



FTSE Total China Connect Index

v1.9



Contents

1.0	Introduction.....	3
2.0	Management Responsibilities.....	5
3.0	FTSE Russell Index Policies	7
4.0	Eligible Securities	9
5.0	Periodic Review of Constituents	10
6.0	Changes to Constituent Companies	11
7.0	Corporate Actions and Events.....	12
8.0	Index Algorithm and Calculation Method	14
	Appendix A: China Share Descriptions	16
	Appendix B: Index Opening and Closing Hours	17
	Appendix C: Status of Index	18
	Appendix D: Further Information	19



Section 1

Introduction

1.0 Introduction

- 1.1 This document sets out the Ground Rules for the construction and management of the FTSE Total China Connect Index. Copies of the Ground Rules are available from FTSE Russell.
- 1.2 The FTSE Total China Connect Index is designed to represent the performance of the Chinese companies listed in or outside the People's Republic of China (PRC). The index has a broad coverage of Chinese share classes include A Shares, B Shares, H Shares, Red Chips, P Chips, S Chips and N Shares, where the A Share constituents are available to international investors through Northbound China Stock Connect Scheme. Please refer to Appendix A for China share descriptions.
- 1.3 The FTSE Total China Connect Index does not take account of ESG factors in its index design.
- 1.4 Price, Total Return and Net of Tax Indexes are calculated in real-time on an intra-second streaming basis in offshore Renminbi (CNH).
- 1.5 Price, Total Return and Net of Tax Indexes are also calculated in offshore Renminbi (CNH) and US dollars on an end of day basis.
- 1.6 The total return index includes income 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 based on the maximum withholding tax rates applicable to dividends received by international investors who are not resident in the same country as the remitting company and who do not benefit from double taxation treaties. The underlying tax rate information is available from FTSE Russell.
- 1.8 These Ground Rules should be read in conjunction with the FTSE Global Equity Index Series and FTSE China A All Cap Index Series Ground Rules which are available at www.ftserussell.com. Unless stated in these Ground Rules the FTSE Total China Connect Index will follow the same process as the FTSE Global Equity Index Series and FTSE China A All Cap Index Series.
- 1.9 **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.



- 1.10 FTSE Russell hereby notifies users of the index that it is possible that factors, including external factors beyond the control of FTSE Russell, may necessitate changes to, or the cessation, of the index and therefore, any financial contracts or other financial instruments that reference the index or investment funds which use the index to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index.
- 1.11 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 or any members of the FTSE Russell Policy Group or FTSE Russell Asia Pacific Regional Equity Advisory Committee (or any person concerned with the preparation or publication of these Ground Rules) 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.

1.12 **These Ground Rules**

This document sets out the Ground Rules for the construction and maintenance of the FTSE Total China Connect Index.



Section 2

Management Responsibilities

2.0 Management Responsibilities

2.1 FTSE International Limited (FTSE)

2.1.1 FTSE is the benchmark administrator of the index.¹

2.1.2 FTSE is responsible for the daily calculation, production and operation of the FTSE Total China Connect Index 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 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 index.

2.2 FTSE Russell Asia Pacific Regional Equity Advisory Committee

2.2.1 To assist in the oversight of the indexes FTSE Russell has established the FTSE Russell Asia Pacific Regional Equity Advisory Committee.

2.2.2 The Terms of Reference of the FTSE Russell Asia Pacific Regional Equity Advisory Committees are set out on the FTSE Russell website and can be accessed using the following link:

[FTSE Russell Asia Pacific Regional Equity Advisory Committee.pdf](#)

2.3 Status of these Ground Rules

2.3.1 These Ground Rules set out the methodology and provide information about the publication of the FTSE Total China Connect Index.

¹ 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) and [The Benchmarks \(Amendment and Transitional Provision\) \(EU Exit\) Regulations 2019](#) (the UK Benchmark Regulation).



2.4 **Amendments to these Ground Rules**

- 2.4.1 These Ground Rules shall be subject to regular review (at least once a year) 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 stakeholders if appropriate. The feedback from these consultations will be considered by the FTSE Russell Product Governance Board before approval is granted.
- 2.4.2 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

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 Ground 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 summarises 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 and Complaints

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

[Benchmark Determination Complaints Handling Policy.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 Total China Connect Index is recalculated whenever errors or distortions occur that are deemed to be significant. Users of the FTSE Total China Connect Index 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.

[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](#)

3.7 **FTSE Russell Governance Framework**

- 3.7.1 To oversee its indexes, FTSE Russell employs a governance framework that encompasses product, service and technology governance. The framework incorporates the London Stock Exchange Group's three lines of defence risk management framework and is designed to meet the requirements of the IOSCO Principles for Financial Benchmarks², the European benchmark regulation³ and the UK benchmark regulation⁴. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE Russell Governance Framework.pdf](#)

² IOSCO Principles for Financial Benchmarks Final Report, FR07/13 July 2013

³ 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

⁴ The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019



Section 4

Eligible Securities

4.0 Eligible Securities

- 4.1 Constituents of the FTSE China Index are eligible for inclusion in the FTSE Total China Connect Index.
- 4.2 The investability weighting of a constituent is the same as the FTSE China Index, with the exception of China A shares which are included at 100 per cent of their investability weight, i.e. no inclusion factor is applied and constituents are weighted by market capitalisation adjusted for free float/foreign ownership restriction.



Section 5

Periodic Review of Constituents

5.0 Periodic Review of Constituents

5.1 Review Dates

- 5.1.1 Constituents of the FTSE Total China Connect Index will be reviewed quarterly in March, June, September and December. Any review changes will be implemented after the close of business on the third Friday (i.e. effective Monday) of the review month.



Section 6

Changes to Constituent Companies

6.0 Changes to Constituent Companies

6.1 Intra-review Additions

6.1.1 Additions to the FTSE Total China Connect Index will be aligned with the FTSE China Index.

6.2 Intra-review Deletions

6.2.1 A constituent will be removed if it is also removed from the FTSE China Index. The deletion will be concurrent with the deletion from the FTSE China Index.

Section 7

Corporate Actions and Events

7.0 Corporate Actions and Events

7.1 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. 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 Russell will provide notice advising of the timing of the change.

7.2 Shares in Issue

7.2.1 Changes to the number of shares in issue for constituent securities are covered in the Corporate Actions and Events Guide.

7.3 Investability Weightings

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

7.4 Suspended Companies

7.4.1 Suspension of dealing rules can be found within the Corporate Actions and Events Guide.

7.5 Takeovers, Mergers and Demergers

The treatment of takeovers, mergers and demergers can be found within the Corporate Actions and Events Guide.



7.6 **Trading Under the Northbound China Stock Connect Scheme Buy-and-Sell List**

China A shares will be removed from the FTSE Total China Connect Index if they are removed from the Northbound China Stock Connect Scheme Buy-and-Sell List. The deletion will be concurrent with the Northbound China Stock Connect Scheme Buy-and-Sell List. Where limited notification has been provided of a change to the Northbound China Stock Connect Scheme Buy-and-Sell List, FTSE Russell will provide notice advising of the timing of the change.

Section 8

Index Algorithm and Calculation Method

8.0 Index Algorithm and Calculation Method

8.1 Prices

8.1.1 The FTSE Total China Connect Index uses actual closing mid-market or last trade prices, where available for securities with local stock exchange quotations. Further details can be accessed using the following link:

[Closing Prices Used For Index Calculation.pdf](#)

8.1.2 The FTSE Total China Connect Index receives share prices in real time.

8.2 Exchange Rates

8.2.1 Thomson Reuters real time exchange rates are used in the index calculations which are disseminated in real time. Exchange rates used in the End of Day calculations are WM/Reuters Closing Spot Rates™, collected at 16:00 London time. Further information on the WM/Reuters Closing Spot Rates™ service is available from the WM Company.

8.2.2 China A Shares will be denominated in offshore Renminbi (CNH) in the currency conversion calculation.

8.3 Algorithm

8.3.1 The index is calculated using the algorithm described below

$$\sum_{i=1}^N \frac{(p_i \times e_i \times s_i \times f_i)}{d}$$

Where,

- $i=1,2,\dots,N$
- N is the number of securities in the Index.
- p_i is the latest trade price of the component security (or the price at the close of the Index on the previous day).
- e_i is the exchange rate required to convert the security's currency into the Index's base currency.
- s_i is the number of shares in issue used by FTSE Russell for the security, as defined in these Ground Rules.



- f_i is the Investability Weighting Factor to be applied to a security to allow amendments to its weighting, expressed as a number between 0 and 1, where 1 represents a 100% free float. This factor is published by FTSE Russell for each security in the underlying index.
- d is the divisor, a figure that represents the total issued share Capital of the Index at the base date. The divisor can be adjusted to allow changes in the issued share Capital of individual securities to be made without distorting the Index.



Appendix A: China Share Descriptions

- 1.0 A Shares, B Shares, H Shares, Red Chips, P Chips, S Chips and N Shares will be eligible for the FTSE Total China Connect Index.
- 2.0 **Share Descriptions**
- 2.1 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](#)
- 2.2 The definitions these share classes are reviewed annually in September effective on the same day as the Global Equity Index Series.



Appendix B: Index Opening and Closing Hours

Index	Open	Close
FTSE Total China Connect Index	01:00	21:10

All times are GMT hours

The FTSE Total China Connect Index is calculated whenever at least one exchange is trading. The Index will not be calculated on 1 January.



Appendix C: Status of Index

The FTSE Total China Connect Index is calculated in real time and may exist in the following states:

A) Firm

The index is being calculated using trade prices from the relevant local stock exchanges for all constituents during the hours of the Official Index Period (see Appendix B).

The Official Closing Index for the FTSE Total China Connect Index is the last index value calculated at the end of the firm period.

B) Closed

When the index has ceased all calculations for the day, the message 'CLOSED' is displayed against the index value.

C) Held

During the firm period, the index has exceeded pre-set operating parameters and calculation has been suspended pending resolution of the problem. The message 'HELD' is displayed against the last index value calculated.

D) Indicative

If there is a system problem or a situation in the market that is judged to be affecting the quality of the constituent prices at any time when the index is being calculated, the index will be declared indicative. The message 'IND' will be displayed against the index value.

The official opening and closing hours of the FTSE Total China Connect Index are set out in Appendix B. Variations to the official hours of the indexes are published by FTSE Russell as appropriate.



Appendix D: Further Information

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 Total China Connect Index visit www.ftserussell.com or e-mail info@ftserussell.com. Contact details can also be found on this website.

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