

Impact of the United States Executive Order on Chinese Military Companies on FTSE Fixed Income Indexes

Following the [FTSE Russell Consultation](#) on the appropriate treatment of securities affected by the [Executive Order on Addressing the Threat from Securities Investments that Finance Communist Chinese Military Companies issued by the President of the United States of America](#) on 12 November 2020, and further to requests received from clients to provide a list of affected securities, FTSE Russell has requested clarification of the affected securities from the Office of Foreign Asset Control (OFAC).

Pending any such clarification being received, and given that subsidiaries of the sanctioned companies are not explicitly mentioned in the Executive Order, the current proposal is to proceed on the basis that only debt issued by the Communist China military companies named on the [Department of Defense 1237ⁱ lists](#) and not the debt issued by their subsidiaries, should be considered as falling within the scope of the Executive Order. On this basis, there are no current constituents in FTSE fixed income indexes with hard currency credit (bonds denominated in USD, EUR, GBP or JPY) coverage, including the FTSE World Broad Investment Grade Index, the FTSE Eurodollar Index and the FTSE Emerging Markets USD Broad Bond Index, that should be considered for exclusion. For avoidance of doubt, there is no impact of the Executive Order on the FTSE World Government Bond Index (WGBI).

Based on the same rationale, FTSE Russell confirms that two new issues from Sinochem Offshore Capital Co. Ltd (Ticker: SINOI), a subsidiary of a sanctioned entity, Sinochem Group Co Ltd, will enter FTSE fixed income indexes, including the FTSE World Broad Investment Grade Index, the FTSE Eurodollar Index and the FTSE Emerging Markets USD Broad Bond Index, as normal, effective with the December 2020 profiles. Details of these securities can be found in Figure 1.

Figure 1. Securities to be Added to FTSE Fixed Income Indexes for December 2020 Profiles

ISIN	Issuer	Coupon	Maturity Date	Currency	Amount Outstanding*
XS2249462016	Sinochem Offshore Capital Co. Ltd	1.625	10/29/2025	USD	500
XS2249462529	Sinochem Offshore Capital Co. Ltd	3.000	10/29/2023	USD	500

* in USD millions. Source: FTSE Russell. Data as of 30 November 2020.

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As the FTSE China Onshore CNY Broad Bond Index was constructed primarily for domestic Chinese investors, the current proposal is to not make any changes to it in response to the US Executive Order.

FTSE Russell invites comment on the proposed index treatment within the FTSE fixed income indexes.

Comments are requested to be submitted to info@ftserussell.com by the US market close on Friday 04 December 2020 and FTSE Russell intends to confirm index treatment following the US market close on Monday 07 December 2020.

FTSE Russell

ⁱ Section 1237 of Public Law 105-261, as amended by section 1233 of Public Law 106-398 and section 1222 of Public Law 108-375.

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