

Russell US Indexes – Construction and Methodology Updates

01 March 2022

In accordance with Russell US ground rules, the reconstitution of the **Russell US Indexes** will take place after the market close on **24 June 2022**. Performed annually, reconstitution ensures that the Russell US indexes continue to accurately reflect the current state of the US equity market and its market segments, including market capitalization (e.g., large and small cap), sector breakdowns, and style structure.

All indexes based on the Russell US indexes are impacted by the membership changes of their respective parent indexes. This includes the following:

- Russell US Custom Indexes
- Index Series limited to US equity coverage: Russell US, Russell Microcap, Russell US Stability, Russell Equal Weight, Russell Dividend Growth, Russell High Efficiency Defensive, Russell Pure Styles and Russell Factor indexes

Addition and deletion lists are not generated for each index series; however, membership changes are published in advance of the effective date within the daily change files and predictive (indicative) holdings files. A detailed schedule of reconstitution-related index deliverables can be found in the Reconstitution Calendar available in the "Reference Documents" section on the [Data Delivery Service](#) (DDS) and the "Reference Materials" section on the [FTSE Russell Product Portal](#).

Reconstitution dates are determined using the methodology outlined in Appendix G of the Russell US Construction and Methodology guide: [Russell-US-indexes.pdf](#) (ftserussell.com)

For your reference, the 2022 reconstitution schedule for the Russell US indexes is provided below along with a brief summary of methodology enhancements of note that have been announced within the last 12 months which you should be aware of as you prepare for the Russell US rebalance in June.

Timetable:

Friday 06 May 2022: Rank day. Russell US Index membership eligibility for the 2022 reconstitution is determined from published information and market capitalizations at market close.

Friday 20 May 2022: Preliminary shares and free float data is published for existing Russell 3000E constituents within a "Total and Float Shares" file (file name: RUSmtfs[ddmm].csv) which will be available on the DDS Product Portal. This file will be published daily until 03 June 2022 incorporating any changes and corrections, including any updates as a consequence of finalized corporate action activity effective up to, and including the reconstitution effective date. Any changes to the original iteration of the file will be highlighted within a "Last Modified Date" (LMD) column which will provide the date for the most recent update.

Friday 03 June 2022: Preliminary membership lists are published after market close.

Friday 20 May to Friday 10 June 2022: Query period. Users are welcome to query the published data; any corrections will be communicated after market close each day. Merger and spin-off companies will be re-ranked when the transaction is effective between the rank day and the index lock-down. No further re-ranking will occur after Friday 10 June 2022.

Monday 13 June 2022: Lock-down. No further corrections will be implemented* and the Russell US index reconstitution can be considered final (with any further changes to shares and free float isolated to changes associated with corporate events).

*During the quarterly review / annual reconstitution lock-down period, FTSE Russell will generally avoid implementing corrections to ensure stability during the period prior to the review / reconstitution implementation. However egregious shares and free float errors discovered within the lock-down period or during the week following the review / reconstitution may be corrected if an erroneous change compromises the replicability of the index OR if the change places potential price pressure on the company OR if there is a material error of 50% or greater (relative) to index shares. Any corrections during the lock-down period or the week following the review will be implemented with appropriate notice. All other shares and free float errors will be corrected at the following quarterly index review.

Friday 24 June 2022: The Russell US reconstitution is implemented after market close.

Summary:

Date	Action
Friday 06 May	Rank and cut-off day for new information
Friday 20 May	Preliminary shares in issue and free float data is published
Friday 03 June	Preliminary membership lists are published after market close
Friday 20 May to Friday 10 June	Query period
Monday 13 June	Lock down period commences
Monday 27 June	The Reconstitution changes are effective (from the open)

Additional Clarifications:

Stocks Suspended during the Reconstitution Period: Securities which are suspended on **Friday 10 June 2022*** will not have their scheduled reconstitution changes implemented regardless of a resumption of trade prior to the reconstitution effective date. The scheduled changes will be implemented T+2 after the reconstitution effective date, at the earliest, upon resumption of trade. Scheduled reconstitution changes will only occur if there is an active market on Friday 24 June 2022; otherwise, the changes will be postponed and implemented with notice, upon resumption of trade.

*If there is a confirmed resumption of trade date which occurs prior to the reconstitution effective date, the reconstitution changes will proceed as scheduled.

Equity Offerings: In accordance with standard methodology, primary and secondary offerings will continue to be applied with two days' notice when discovered after the review announcement date. However, offerings which would ordinarily become effective at the open on the Tuesday - Friday prior to the reconstitution will instead be implemented simultaneously in conjunction with the reconstitution effective date on **27 June 2022** (open). Offerings discovered on the Thursday and Friday prior to the review will be implemented with two days' notice and therefore subsequent to the review. Similarly, **Long Term Suspended Stocks** which would ordinarily be deleted effective at the open on the

Tuesday - Friday prior to the reconstitution, will instead be deleted in conjunction with the review effective date on 27 June 2022 (open).

Methodology Enhancements – All FTSE Russell Index announcements can be referenced at the following link: [Russell US Indexes | FTSE Russell](#)

Since the rebalance of the Russell US series last year, there have been two updates published to the US Construction and Methodology guide:

- July 1, 2021 a Technical Notice was published clarifying treatment of SPAC's: <https://research.ftserussell.com/products/index-notices/home/getmethodology/?id=2600856>
- February 3, 2021 a Technical Notice was published updating the treatment of Chinese N shares within the Russell US series: <https://research.ftserussell.com/products/index-notices/home/getnotice/?id=2603203>

In addition, the following clarifications should be noted:

October 25, 2021 A Technical Notice was published providing an FAQ document clarification around grandfathering of voting rights (timing details): <https://research.ftserussell.com/products/index-notices/home/getnotice/?id=2602057>

There are no major methodology changes to be announced for the March 1, 2022 notice. However, there are two items that FTSE Russell would like to clarify regarding current rules.

- The China N Share rule (5.3.5) references headquarters within mainland China. For clarification, the listing of any Chinese headquarters or Principal Executive Office will satisfy the criteria and would trigger further research into revenue and assets for N share designation.
- US Nationality is determined within rule (5.3) and includes analysis of asset and revenue data. For clarification, FTSE Russell will only conduct analysis on asset or revenue data where positive values are reported. In the event that negative values are reported for the most recent financial year, the test will not be conducted and will be viewed as inconclusive. As long as assets or revenue for the most recent financial year is reported with positive values, the test will be conducted and used to assign nationality (one year's data will be used if the previous year's data contains negative values).

The current Russell US Indexes Construction and Methodology is now available using the following link: [Russell-US-indexes.pdf \(ftserussell.com\)](#)

Or on the FTSE Russell website: www.ftserussell.com

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