

Consultation on the Eligibility of STAR Market Listings in S&P Dow Jones Indices' Global Benchmarks – Updated

NEW YORK, AUGUST 6, 2021: S&P Dow Jones Indices (“S&P DJI”) is conducting a consultation with market participants on the eligibility of China A-shares (“A-shares”) listed on the STAR Market board of the Shanghai Stock Exchange in S&P DJI’s global benchmarks:

- S&P Global BMI
- S&P Global BMI Shariah
- S&P Global Property
- S&P/IFCI Composite
- Dow Jones Global Index
- Dow Jones Islamic Market Index

Effective with the September 2019 annual reconstitution, A-shares that trade on the main board of the Shanghai and Shenzhen Stock Exchanges became eligible for inclusion in S&P DJI’s global benchmark indices.¹ To meet the eligibility requirements for inclusion, the A-shares must trade via the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect programs. Effective with the September 2020 annual reconstitution, A-shares trading on the ChiNext board of the Shenzhen Stock Exchange became eligible.² Under the current methodology, A-shares trading on the Sci-Tech Innovation Board (“STAR”)³ of the Shanghai Stock Exchange are not eligible for inclusion in S&P DJI’s global benchmark indices.

There has been significant growth in the size (both market capitalization and number of listings) and liquidity of the STAR Market board since it was established in 2019, and STAR Market listed A-shares have since been made eligible for trading via the Stock Connect program from February, 2021. In order to better reflect the total China A-share market, S&P DJI is considering making STAR Market listed A-shares eligible for inclusion in the same global benchmark indices that other China A-shares are eligible for, using the same reduced weight factor of 25% of each company’s investable weight factor (“IWF”) as the existing eligible A-shares.

Similarly, S&P DJI is also considering making STAR Market listed A-shares eligible or inclusion in the regional China A-share benchmark indices⁴ for which they are not currently eligible:

- S&P China A Domestic BMI
- S&P China A International
- Dow Jones China Broad Market Index

¹ Please refer to S&P DJI’s 2018 Country Classification Consultation Results available [here](#).

² Please refer to the Consultation Results on the Eligibility of ChiNext Stocks in S&P DJI’s Global Benchmarks available [here](#). For information on the ChiNext Board, please refer to <http://www.szse.cn/English/products/equity/ChiNext/>.

³ For information on the STAR Board, please refer to <http://star.sse.com.cn/en/gettingstarted/overview/>.

⁴ Please refer to the appendix of this document for a list of downstream indices potentially impacted by this proposal.

MARKET STATISTICS

Using data from July 28, 2021, the table below shows the number of eligible STAR Market A-share listings and associated float-adjusted market capitalization (“FMC”) at their various inclusion levels used in both the global and regional benchmark indices.

	Number of Stocks	FMC	US\$ Billion FMC ⁵	FMC ⁶
Eligible STAR Market listings	273	217.52	154.87	40.57
Eligible STAR Market listings trading on the Connect Program	23	64.84	49.33	12.97

For more information on the IWF and adjustments used for the respective indices, please refer to the [S&P Global BMI](#), [S&P IFIC Methodology](#), [S&P China Indices Methodology](#), and [Dow Jones China Indices Methodology](#).

Using data from July 28, 2021, the table below shows the 10 largest STAR Market A-share stocks and associated FMC at their various inclusion levels used in both the global and regional benchmark indices.

Company	FMC	US\$ Billion FMC ⁵	FMC ⁶	Connect Program
Semiconductor Manufacturing International Corporation	15.54	5.30	1.41	No
Beijing Kingsoft Office Software, Inc.	8.89	6.66	1.78	Yes
Trina Solar Co., Ltd.	7.58	3.85	1.03	No
Advanced Micro-Fabrication Equipment Inc. China	7.40	5.55	1.48	Yes
Qi An Xin Technology Group Inc.	6.65	2.98	0.79	No
Beijing Roborock Technology Co., Ltd.	5.20	3.12	0.83	Yes
Ningbo Ronbay New Energy Technology Co.,Ltd.	5.04	2.60	0.70	No
Shenzhen Transsion Holdings Co., Ltd.	4.60	4.60	1.20	Yes
Montage Technology Co.,Ltd.	4.27	3.37	0.90	Yes
Farasis Energy (Gan Zhou) Co., Ltd.	3.99	1.60	0.43	No

INDEX IMPACT

Using data from July 28, 2021, the table below shows the actual weights for China A-shares in certain benchmark indices, as well as the hypothetical weights that would have resulted had eligible STAR listed A-shares been included.

Benchmark Index	China A-Share Weight	
	Actual	Hypothetical
S&P China BMI	19.4178%	19.7506%
S&P Emerging BMI	7.2722%	7.4160%
S&P Global BMI	0.7753%	0.7917%
Dow Jones Global Index	0.8183%	0.8357%

Using data from July 28, 2021, the table below shows the actual FMC for the regional benchmark indices as well as the hypothetical FMC that would have resulted had eligible STAR Market listed A-shares been included.

Benchmark Index	FMC (US\$ Billion)		
	Current	Hypothetical	% Increase
S&P China A Domestic BMI	4,922.73	5,219.68	6.03%
S&P China A International	2,956.00	3,158.44	6.85%
Dow Jones China Broad Market Index	4,681.79	4,977.09	6.31%

⁵ After applying the lower of an aggregate foreign ownership limit (“FOL”) of 30%, or the IWF of each constituent.

⁶ After the IWF for stocks is reduced to 25% of the float rate, after applying the FOL of 30%.

CONSULTATION

IMPLEMENTATION TIMING

S&P DJI is proposing to implement the previously described changes, if adopted, in conjunction with the upcoming annual reconstitution, which takes effect prior to the market open on Monday, September 20, 2021. If adopted, the changes will first be visible to clients beginning on Friday, September 3, 2021.

QUESTIONS

Please answer the following questions and provide S&P DJI with the reasoning behind your answers:

1. **Do you agree with making STAR Market listed China A-shares eligible for inclusion in S&P DJI's global benchmark indices?**
2. **Do you agree with making STAR Market listed China A-shares eligible for inclusion in S&P DJI's regional China A-share benchmarks and downstream indices?**
3. **If the changes are adopted, what is the preferred implementation date?**
 - **As proposed, effective with the September 2021 annual reconstitution**
 - **Effective in December 2021**
 - **Effective in March 2022**
 - **Some other date (please specify in question 4 below)**
4. **Do you have any other comments or feedback regarding the proposed changes outlined above?**

Your participation in this consultation is important as we gather information from various market participants in order to properly evaluate your views and preferences. Please respond to this survey by **August 18, 2021**. After this date, S&P DJI will no longer accept survey responses. Prior to the Index Committee's final review, S&P DJI may request clarifications from respondents as part of that review.

To participate in this consultation, please visit the online survey available [here](#).

For further information about this consultation, please contact S&P Dow Jones Indices at SPDJI_Index_Governance@spglobal.com.

Please be advised that all comments from this consultation will be reviewed and considered before a final decision is made; however, S&P DJI makes no guarantees or is under any obligation to comply with any of the responses. The survey may result in no changes or outcome of any kind. If S&P DJI decides to change the index methodology, an announcement will be posted on our website.

Thank you for taking the time to complete this survey.

For more information about S&P Dow Jones Indices, please visit www.spdji.com.

CONSULTATION

APPENDIX

Regional Benchmark Index	Downstream Indices
S&P China A Domestic BMI	S&P China A Domestic + B BMI S&P Total China Domestic BMI S&P Total China & Hong Kong Domestic BMI S&P Total Greater China Domestic BMI S&P Emerging BMI (Domestic China A Full Inclusion)
S&P China A International	S&P China All-Shares S&P China All-Shares + Hong Kong BMI S&P Greater China All-Shares S&P Emerging Asia Pacific BMI (China A Full Inclusion) S&P Pan Asia BMI (China A Full Inclusion) S&P Emerging BMI (China A Full Inclusion) S&P Global BMI (China A Full Inclusion)

ABOUT S&P DOW JONES INDICES

S&P Dow Jones Indices is the largest global resource for essential index-based concepts, data and research, and home to iconic financial market indicators, such as the S&P 500[®] and the Dow Jones Industrial Average[®]. More assets are invested in products based on our indices than products based on indices from any other provider in the world. Since Charles Dow invented the first index in 1884, S&P DJI has been innovating and developing indices across the spectrum of asset classes helping to define the way investors measure and trade the markets.

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