

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

Further to the announcement on [30 November 2020](#) seeking comment from market participants on the proposed 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 in the FTSE Fixed Income Indexes, FTSE Russell confirms its treatment as follows:

- Pending clarification from the Office of Foreign Assets Control (OFAC) and given that subsidiaries of the sanctioned companies are not explicitly mentioned in the Executive Order, FTSE Russell considers only debt issued by the Communist China military companies named on the the Department of Defense 1237¹ lists and not the debt issued by their subsidiaries, special purpose vehicles or financing vehicles to fall within the scope of the Executive Order.
- No current constituents in global 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 are considered to fall within the scope of the Executive Order.
- New or existing securities issued by sanctioned companies under Regulation-S will remain eligible for inclusion in these global indexes, as such securities are required to be offered for sale outside the US
- Securities issued by sanctioned companies that would otherwise qualify for the FTSE US Broad Investment-Grade Index will not be deemed eligible for inclusion.
- On Thursday 03 December, the US Department of Defense (DoD) published an additional list of four names. The securities of these companies and any others added to the DoD lists will be evaluated by FTSE Russell for potential future exclusion from the FTSE Fixed Income Indexes ahead of the December 2020 month-end rebalancing. FTSE Russell will also evaluate the securities of any companies that are named by the Office of Foreign Assets Control (OFAC) as being subject to sanctions.
- FTSE Russell will not make any changes to the FTSE China Onshore CNY Broad Bond Index as this index was constructed primarily for domestic Chinese investors.

Please contact us at fi.index@ftserussell.com with any comments or questions.

¹ 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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