



Eligibility of Securities with Zero Voting Rights

03 April 2017

FTSE Russell is aware of concerns raised by some stakeholders regarding the prospective index inclusion of securities with no voting rights such as the recent IPO by SNAP Inc. Accordingly, FTSE Russell proposes to consult users and other stakeholders regarding potential changes to the security eligibility and weighting rules of FTSE Russell indexes.

Because of the imminence of both the Russell 3000 index reconstitution and the FTSE GEIS quarterly reviews, it will not be possible to conclude a comprehensive consultation before the Russell US index rank day (12 May 2017). For the forthcoming June 2017 Russell index reconstitutions (effective 26 June 2017) and FTSE index reviews (effective 19 June 2017), FTSE Russell therefore proposes to exclude potential additions of *securities issued by companies whose non-restricted shareholders, in aggregate, hold no voting rights in any of the company's eligible securities.* (Non-restricted shareholders are those that have been determined by FTSE Russell to constitute part of the free float of an eligible security.)

FTSE Russell anticipates that the consultation will be launched in April and conclude at the end of June. The results of the consultation will be announced in July. Should the feedback received from the consultation evidence a consensus to include such securities in FTSE Russell indexes, those securities will be re-evaluated for subsequent inclusion.

For clarity, existing constituents of FTSE Russell indexes will not be affected by the decision to defer the eligibility testing of these types of securities. However, questions on the future treatment of existing constituents of FTSE Russell indexes, and questions concerning potential revisions to the eligibility and weighting rules for FTSE Russell indexes, will be included in the consultation. Depending on the feedback received, it is possible that the future eligibility of existing securities, or the investment weighting assigned to them, may change.

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