

# FTSE Total China Connect Index

v2.1



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## Section 1

# Introduction

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## 1. 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 classes 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.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/). 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 FTSE Fixed Income Europe Limited), 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;
  - any inaccuracies in these Ground Rules;
  - any non-application or misapplication of the policies or procedures described in these Ground Rules; and/or
  - any 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. Management responsibilities

### 2.1 FTSE International Limited (FTSE)

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

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; and
- 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.

<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) 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 Index 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

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## 3. 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 Index 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 or a Security

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 or a Security.pdf](#)

### 3.5 Recalculation Policy and Guidelines

3.5.1 Where an inaccuracy is identified, FTSE Russell will follow the steps set out in the FTSE Russell Index Recalculation Guidelines when determining whether an index or index series should be recalculated and/or associated data products reissued. Users of the FTSE Total China Connect Index will be 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](#)

### **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 Benchmarks<sup>2</sup>, the European benchmark regulation<sup>3</sup> and the UK benchmark regulation<sup>4</sup>. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE Russell Governance Framework.pdf](#)

### **3.8 Real Time Status Definitions**

- 3.8.1 For indices that are calculated in real time, please refer to the following guide for details of real time status definitions:

[Real Time Status Definitions.pdf](#)

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<sup>2</sup> IOSCO Principles for Financial Benchmarks Final Report, FR07/13 July 2013.

<sup>3</sup> 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.

<sup>4</sup> The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019.



## Section 4

# Eligible securities

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### 4. 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% 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

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## 5. 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

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## 6. 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. 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); and
- 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. Index algorithm and calculation method

### 8.1 Prices

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](#)

8.1.1 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

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1. 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. **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 FTSE 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

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The FTSE Total China Connect Index is calculated in real time.

For further details of real-time definitions, please refer to the following guide:

[Real Time Status Definitions.pdf](#)

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

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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 Total China Connect Index visit [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/) or e-mail [info@ftserussell.com](mailto:info@ftserussell.com). Contact details can also be found on this website.

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