screened as a new security or an existing security for the liquidity and size eligibility screens?	6
9.0 What is the projected weight change of China N-shares and China S-chips in the FTSE Global All Cap, FTSE Emerging All Cap and FTSE China All Cap Indexes?	6
10.0 What is the projected weight of China in FTSE GEIS and FTSE Emerging after the completion of the N-share and S-chip transition?.....	7
11.0 The addition of China N-shares will result in FTSE Asia indexes remaining open until the US market closes. How will this impact the publication of closing values for real-time FTSE Asia indexes and the delivery of end of day Asia products?.....	7



12.0	How does this nationality change impact the FTSE GEIS Greater China Indexes?	7
13.0	What criteria does FTSE Russell use for defining the different China share classes?	7
14.0	How often is the eligible China N-share and China S-Chip universe reviewed?.....	7
15.0	What are the review screening criteria for China N-Shares and China S-Chips?	7
16.0	What is the fast entry level applied to China N-Shares and China S-Chips?	7
17.0	What will be the treatment of China N-shares securities which are added to FTSE GEIS from September 2017, but fail index eligibility at a subsequent review?	8
18.0	Will China N-shares and China S-chips be considered as part of the multiple line rule for index review ranking purposes? Can you provide the full list of Chinese share classes which are combined for FTSE GEIS index review ranking purposes?.....	8
	Further Information	9



Introduction

Introduction

As a result of the “Nationality Alignment Consultation”, FTSE Russell announced that securities designated at China N-share and China S-chip will be considered for inclusion in FTSE China indexes as part of the FTSE Global Equity Index Series (GEIS) semi-annual review in September 2017.

[Nationality Alignment Consultation: Next Steps](#)

This document is intended to facilitate the understanding of how the changes will be implemented and to address commonly asked questions.



FAQ

1.0 What indexes are impacted by the change in nationality of China N-shares and S-chips?

Any index that includes Chinese companies in the FTSE GEIS, including all derived and custom indexes will be impacted by the change in nationality of China N-shares and S-chips.

Indexes that use additional selection criteria such as the FTSE China 50 Index will not be impacted by the change in nationality.

FTSE Custom index clients requesting changes to their indexes because of the China nationality changes should contact info@ftserussell.com no later than 31 July 2017.

2.0 When will the change be effective?

The implementation of China N-share and China S-chip nationality changes will commence in conjunction with the FTSE GEIS September 2017 semi-annual review effective from the open of trading on Monday, 18 September 2017.

3.0 How will the change be implemented?

Existing Index Constituents

Securities which are current constituents of FTSE GEIS US or FTSE GEIS Singapore and have been designated either as an N-share or as an S-chip will have their nationality changed to China in conjunction with the September 2017 semi-annual review in one tranche.

Non Index Constituents

Securities which are not index constituents of FTSE GEIS and have been assigned a China N-share nationality will be added to FTSE GEIS China, including all derived and custom indexes, subject to passing eligibility screens, in four equal 25% tranches in conjunction with the FTSE GEIS quarterly reviews. This is illustrated in Table 1.

Table 1: China N-share Non-Constituent Quarterly Tranches

	September 2017	December 2017	March 2018	June 2018
China N-share	25%	25%	25%	25%
Total	25%	50%	75%	100%

Securities which are not index constituents of FTSE GEIS and have been assigned a China S-chip nationality will be added to FTSE GEIS China, including all derived and custom indexes in conjunction with the September 2017 semi-annual review in one tranche.

4.0 Is there a list of eligible securities designated as China N-shares and China S-chips?

An indicative list of eligible securities which have been designated as China N-shares and China S-chips that passed the Asia Pacific ex Japan regional size and liquidity eligibility screens as of June 2017, can be found within the following technical notification using the following link:

[Indicative List](#)

5.0 When will the final changes be announced?

The FTSE GEIS September 2017 semi-annual changes will be published after market close on Wednesday, 30 August 2017.

6.0 What is the cut-off date for selecting the eligible universe for the September 2017 semi-annual review?

Friday, 30 June 2017 is the cut-off date for selecting the eligible universe for the FTSE GEIS September 2017 semi-annual review.

7.0 Treatment of Initial Public Offerings – how will they be added?

If an IPO designated as China N-share lists after the commencement of the tranching additions of China N-shares, and the IPO is either eligible for fast entry inclusion or eligible for inclusion at a quarterly review, it will be added to FTSE GEIS in one tranche.

8.0 If a security is already a constituent of FTSE GEIS, will it be screened as a new security or an existing security for the liquidity and size eligibility screens?

Securities currently designated as China N-shares in FTSE GEIS US and China S-chips in Singapore will be treated as current index constituents for the purposes of both the liquidity and size eligibility screens. All other securities will be treated as non constituents for the liquidity and size eligibility screens.

9.0 What is the projected weight change of China N-shares and China S-chips in the FTSE Global All Cap, FTSE Emerging All Cap and FTSE China All Cap Indexes?

	FTSE Global All Cap	FTSE Developed All Cap	FTSE Emerging All Cap	FTSE China All Cap
N-Share	0.66%	-0.023%	6.82%	22.74%
S-Chip	No Change	-0.00849%	0.0846%	0.26%

Data as of 29 June 2017 based on the indicative N-share and S-chip list as if companies were included in one tranche. For example, China N-shares currently included in the FTSE Developed All Cap Index, when removed would account for a weight change of -0.023%.

10.0 What is the projected weight of China in FTSE Global All Cap and FTSE Emerging All Cap Indexes after the completion of the N-share and S-chip transition?

China	FTSE Global All Cap	FTSE Emerging All Cap
Pre Transition	2.26%	24.76%
Post Transition	2.91%	29.94%

Data as of 29 June 2017 based on the indicative N-share and S-chip list as if companies were included in one tranche.

11.0 The addition of China N-shares will result in FTSE Asia indexes remaining open until the US market closes. How will this impact the publication of closing values for real-time FTSE Asia indexes and the delivery of end of day Asia products?

FTSE Asia real-time indexes which contain China N-share securities will remain open until the US markets close. FTSE Asia end of day products which contain China N-share securities will be produced and delivered after the US markets have closed.

A full list of impacted real-time indexes and products can be requested by contacting FTSE Russell Client Services: Info@FTSERussell.com

12.0 How does this nationality change impact the FTSE GEIS Greater China Indexes?

China N-shares and S-chips will be eligible for inclusion in the FTSE GEIS Greater China Indexes as China constituents and follow the inclusion approach as outlined in question 3.

13.0 What criteria does FTSE Russell use for defining the different China share classes?

A summary of how the various China share types are defined can be found here:

[Guide to Chinese Share Classes.pdf](#)

14.0 How often is the eligible China N-share and China S-Chip universe reviewed?

The eligible universe of China N shares and S-Chips will be reviewed semi-annually in March and September.

15.0 What are the review screening criteria for China N-Shares and China S-Chips?

Eligible China N-shares and S-Chips will be subject to the free float, market capitalization and liquidity screenings that are applied to the periodic Asia Pacific ex Japan regional review of the FTSE Global Equity Index Series to determine their inclusion and exclusion.

16.0 What is the fast entry level applied to China N-Shares and China S-Chips?

China N-shares and S-Chips are eligible for fast entry to the FTSE Global Equity Index series if they meet the relevant fast entry threshold of the Asia Pacific ex Japan region.

17.0 What will be the treatment of China N-shares securities which are added to FTSE GEIS from September 2017, but fail index eligibility at a subsequent review?

If a partially added China N-share security fails index eligibility, it will be deleted in accordance with the index methodology and subsequent quarterly additions of the security will not be implemented.

18.0 Will China N-shares and China S-chips be considered as part of the multiple line rule for index review ranking purposes? Can you provide the full list of Chinese share classes which are combined for FTSE GEIS index review ranking purposes?

All China share classes that have multiple lines will be eligible for ranking purposes. Although only China B-shares and H-shares that have an associated China A-share are combined for ranking purposes.



Further Information

If you have any questions and would like to speak to a client services individual directly, please do not hesitate to contact us on the numbers below, or via email at info@ftserussell.com.

Hong Kong +852 2164 3333
London +44 (0) 20 7866 1810
Milan +39 02 3604 6953
New York +1 888 747 FTSE (3873)
Sydney +61 (2) 9293 2864
Tokyo +81 (3) 3581 2811

© 2017 London Stock Exchange Group plc and its applicable group undertakings (the "LSE Group"). The LSE Group includes (1) FTSE International Limited ("FTSE"), (2) Frank Russell Company ("Russell"), (3) FTSE TMX Global Debt Capital Markets Inc. and FTSE TMX Global Debt Capital Markets Limited (together, "FTSE TMX") and (4) MTSNext Limited ("MTSNext"). All rights reserved.

FTSE Russell® is a trading name of FTSE, Russell, FTSE TMX and MTS Next Limited. "FTSE®", "Russell®", "FTSE Russell®", "MTS®", "FTSE TMX®", "FTSE4Good®" and "ICB®" and all other trademarks and service marks used herein (whether registered or unregistered) are trade marks and/or service marks owned or licensed by the applicable member of the LSE Group or their respective licensors and are owned, or used under licence, by FTSE, Russell, MTSNext, or FTSE TMX.

All information is provided for information purposes only. Every effort is made to ensure that all information given in this publication is accurate, but no responsibility or liability can be accepted by any member of the LSE Group nor their respective directors, officers, employees, partners or licensors for any errors or for any loss from use of this publication or any of the information or data contained herein.

No member of the LSE Group nor their respective directors, officers, employees, partners or licensors provide investment advice and nothing in this document should be taken as constituting financial or investment advice. No member of the LSE Group nor their respective directors, officers, employees, partners or licensors make any representation regarding the advisability of investing in any asset. A decision to invest in any such asset should not be made in reliance on any information herein. Indexes cannot be invested in directly. Inclusion of an asset in an index is not a recommendation to buy, sell or hold that asset. The general information contained in this publication should not be acted upon without obtaining specific legal, tax, and investment advice from a licensed professional.

No part of this information may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without prior written permission of the applicable member of the LSE Group. Use and distribution of the LSE Group index data and the use of their data to create financial products require a licence with FTSE, Russell, FTSE TMX, MTSNext and/or their respective licensors.