

Guide to Chinese Share Classes - Update

10 May 2019

FTSE Russell would like to inform clients of the following clarification to the Guide to Chinese Share Classes which is effective immediately:

N Share (update in bold)

N Shares are companies controlled by Mainland Chinese companies or individuals, with the establishment and origin of the company in Mainland China. It must be incorporated outside the People's Republic of China (PRC) and traded on the New York Stock Exchange, the NASDAQ exchange, or the NYSE American with a majority of its revenue or assets derived from Mainland China (**only one year's revenue and asset data from the most recent annual report is considered. For the avoidance of doubt: this also applies to the Russell US Indexes – there will be no two year averaging of revenue and asset data for the purposes of evaluating whether a company should be designated an N share**).

- a) To be assessed as an N Share, a company must satisfy the following criteria:
- The company is incorporated outside the PRC; and
 - The company is listed on the New York Stock Exchange, the NASDAQ exchange, or the NYSE American; and
 - Over 55 per cent of the revenue or assets of the company are derived from the PRC; and
 - The company is either controlled by a Mainland Chinese state entity, company or individual, or its establishment and origin are in Mainland China.
- b) An existing N Share which fails one or more of the following criteria will cease to be classified as an N share:
- The company is no longer incorporated outside the PRC; or
 - The company is no longer listed on the New York Stock Exchange, the NASDAQ exchange, or the NYSE American; or
 - The percentages of revenue and assets derived from the PRC have both fallen below 45 per cent; or
 - The company is acquired/a controlling stake is held by a non-Mainland Chinese state entity, company or individual.
- c) American Depositary Receipts (ADRs), where the underlying issue is listed, are ineligible for N Share classification. For example, an H Share with a depositary receipt listed on the New York Stock Exchange will not be classified as an N Share.

An updated copy of the Guide to Chinese Share Classes (v1.4) is now available using the following link:
https://www.ftse.com/products/downloads/Guide_to_Chinese_Share_Classes.pdf

Please note that Appendix B of the Russell US Equity Index Series Construction and Methodology document has also been updated and can be accessed using the following link:
<https://www.ftse.com/products/downloads/Russell-US-indexes.pdf>

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

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