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# **FTSE China Index Series**

v2.8

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## Section 1

# Introduction

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### 1.0 Introduction

1.1 This document sets out the Ground Rules for the construction and management of the FTSE China Index Series. Please read these rules in conjunction with the FTSE Global Equity Index Series Ground Rules as index treatments that are not stipulated in this document will follow the methodology applied to the FTSE Global Equity Index Series (GEIS). Copies of the Ground Rules are available from FTSE Russell.

### 1.2 FTSE China Index Series

1.2.1 The FTSE China Index Series is designed to represent the performance of the global Chinese equity investment opportunity set covering constituents listed outside of mainland China. The series complements FTSE's other China index offerings including the FTSE China 50 Index, the FTSE China A All Cap Index Series (including the FTSE China A50 Index) and the FTSE Global China A Inclusion Index Series. For further information on the FTSE China 50 Index, the FTSE China A Index Series and the FTSE Global China A Inclusion Index Series please refer to their relevant ground rules available on [www.ftserussell.com](http://www.ftserussell.com).

1.2.2 The China indexes included in these rules consist of H Shares, Red Chips, P Chips, B Shares, S Chips and N Shares that are constituents of the FTSE Global All Cap Index Series. The Greater China Indexes in these rules also consist of Taiwan and Hong Kong companies that are constituents of the FTSE Global All Cap Index Series. From June 2019 onwards, A Shares that are part of the FTSE Global All Cap Index Series will also be included in FTSE China Indexes and FTSE Greater China Indexes. Indexes that have only one type of China Share Class are included under the China Share Class indexes section. Indexes that have more than one type of China Share Class are included under the China Composite Indexes section.

### 1.3 China Share Class Indexes

A detail definition of the China Share Class Indexes and their screening criteria are depicted in the Eligible Securities section of this document.

#### 1.3.1 FTSE China H Share Indexes

The FTSE China H Share Indexes consist of companies that are incorporated in the People's Republic of China and trade on the Hong Kong Stock Exchange.

### 1.3.2 FTSE China Red Chip Indexes

The FTSE China Red Chip Indexes consist of Hong Kong listed companies incorporated outside the People's Republic of China (PRC) that are substantially owned by Mainland China state entities with the majority of its revenue or assets derived from PRC.

### 1.3.3 FTSE China P Chip Indexes

The FTSE China P Chip Indexes consist of Hong Kong listed companies that are incorporated outside of PRC and controlled by mainland individuals with a majority of their revenue or assets derived from PRC.

### 1.3.4 FTSE China B Share Indexes

The FTSE China B Share Indexes consist of Chinese incorporated companies listed on either the Shanghai or Shenzhen stock exchanges that can be traded by non-residents of the PRC and PRC residents with appropriate dealing account.

### 1.3.5 FTSE China S Chip Indexes

The FTSE China S Chip Indexes consist of companies that are incorporated outside the PRC, traded on the Singapore Exchange and controlled by Mainland Chinese entities, companies or individuals, with a majority of their revenue or assets derived from PRC.

### 1.3.6 FTSE China N Share Indexes

The FTSE China N Share Indexes consist of companies incorporated outside the PRC, traded on the New York Stock Exchange, the NASDAQ exchange, or the NYSE MKT, and controlled by Mainland Chinese entities, companies or individuals, with a majority of its revenue or assets derived from PRC.

### 1.3.7 FTSE China A Share Indexes

FTSE Russell also calculates China A Shares indexes which are covered in the FTSE China A All Cap Index Series. "A" shares are securities of Chinese incorporated companies that trade on either the Shanghai or Shenzhen stock exchanges. They are quoted in Renminbi (CNY).

1.3.8 Capped versions of the China Share Class indexes are also available.

## 1.4 **China Composite Indexes**

### 1.4.1 FTSE China Indexes

The FTSE China Indexes combine constituents of the FTSE China H Share Indexes, the FTSE China Red Chip Indexes, the FTSE China P Chip Indexes, the FTSE China B Share Indexes, the FTSE China S Chip Indexes, and the FTSE China N Share Indexes. Essentially, they include all H Shares, Red Chips, P Chips, B Shares, S Chips and N Shares in FTSE Global All Cap Index Series. From June 2019 review onwards, A Shares that are part of the FTSE Global All Cap Index Series will also be included in FTSE China Indexes.

### 1.4.2 FTSE China ex B Share Indexes

The FTSE China ex B Share Indexes include constituents of the FTSE China Indexes excluding B share constituents.

### 1.4.3 FTSE China (HK Listed) Index

The FTSE China (HK Listed) Index combines constituent of the FTSE H Share Index, the FTSE Red Chip Index, and the FTSE P Chip Index.

#### 1.4.4 FTSE China Overseas All Cap Index

The FTSE China Overseas All Cap Index combines constituents of the FTSE China S Chip All Cap Index and the FTSE China N Share All Cap Index.

#### 1.4.5 FTSE Greater China All Cap Index

The FTSE Greater China All Cap Index combines constituents of the FTSE China All Cap Index, FTSE Hong Kong All Cap Index and the FTSE Taiwan All Cap Index.

#### 1.4.6 FTSE Greater China ex B Share All Cap Index

The FTSE Greater China ex B Share All Cap Index includes constituents of the FTSE Greater China All Cap Index excluding B share constituents.

#### 1.4.7 Composite Indexes including A Shares

FTSE Russell also calculates composite indexes including A shares as part of the FTSE Global China A Inclusion Index Series.

1.5 Indexes in the FTSE China Index Series are calculated on an end of day basis in HK dollars, US dollars, UK Pounds Sterling, Euro, Japanese Yen and Renminbi (CNY).

1.6 Capital return, total return, and net total return indexes are published at the end of each working day. The Total Return Indexes are based on ex dividend adjustments. All dividends are applied as declared in the FTSE Total Return Index.

1.7 The Net of Tax Total Return Index is calculated based on the maximum withholding tax rates applicable to dividends received by institutional investors who are not resident in the same country as the remitting company and who do not benefit from double taxation treaties.

1.8 A Large/Mid Cap, an All Cap and sector level variants are also calculated for each of the indexes described in Rule 1.3. All Cap variants are calculated for each of the indexes described in Rule 1.4. All indexes are published at the end of each working day.

1.9 A further breakdown of the indexes included as part of these rules is depicted in matrix form in Appendix A.

#### 1.10 **FTSE Russell**

FTSE Russell is a trading name of FTSE International Limited, Frank Russell Company, FTSE Global Debt Capital Markets Limited (and its subsidiaries FTSE Global Debt Capital Markets Inc. and MTSNext Limited), Mergent, Inc., FTSE Fixed Income LLC, The Yield Book Inc and Beyond Ratings.

1.11 FTSE Russell hereby notifies users of the index series that it is possible that circumstances, including external events beyond the control of FTSE Russell, may necessitate changes to, or the cessation, of the index series and therefore, any financial contracts or other financial instruments that reference the index series should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index series.

1.12 Index users who choose to follow this index or to buy products that claim to follow this index should assess the merits of the index's rules-based methodology and take independent investment advice before investing their own or client funds. No liability whether as a result of negligence or otherwise is accepted by FTSE Russell for any losses, damages, claims and expenses suffered by any person as a result of:

- any reliance on these Ground Rules, and/or
- any errors or inaccuracies in these Ground Rules, and/or
- any non-application or misapplication of the policies or procedures described in these Ground Rules, and/or
- any errors or inaccuracies in the compilation of the Index or any constituent data.

1.13 These Ground Rules set out the methodology and provide information about the publication of the FTSE China Index Series.



## Section 2

# Management Responsibilities

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## 2.0 Management Responsibilities

### 2.1 FTSE International Limited (FTSE)

2.1.1 FTSE is the benchmark administrator of the index series.<sup>1</sup>

2.1.2 FTSE is responsible for the daily calculation, production and operation of the index series and will:

- maintain records of the index weightings of all constituents;
- make changes to the constituents and their weightings in accordance with the Ground Rules;
- carry out the periodic index reviews of the index series and apply the changes resulting from the reviews as required by the Ground Rules;
- publish changes to the constituent weightings resulting from their ongoing maintenance and the periodic reviews;
- disseminate the indexes.

### 2.2 FTSE Russell Advisory Committees

2.2.1 To assist in the oversight of the indexes FTSE Russell has established the following Advisory Committees:

- FTSE Russell Asia Pacific Regional Equity Advisory Committee
- FTSE Russell Europe, Middle East & Africa Regional Equity Advisory Committee
- FTSE Russell Americas Regional Equity Advisory Committee

2.2.2 The Terms of Reference of the FTSE Russell external advisory committees are set out on the FTSE Russell website.

### 2.3 Amendments to these Ground Rules

2.3.1 These Ground Rules shall be subject to regular review by FTSE Russell to ensure that they continue to best reflect the aims of the index series. Any proposals for significant amendments to these Ground Rules will be subject to consultation with FTSE Russell advisory committees and other

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<sup>1</sup> The term administrator is used in this document in the same sense as it is defined in [Regulation \(EU\) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds](#) (the European Benchmark Regulation).

stakeholders if appropriate. The feedback from these consultations will be considered by the FTSE Russell Product Governance Board before approval is granted.

- 2.3.2 As provided for in the Statement of Principles for FTSE Russell Equity Indexes, where FTSE Russell determines that the Ground Rules are silent or do not specifically and unambiguously apply to the subject matter of any decision, any decision shall be based as far as practical on the Statement of Principles. After making any such determination, FTSE Russell shall advise the market of its decision at the earliest opportunity. Any such treatment will not be considered as an exception or change to the Ground Rules, or to set a precedent for future action, but FTSE Russell will consider whether the Ground Rules should subsequently be updated to provide greater clarity.





## Section 3

# FTSE Russell Index Policies

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### 3.0 FTSE Russell Index Policies

These Ground Rules should be read in conjunction with the following policy documents which can be accessed using the links below:

#### 3.1 Statement of Principles for FTSE Russell Equity Indexes (the Statement of Principles)

Indexes need to keep abreast of changing markets and the Ground Rules cannot anticipate every eventuality. Where the Rules do not fully cover a specific event or development, FTSE Russell will determine the appropriate treatment by reference to the Statement of Principles which summarise the ethos underlying FTSE Russell's approach to index construction. The Statement of Principles is reviewed annually and any changes proposed by FTSE Russell are presented to the FTSE Russell Policy Advisory Board for discussion before approval by the FTSE Russell Product Governance Board.

The Statement of Principles can be accessed using the following link:

[Statement of Principles.pdf](#)

#### 3.2 Queries, Complaints and Appeals

A constituent or prospective constituent company (or professional advisor acting on behalf of the company), a national organisation or a group of no fewer than ten users of the Indexes from different organisations acting in their professional capacity may appeal against decisions taken by FTSE Russell.

FTSE Russell's complaints procedure can be accessed using the following link:

[Benchmark Determination Complaints Handling Policy.pdf](#)

FTSE Russell's Appeal Process can be accessed using the following link:

[Appeals Against Decisions.pdf](#)

#### 3.3 Index Policy for Trading Halts and Market Closures

3.3.1 Guidance for the treatment of index changes in the event of trading halts or market closures can be found using the following link:

[Index Policy for Trading Halts and Market Closures.pdf](#)

### 3.4 **Index Policy in the Event Clients are Unable to Trade a Market**

3.4.1 Details of FTSE Russell's treatment can be accessed using the following link:

[Index Policy in the Event Clients are Unable to Trade a Market.pdf](#)

### 3.5 **Recalculation Policy and Guidelines**

3.5.1 The FTSE China Index Series are recalculated whenever errors or distortions occur that are deemed to be significant. Users of the FTSE China Index Series are notified through appropriate media.

For further information refer to the FTSE Russell Recalculation Policy and Guidelines document which is available from the FTSE Russell website using the link below or by contacting [info@ftserussell.com](mailto:info@ftserussell.com).

[Recalculation Policy and Guidelines Equity Indexes.pdf](#)

### 3.6 **Policy for Benchmark Methodology Changes**

3.6.1 Details of FTSE Russell's policy for making benchmark methodology changes can be accessed using the following link:

[Policy for Benchmark Methodology Changes.pdf](#)



## Section 4

# Eligible Securities

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### 4.0 Eligible Securities

- 4.1 The H Shares, Red Chips, P Chips, B Shares, S Chips, N Shares and from June 2019, A Shares, that are included in the FTSE Global All Cap Index Series are eligible for inclusion to the respective China share class indexes. Markets currently eligible for the FTSE China Index Series are shown in Appendix B.
- 4.2 For a description of Chinese share classes please see the “Guide to Chinese Share Classes” document which can be accessed using the following link:  
[Guide to Chinese Share Classes.pdf](#)
- 4.3 The definitions these share classes are reviewed annually in September effective on the same day as the Global Equity Index Series.



## Section 5

# Periodic Review of Constituents

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### 5.0 Periodic Review of Constituents

#### 5.1 Review Dates

- 5.1.1 The constituents of the China Share Class Indexes and China Composite Indexes are reviewed in line with the FTSE Global All Cap Index Series.
- 5.1.2 All the relevant changes arising from the review of the FTSE Global All Cap Index Series will be applied to the China Share Class Indexes and China Composite Indexes.

#### 5.2 Capping

- 5.2.1 On a quarterly basis, the companies of the China Share Class Indexes (see Appendix A) are capped at 10%.
- 5.2.2 The calculation of the constituent capping factors (c) will be based on prices at close on the second Friday of the review month using shares in issue and investability weights as designated to take effect after close on the third Friday of the review month (i.e. taking effect on the review effective date).
- 5.2.3 The calculation will take into account any corporate actions/events that take effect after close on the second Friday of the review month up to and including the review effective date if they have been announced and confirmed by the second Friday of the review month.
- 5.2.4 Corporate actions / events announced after the second Friday of the review month that become effective up and including the review effective date will not result in any further adjustment.

#### 5.3 Index Review

- 5.3.1 At review, all constituent changes to the indexes in the China Share Class Indexes and China Composite Indexes will be in line with the constituent changes of the FTSE Global All Cap Index Series.

## Section 6

# Corporate Actions and Events

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### 6.0 Changes to Constituent Companies

6.1 All corporate actions including New Issues, Additions Outside of Reviews, Deletions Outside of Reviews, Mergers, Splits, Suspensions, Relisting and Constituent Weight Changes to the indexes in the FTSE China Index Series will be applied in the same consistent manner as in the FTSE Global Equity Index Series. For further information, please refer to the FTSE Global Equity Index Series Ground Rules.

### 6.2 Corporate Actions and Events

Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide using the following link:

[Corporate Actions and Events Guide.pdf](#)

A Corporate 'Action' is an action on shareholders with a prescribed ex date. The share price will be subject to an adjustment on the ex date. The index will be adjusted in line with the ex date.

These include the following:

- Capital Repayments
- Rights Issues/Entitlement Offers
- Stock Conversion
- Splits (sub-division) / Reverse splits (consolidation)
- Scrip issues (Capitalisation or Bonus Issue)

A Corporate 'Event' is a reaction to company news (event) that may impact the index depending on the index rules. For example, a company announces a strategic shareholder is offering to sell their shares (secondary share offer) – this could result in a free float weighting change in the index. Where an index adjustment is required FTSE will provide notice advising of the timing of the change.

### 6.3 Investability Weightings

6.3.1 Changes to free float for constituent securities are covered in the Corporate Actions and Events Guide.

### 6.4 Capping of Fast Entrants

6.4.1 New equity securities (IPOs) that pass the FTSE Global Equity Index Series Fast Entry Level will also be eligible for inclusion in the China Share Class and China Composite Indexes. For capped versions of the China Share Class Indexes, where a new security's investable market capitalisation

at the close of business on the first day of trading causes their index weight to be greater than 10 per cent, the index will be capped. The relevant capped China Share Class Index will be capped using prices adjusted for corporate actions as at the close of business on the first day of trading based on the constituents, shares in issue and free float after the close of business on the fifth day of trading.



## Section 7

# Industry Classification Benchmark (ICB)

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### 7.0 Industry Classification Benchmark (ICB)<sup>2</sup>

#### 7.1 Classification Structure

7.1.1 The FTSE China Index Series constituents are classified into Industries, Supersectors, Sectors and Subsectors, as defined by the Industry Classification Benchmark (ICB).

7.1.2 Details of the Industry Classification Benchmark are available from FTSE Russell and published on the FTSE Russell website ([www.ftserussell.com](http://www.ftserussell.com)) and can be accessed using the following link:

[Industry Classification Benchmark](#)

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<sup>2</sup> FTSE indexes will migrate to the new ICB classification system in September 2020.



## Section 8

# Index Algorithm and Calculation Method

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### **8.0 Index Algorithm and Calculation Method**

- 8.1 The prices, shares in issue, foreign exchange rates, dividend treatment, index algorithm, and the index calculation method of the FTSE China Index Series will be applied in the same consistent manner as in the FTSE Global Equity Index Series. For further information, please refer to the FTSE Global Equity Index Series Ground Rules.





# Appendix A: FTSE China Index Series Share Class / Composite Index Matrix

Index Name	A Share versions (1)	Underlying Share Class Building Block								Hong Kong	Taiwan
		A Share	H Share	B Share	Red Chip	P Chip	S Chip	N Chip			
FTSE China H Share Indexes * ^			●								
FTSE China B Share Indexes * ^				●							
FTSE China Red Chip Indexes * ^					●						
FTSE China P Chip Indexes * ^						●					
FTSE China S Chip Indexes							●				
FTSE China N Share Indexes ^								●			
FTSE China Indexes	Yes	From June 2019	●	●	●	●	●	●			
FTSE China ex B Share Indexes	Yes	From June 2019	●		●	●	●	●			
FTSE China (HK Listed) Index			●		●	●					
FTSE China Overseas All Cap Index							●	●			
FTSE Greater China All Cap Index	Yes	From June 2019	●	●	●	●	●	●	●	●	●
FTSE Greater China ex B Share All Cap Index	Yes	From June 2019	●		●	●	●	●	●	●	●

Legend:

● Share Class Indexes

● Composite Indexes

\* Capped Indexes available for large/mid versions

^ Capped Indexes available for large/mid/small versions

(1) China A shares large/mid versions are included as part of the FTSE Global China A Inclusion Index Series



## Appendix B: Eligible Markets and Sources of Trading

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Country	Exchange Location	Market Section(s)	Share Classes
China (the People's Republic of China)	Shanghai	Main Board	A Shares, B Shares
	Shenzhen	Main Board Small and Medium Enterprise Board ChiNext Board	
Hong Kong Special Administrative Region of the People's Republic of China (Hong Kong)	Hong Kong	Main Board	H Shares Red Chips P Chips
Singapore (the Republic of Singapore)	Singapore	Main Board	S Chips
United States of America (the United States)	New York	NYSE NYSE America	N Shares
		NASDAQ Capital Market NASDAQ Global Select NASDAQ Global Market	

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## Appendix C: Further Information

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A Glossary of Terms used in FTSE Russell's Ground Rule documents can be found using the following link: [Glossary.pdf](#)

For further information on the FTSE China Index Series visit [www.ftserussell.com](http://www.ftserussell.com) or e-mail [info@ftserussell.com](mailto:info@ftserussell.com). Contact details can also be found on this website.

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