THE SELECT COMMITTEE ON THE STRATEGIC COMPETITION BETWEEN THE UNITED STATES AND THE CHINESE COMMUNIST PARTY

INVESTIGATIVE REPORT:

HOW AMERICAN FINANCIAL INSTITUTIONS PROVIDE BILLIONS OF DOLLARS TO PRC COMPANIES COMMITTING HUMAN RIGHTS ABUSES AND FUELING THE PRC'S MILITARY

EXECUTIVE SUMMARY

American financial institutions are facilitating investments worth billions of dollars in People's Republic of China (PRC) companies that advance the PRC's military ambitions and perpetrate the Chinese Communist Party's (CCP) human rights abuses. The Select Committee investigated two companies—the world's foremost index provider, MSCI, and the world's largest asset manager, BlackRock—and canvassed the broader financial industry to understand the full scope of the problem.

The results are shocking. In 2023:

- Major financial institutions provided **$6.5 billion** to **63 PRC companies** that the U.S. government has blacklisted or otherwise red-flagged because they advance the PRC's military capabilities or support the CCP's human rights abuses.
- MSCI indexes alone channeled **$3.7 billion** to these entities.
- BlackRock invested at least **$1.9 billion** in these companies.

These companies develop advanced fighter jets and nuclear weapons for the People's Liberation Army (PLA) and create the technology used to perpetrate the ongoing genocide against the Uyghur people. What may surprise many Americans is that the activity by U.S. financial institutions described below is not illegal. It is time for Congress to act.

Index providers and asset managers channel funds to these red-flagged companies. MSCI and other index providers claim to mirror financial markets with their products, but they rely on subjective determinations about the PRC market and individual securities to build an index. MSCI's subjective market determinations lead it to include problematic PRC companies' securities in its index offerings. By adding a red-flagged company's security to an index, index providers effectively give that company a stamp of approval, signaling the company is investable and its securities hold a certain value.

Asset managers like BlackRock then channel investments to the securities on an index. They decide the goals, strategy, and duties associated with their investment funds. They write prospectuses that provide the ability to deviate from indexes and add new, un-indexed red-flagged companies' securities to their funds. Perhaps unsurprisingly, they do not adequately describe the CCP's authoritarianism and human rights abuses in their descriptions of investment products as they facilitate investment in these problematic PRC companies—in some cases, they do not mention them at all.

BlackRock and MSCI are not alone—a cross-industry review revealed that other major index providers and asset managers funnel billions of dollars to the same red-flagged entities.

The existing regulations prohibiting investment in certain Chinese companies because of national security risks or human rights violations are insufficient. Congress must act to restrict U.S. investment in entities tied, directly or indirectly, to the PLA, critical technology sectors, or forced labor and genocide. Congress specifically should pass legislation to:

- Restrict investment in companies blacklisted by the U.S. government, including subsidiaries, affiliates, parents, and holding companies.
- Require U.S. public companies to disclose key risks related to the PRC.
- Ensure the U.S. financial system is resilient to PRC market uncertainty.

Short of such action, billions of dollars of Americans' life savings will continue funding the PRC's military and human rights abuses, including the Uyghur genocide.

BACKGROUND

The House Select Committee on the Strategic Competition between the United States and the Chinese Communist Party (Select Committee) launched a bipartisan investigation to examine how much money U.S. financial institutions are providing to PRC companies that advance the PRC's military ambitions and perpetrate human rights abuses. The Select Committee looked at two specific companies—the world's foremost index provider, MSCI Inc., and the world's largest asset manager, BlackRock, Inc.—and canvassed the broader U.S. financial industry to understand the full scope of the problem.[1] Both MSCI and BlackRock cooperated with the Select Committee's investigation and produced extensive information responsive to the Select Committee's requests.

The results of this examination are shocking: in 2023, PRC companies that the U.S. government has blacklisted or otherwise red-flagged for advancing the PRC military or supporting its human rights abuses were capitalized at $6.5 billion through U.S. capital markets. MSCI indexes channeled $3.7 billion dollars to these firms. BlackRock alone invested at least $1.9 billion. What may surprise many Americans is that the activity by U.S. financial institutions described below is not illegal. It is time for Congress to act.

Of the $6.5 billion, more than $5.3 billion capitalized PRC military companies. More than $400 million capitalized known human rights abusers and companies engaged in forced labor. More than $1.2 billion supported companies tied to those listed on the Department of Commerce's trade blacklist, the Entity List, with more than $350 million going to companies directly listed. Through the products of our own financial industry, Americans' hard-earned savings and retirement money are supporting the military modernization of a foreign adversary and the development of tools used by the CCP to violate human rights. Many investors may have no idea.

A. U.S. Government Blacklists Examined

The Select Committee reviewed indexes and funds to determine if they included PRC companies[2] and their subsidiaries designated on the following U.S. government blacklists and red-flag lists:

[1] MSCI and BlackRock were selected for thorough review in part due to their statuses as the primary provider of international securities indexes and as the world's largest asset manager, respectively, making them particularly representative of the market.
[2] For the purposes of this report, the term "PRC companies" includes securities issuers that are ultimately owned or subject to the control of PRC-based entities, including offshore investment vehicles (such as variable interest entities).

- The U.S. Department of the Treasury's Non-Specially Designated National Chinese Military-Industrial Complex Companies List (NS-CMIC List).[3]
- The U.S. Department of Defense's list of PRC military companies designated under Section 1260H of the National Defense Authorization Act for Fiscal Year (FY) 2021 (1260H List).[4]
- The U.S. Department of Homeland Security's list of PRC companies involved in forced labor designated under the Uyghur Forced Labor and Prevention Act Entity List (UFLPA Entity List).
- The U.S. Department of Commerce's Military End User List (MEU List).[5]
- The U.S. Department of Commerce's Entity List (Entity List).
- The U.S. Department of Commerce's Denied Persons List (Denied Persons List).[6]
- The U.S. Department of State's Debarred Persons List (Debarred Persons List).[7]
- The list of PRC telecommunications companies designated under Section 889 of the National Defense Authorization Act for FY 2019 (889 List) as posing national security risks to the United States.[8]
- The list of PRC semiconductor companies and affiliates designated under Section 5949 of the National Defense Authorization Act for FY 2023 as posing national security risks to the United States (5949 List).[9]
- The Federal Communications Commission's "Covered List" (FCC Covered List).[10]

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[3] The NS-CMIC List bars U.S. persons from purchasing or selling publicly traded securities of designated entities, which support the PRC's "military, intelligence, and other security apparatuses."
[4] The 1260H List identifies PRC military companies which operate in the United States.
[5] The MEU List identifies foreign persons and companies to whom U.S. persons are prohibited from exporting, unless they acquire a license, because the foreign person or company is a known "military end user."
[6] The Denied Persons List bans exports to listed companies and persons on national security grounds.
[7] The Debarred Persons List identifies companies and individuals convicted of violating or conspiring to violate the Arms Export Control Act.
[8] Section 889 prohibits federal contractors from providing the U.S. government with equipment from five PRC companies, their subsidiaries, and their affiliates.
[9] Section 5949 prohibits the U.S. government from procuring, obtaining, or contracting for any semiconductor products or services of the listed companies, their subsidiaries, and their affiliates.
[10] The FCC Covered List identifies PRC telecommunications companies whose communications equipment and services "pose an unacceptable risk to the national security of the United States."

B. Index Providers, Asset Managers, and Portfolio Investing

At the core of this issue are financial indexes—lists of securities that are used as the baseline measure of the performance of a certain securities' market(s) with specific characteristics. An index numerically scores the collective performance of companies' securities at varying weights.

Index providers like MSCI, FTSE Russell, and S&P Dow Jones Indices create indexes that seek to reflect certain market(s) by including investable securities in that market. In doing so, a given index will serve as a proxy for the performance of the market as a whole. For example, the S&P 500 and Dow Jones Industrial Average are two well-known indexes that track the performance of the 500 largest and 30 prominent companies on U.S. stock exchanges, respectively. Index providers also create international indexes, which track the performance of foreign stocks. These may be focused on a specific market, such as the MSCI China Index, or they may track multiple foreign markets, such as the MSCI Emerging Markets Index.[11] MSCI has stated that its indexes seek to "mirror" a given market.

Asset managers use indexes as a foundation for both passive and active investment strategies for portfolio investments.[12] Portfolio investments include a group, or portfolio, of assets and are often composed of stocks.[13]

The primary vehicles through which asset managers invest in foreign markets are exchange traded funds (ETFs) and mutual funds. Fund managers construct ETFs to closely track an index, typically trying to match, not beat, the index performance. In a mutual fund, a fund manager will typically use the index to construct a portfolio that will seek to beat the index performance.

Asset managers offer these investment vehicles to many of the world's largest investors, including sovereign wealth funds, pensions, and endowments, as well as retirement and higher education savings accounts. These clients and others manage – and these accounts represent – the life savings and financial futures of tens of millions of Americans.

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[11] MSCI classifies 24 countries as emerging markets, including Brazil, China, Egypt, Mexico, the Philippines, Qatar, Saudi Arabia, and the United Arab Emirates.

[12] Investment in foreign countries typically takes two forms: direct and portfolio. Foreign direct investment involves direct control of a company, real estate, or other assets such as factories, while foreign portfolio or indirect investment refers to purchases of securities, bonds, and cash equivalents which do not provide direct control to the investor.

[13] In portfolio investing, investors do not typically seek to actively control the company in which they are investing. Instead, they invest with the expectation of financial gain. Portfolio investments can be passively managed, where the portfolio manager does not alter the specific securities the portfolio holds, and actively managed, where the portfolio manager exercises more discretion over the holdings of the portfolio.

C. Both Index Providers and Asset Managers Bear Responsibility for This Problem

Index providers and asset managers both make decisions that result in the funding of PRC companies that support the People's Liberation Army (PLA) and the CCP's human rights abuses. Their activities highlight why Congress must act to stop the flow of capital to these PRC entities.

By adding a company's security to an index, index providers effectively give that company a stamp of approval, signaling that the company is investable and that its securities hold a certain value. MSCI makes that judgment explicit—it adds securities on its indexes based on 1) a given market's accessibility to investors ("accessibility") and 2) securities that are investable ("investability"). MSCI generally uses a company's market capitalization to assign weights to the securities in the index.

Asset managers then decide whether they will track, modify, or seek to exceed the returns of a given index with their investment products. ETFs typically "track" an index, with some modifications. Mutual funds often use an index as a baseline and seek to beat that index's performance by modifying the weights and composition of the securities in the portfolio. Asset managers decide the goals, strategy, and duties associated with a fund when they build the product and produce an associated prospectus.[14]

Index providers and asset managers regularly interact with each other in index creation and maintenance. MSCI routinely solicits public consultations with fund managers, institutional investors, regulators, and other market participants to inform the development and modification of its indexes. MSCI "actively" seeks out and considers the views of certain clients like asset managers, whose perspectives carry significant weight. Asset managers like BlackRock regularly offer their perspective to MSCI and make recommendations about index development and composition.

Both MSCI and BlackRock acknowledge that PRC companies and their corporate subsidiaries and affiliates that the U.S. government has blacklisted for advancing the PRC's military development and facilitating human rights abuses, including forced labor and genocide, are capitalized through U.S. funds that track indexes, such as those described here. Neither company has taken meaningful

[14] While BlackRock alleged in its response to the Select Committee's July letter that "so long as [red-flagged] companies continue to remain in the fund's benchmark index… BlackRock's discretion to exclude them… is limited," we note that BlackRock itself determines the precise nature of its own discretion when it defines such discretion in the prospectuses that BlackRock itself writes.

steps to mitigate or reduce the risk,[15] and both maintain that they have limited discretion to independently exclude specific problematic entities. Index providers maintain that asset managers could license "custom indexes" that exclude these companies if they wished, and asset managers maintain that their funds simply reflect the indexes designed by the appropriate outside market modeling experts. However, the fact remains that they both continued to include various PRC companies on U.S. government red-flag lists in their indexes and funds *after* they were added to a U.S. government red-flag list.[16] Accordingly, it is time for Congress to pass legislation to prevent Americans' hard-earned savings and retirement dollars from funding a foreign adversary's military advancements and human rights abuses.

[15] BlackRock does offer ETFs and funds that exclude PRC securities altogether, such as the iShares MSCI Emerging Markets ex. China ETF. As indicated by its name, this ETF relies on the MSCI Emerging Markets Index and excludes PRC equities. BlackRock has told the Select Committee that some U.S. investors specifically request investment in funds with exposure to the PRC. However, neither BlackRock, MSCI, or any other asset manager or index provider examined by the Select Committee offers an investment product or index specifically designed to exclude the securities issued by companies on U.S. government national security and human rights red-flag lists. BlackRock did request a consultation with MSCI and other index providers to discuss industry's approach to such securities after the Select Committee launched its investigation.

[16] Similarly, national security concerns do not meaningfully influence MSCI and BlackRock's choices regarding index composition and fund creation. Companies are listed on the NS-CMIC List, which restricts investments in the companies' publicly traded securities for military and human rights abuse ties. When companies were removed from the NS-CMIC List, they became eligible for inclusion in MSCI indexes at the next review, and they were added into the indexes one to three months after they became eligible, despite the risks those companies pose to national security. Moreover, BlackRock claims to restrict the possible holdings of its active funds by identifying companies facing heightened risk of sanctions, but these restrictions may not be applied to other funds with substantial red-flag investment in such companies.

SECTION I – THE $6.5 BILLION PROBLEM

Major index providers and asset managers channel billions of dollars to PRC companies on U.S. government red-flag lists for advancing the PRC's military and supporting the CCP's human rights abuses.

COMPANY SNAPSHOTS

Military Modernization

Aviation Industry Corporation of China (AVIC) is the principal producer of military aircraft for the PLA. It builds the PLA's advanced fighter jets, including the Chengdu J-10, Shenyang J-11, and Chengdu J-20. The Chengdu J-20 is a fifth-generation stealth fighter; and its use made the PRC the second country in the world to field an operational stealth aircraft.[i] AVIC is currently designing the first sixth-generation fighter and is locked in a race with the United States over who can field the technology first.[ii] It is listed on the NS-CMIC List, and its subsidiaries are on the 1260H List.

Human Rights Abuses

BGI Genomics and BGI Group (BGI), with the PLA's support, developed a neonatal genetic test that illicitly collected the genetic data of millions of people (including U.S. citizens) without their consent.[iii] BGI Group also developed genetic analysis capabilities for the CCP to use in its repression and forced labor of Uyghurs in the Xinjiang Uyghur Autonomous Region (Xinjiang).[iv] The U.S. Department of Commerce placed BGI on the Entity List for that offense. BGI Genomics is on the 1260H List, while BGI Group is on the Entity List.

Industry-Wide Investment:

$178 million (Military Modernization)

$17 million (Human Rights Abuses)

1. The financial industry funds $6,457,000,000 in investments into red-flagged PRC companies.

The Select Committee found that companies on U.S. government red-flag lists were capitalized at approximately $6,457,000,000 of U.S. capital as of 2023.

Across the 11 lists the Select Committee reviewed, we identified U.S. capital exposure to companies on seven of the lists. The exposure involves 67 securities and 63 listed companies, or subsidiaries and affiliates of listed companies, across

526 unique funds,[17] 152 unique asset managers (including BlackRock, Vanguard, Fidelity, and Dimensional), and more than 37 unique index providers (including MSCI, FTSE Russell, and S&P Dow Jones Indices).

The identified companies produce ammunitions for the PLA, develop next-generation stealth fighter jets and nuclear armaments, produce facial recognition technology used to surveil and persecute Uyghurs, and manufacture goods using Uyghur forced labor in Xinjiang, among other activities.

Table 1.1: Industry's top 16 invested PRC companies. Source: third-party data.

Company	List(s)	Amount (millions)	Percent
China Overseas Land & Investment	1260H	$ 1,126	17.44%
China Tower Corp	1260H, CMIC, FCC	$ 609	9.43%
ZTE Corp.	*889, FCC*	$ 403	6.24%
CGN Power	1260H, CMIC, Entity	$ 324	5.02%
China Oilfield Services	1260H, CMIC, FCC	$ 316	4.89%
CRRC Corp.	*1260H*	$ 294	4.55%
Daqo New Energy Corp.	UFLPA, Entity	$ 291	4.51%
Zhuzhou CRRC Times Electric	1260H	$ 248	3.84%
China Communications Services Corp.	1260H, CMIC	$ 224	3.47%
China State Construction International Holdings	1260H	$ 207	3.21%
China State Construction Engineering Corp.	1260H	$ 205	3.17%
China Overseas Property Holdings	1260H	$ 178	2.76%
Dongfeng Motor Group	1260H, CMIC	$ 161	2.49%
Chinasoft International	1260H, CMIC	$ 147	2.28%
iFlytek	*Entity*	$ 134	2.08%
China United Network Communications	1260H, CMIC	$ 128	1.98%
Other	N/A	$ 1,462	22.64%
	Total	$ 6,457	100.00%

Note: Italicized list information means the corresponding company is directly listed. Unitalicized list information means the corresponding company is a subsidiary or affiliate of a directly listed company.

[17] Some blacklisted companies list multiple types of securities on different exchanges, leading to a higher number of blacklisted securities versus blacklisted companies. ZTE Corporation, Zhuzhou CRRC Times Electric Co., Ltd., CRRC Corporation, and China Oilfield Services Ltd. list both A-Shares and H-Shares. Additionally, Xinjiang Daqo New Energy Ltd. lists A-Shares, while its parent company, Daqo New Energy Corporation, lists American depositary receipts on the New York Stock Exchange.

COMPANY SNAPSHOTS

Military Modernization

Aero Engine Corporation of China (AECC) was formed as a spinoff of AVIC's aeroengine operations. It designs, develops, and manufactures aeroengine technology, such as turbojets, fans, props, shafts, piston engines, and gas turbines. It currently operates the AECC Sichuan Gas Turbine Research Institute, one of the PRC's three large aeroengine institutes, and invested hundreds of millions of dollars in a military-civil fusion development center at the Institute.[v] In 2017, AECC displayed a supercharged turbofan suitable for cruise missiles and UAVs.[vi] It is listed on the NS-CMIC List.

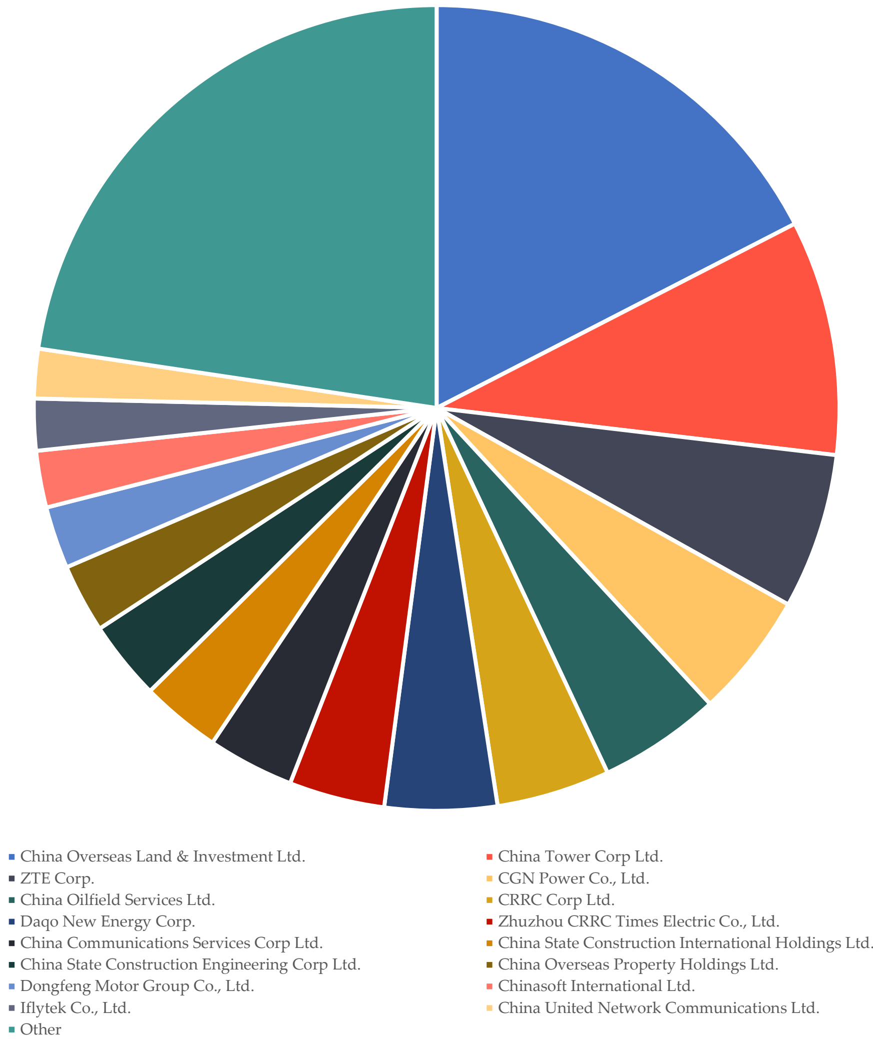
Human Rights Abuses

Xinjiang Zhongtai Chemical Co., Ltd. is a chemical manufacturer located in Xinjiang. Its products are used in industrial applications, including textile and plastics production. Xinjiang Zhongtai has forcibly assimilated Uyghurs in Xinjiang. It received CCP-organized transfers of laborers in Xinjiang, participated in so-called poverty alleviation programs, where workers are forced to work grueling hours to no longer be considered in poverty, and provided "patriotic" and Mandarin-language education to its workers.[vii] Xinjiang Zhongtai is on the UFLPA Entity List.

Industry-Wide Investment:

$85 million **$8 million**

Image 1.1: Top 16 blacklisted PRC companies invested in by asset managers. Source: third-party data.



2. The red-flagged companies represent billions of dollars in investment toward companies that advance the PLA or support the PRC's surveillance state or forced labor.

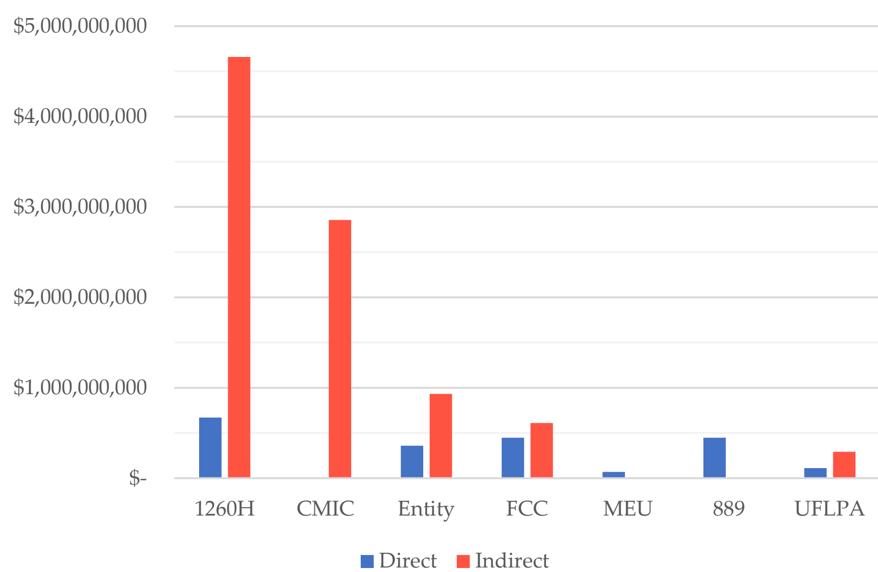
Many of the 63 companies identified by the Select Committee are double or even triple-listed on the red-flag lists. Reviewed company-by-company and disaggregated (meaning the investments in one company are counted for all the lists on which they are designated), $5,331,000,000 flow to companies listed on the 1260H List (PRC military companies that operate in the United States), while $2,856,000,000 capitalize subsidiaries of companies listed on the NS-CMIC List (entities which support the PRC's "military, intelligence, and other security apparatuses"). Additionally, $403,000,000 support the use of forced labor by companies located in Xinjiang and listed on the UFLPA Entity List.

Table 1.2: Valuation of blacklist investment per list. Source: third-party data.

List	Direct	Indirect	Total
1260H	$ 671,000,000	$ 4,660,000,000	$ 5,331,000,000
CMIC	$ -	$ 2,856,000,000	$ 2,856,000,000
Entity	$ 359,000,000	$ 934,000,000	$ 1,293,000,000
FCC	$ 449,000,000	$ 609,000,000	$ 1,059,000,000
MEU	$ 70,000,000	$ -	$ 70,000,000
889	$ 449,000,000	$ -	$ 449,000,000
UFLPA	$ 111,000,000	$ 291,000,000	$ 403,000,000

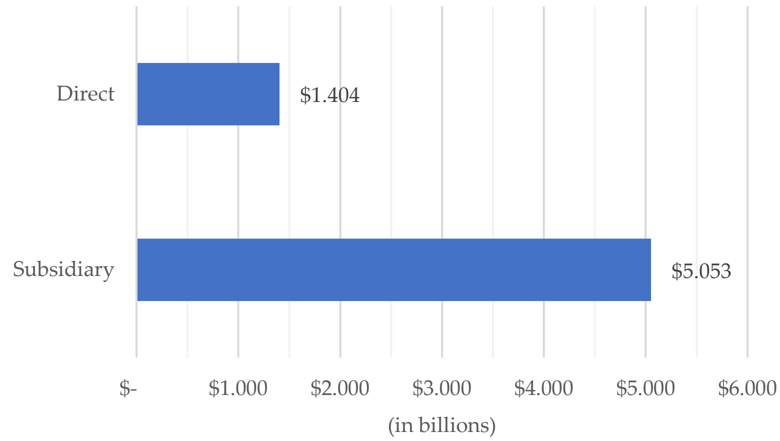
Note: Because companies can be double or triple-listed, the above figures cannot be vertically summed to represent totals.

Image 1.2: Valuation of red-flagged investment per list. Source: third-party data.



A critical channel for U.S. funding of red-flagged companies is through a company's subsidiaries and affiliates. Of the 63 companies identified by the Select Committee, 17 are directly listed on one of the reviewed blacklists, while 46 are subsidiaries or affiliates of directly listed companies. For the NS-CMIC List, its exposure to capital markets is entirely based on the subsidiaries of listed companies because U.S. persons cannot trade securities issued by a designated company. They can, however, trade the securities of a designated company's subsidiaries or affiliates. As a result, more than 75 percent of the red-flagged investment capitalizes subsidiaries or affiliates of blacklisted companies.

Image 1.3: Valuation of red-flagged investment by company type. Source: third-party data.



SECTION II – INDEX PROVIDERS LIKE MSCI DEFINE THE INVESTABLE MARKET

MSCI—like other index providers—included as many as 63 blacklisted PRC companies in indexes that set the baseline for the PRC's investable securities for asset managers.

COMPANY SNAPSHOTS

Military Modernization

China State Construction Engineering Corporation (CSCEC) is PRC state-owned and is the largest construction company in the world. It is a key player in the PRC's Belt and Road Initiative and builds military bases, installations, and infrastructure, including a missile center at the Jiuquan Satellite Launch Base.[viii] CSCEC likely helped build the PLA's first-ever overseas military facility in Djibouti in 2014 in addition to its construction of the PRC-owned Port of Doraleh.[ix] It is on the 1260H List of PRC military companies.

Human Rights Abuses

360 Security Technology, Inc., also known as Qihoo 360, is a PRC internet security and software company. The U.S. Department of Commerce accused Qihoo 360 of "enabling China's high-technology surveillance" in Xinjiang using its software in laptops, mobile phones, and other electronic devices.[x] The company also leads the PRC's Cyberspace Security Military-Civil Integration Innovation Center, which oversees the PRC defense industry.[xi] It is on the Entity List and the 1260H List.

Industry-Wide Investment:

$1.575 billion **$73 million**

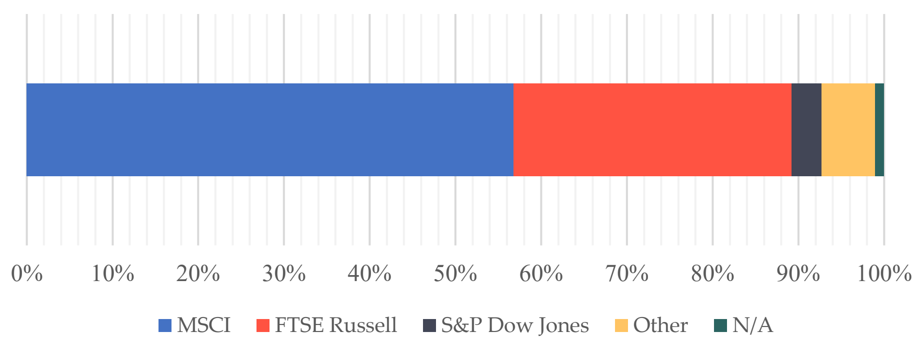
1. **Investment products tracking MSCI indexes channeled $3.7 billion to PRC companies red-flagged for their role in advancing the PRC's military or human rights abuses.**

Of the $6.5 billion uncovered by the Select Committee, MSCI facilitates more than half through its indexes: $3,666,000,000 in total. Other noteworthy industry players include FTSE Russell and S&P Dow Jones Indices.[18]

Table 2.1: Index providers' shares of total industry blacklisted investment. Source: third-party data.

Index Provider		Amount	Percent
MSCI	$	3,666,000,000	56.77%
FTSE Russell	$	2,096,000,000	32.46%
S&P Dow Jones	$	224,000,000	3.46%
Other	$	404,000,000	6.27%
N/A	$	67,000,000	1.04%
Total	$	6,457,000,000	100.00%

Image 2.1: Index provider's shares of total industry red-flagged investment. Source: third-party data.



Based on data provided by MSCI, the MSCI Emerging Markets Investable Market Index and the MSCI Emerging Markets Index represent two of the largest indexes reviewed in terms of the assets under management of the funds tied to the index (red-flag capitalization): $69,928,000,000 and $49,778,000,000, respectively. The two also represent the MSCI indexes with the most red-flag capitalization:

[18] These calculations were performed using third-party data sources and recorded benchmark indexes. Additionally, of the investment vehicles reviewed at the industry level, less than $70 million were not benchmarked to an index offered by one of more than 30 index providers the Select Committee identified as facilitating red-flagged investment.

$557,000,000 and $441,000,000, respectively. The red-flag capitalization of the MSCI China Index is nearly half the size of the MSCI Emerging Markets Index red-flag capitalization, and nearly seven times smaller by AUM.

Table 2.2: Top 10 MSCI indexes by red-flagged AUM. Source: Select Committee calculations based on MSCI data.

Index Name	Blacklist Weight	Estimated Assets Under Management (AUM)	Estimated Blacklist AUM
MSCI EM Investable Market Index	0.80%	$ 69,928,000,000	$ 557,000,000
MSCI EM Index	0.89%	$ 49,778,000,000	$ 441,000,000
MSCI China Index	3.00%	$ 7,777,000,000	$ 234,000,000
MSCI ACW ex. U.S. Index	0.25%	$ 66,549,000,000	$ 163,000,000
MSCI EM Minimum Volatility Index	2.57%	$ 4,606,000,000	$ 118,000,000
MSCI ACW Index	0.09%	$ 48,848,000,000	$ 46,000,000
MSCI ACW Minimum Volatility Index	0.41%	$ 9,746,000,000	$ 40,000,000
MSCI AC Asia ex. Japan Index	1.02%	$ 3,077,000,000	$ 31,000,000
MSCI China A Index	6.54%	$ 376,000,000	$ 25,000,000
MSCI China A Inclusion Index	6.54%	$ 314,000,000	$ 21,000,000

Note: “EM” stands for “Emerging Markets,” and “ACW” stands for “All-Country World.”

COMPANY SNAPSHOTS

Military Modernization

CRRC Corporation Ltd. (CRRC) is a state-owned enterprise and the world's largest rolling stock manufacturer. The company has vowed to "implement the PRC's military-civil fusion development strategy" and partnered in 2017 with the China Aerospace Science and Technology Corporation (directly listed on the NS-CMIC) and other companies to establish an investment fund dedicated to supporting military-civil fusion technology.[xii] It is listed on the 1260H List of PRC military companies.

Industry-Wide Investment: **$542 million**

Human Rights Abuses

Daqo New Energy Corporation's subsidiary, **Xinjiang Daqo New Energy Corporation (Daqo),** is a polysilicon manufacturer located in Xinjiang. Daqo has received state-sponsored Uyghur labor transfers, and it maintains commercial relationships with the Xinjiang Production and Construction Corps (XPCC) – a sanctioned CCP paramilitary organization responsible for overseeing the Uyghur genocide in Xinjiang.[xiii] It is on the UFLPA Entity List, and the parent company is listed on the New York Stock Exchange.[19]

Industry-Wide Investment: **$328 million**

2. MSCI relies on subjective determinations regarding market accessibility and investability when deciding what to include in an index.

MSCI decides whether to include a security in an index based on two factors: the accessibility of the market in question and the investability of each individual security. Both criteria involve subjective judgments by MSCI.[xiv]

For example, one of MSCI's market accessibility criteria is the "Stability of Institutional Framework." The criterion considers the track record of government interventions as an indicator of the stability of the "free-market economic system"

[19] The Select Committee incorporated Daqo New Energy Corporation in this report, unlike other parent companies of listed entities, because the company is listed on the New York Stock Exchange and, as such, warrants particular scrutiny by U.S. investors.

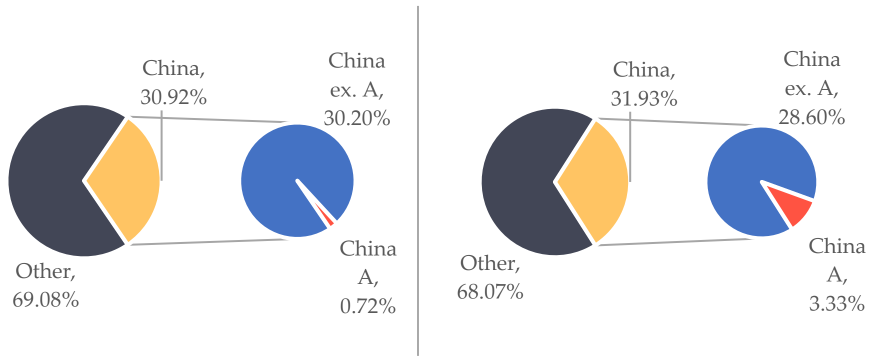
and "the country's history as an indicator of a potential risk that foreign investors may be impacted by discriminatory measures in times of crisis."[xv]

MSCI scores the PRC a "+," meaning "no major issues, improvements possible," and it does not provide an explanation for the score. This is directly at odds with General Secretary Xi's own declaration that the PRC will "see to it in this long struggle that capitalism dies out in the world."[xvi] The CCP has placed controls on entire sectors and ostensibly private companies through exceptionally broad and unconstrained laws curbing data flows and prohibitions on even basic due diligence and auditing of PRC companies, supply chains, and investments.[xvii] In 2020, the CCP instituted new restrictions on publishing, advertising, IPOs, and the ability of PRC companies to list oversees, activities that can impact the investability of securities and accessibility of markets. Moreover, its draconian and unprecedented COVID-19 lockdown emphasized to international business executives that "ideology trumps the economy," manifested by the intrusion of the CCP in the business sphere.[xviii] It is surprising, if not erroneous, then, that the PRC market's history and the stability of its "free market system" face "no major issues" like MSCI claims.

MSCI also credits the PRC market with a "+" for its subjective assessment about whether the PRC grants "Equal Rights to Foreign Investors," or the equal treatment of foreign investors to PRC investors. In its explanation, MSCI only notes that some company materials are not always available in English and that institutional investors have questioned corporate governance standards of some companies.[xix] However, there exists a lack of regulatory compliance and strict governance rules in the PRC, meaning foreign investors face uncertain outcomes. Moreover, the PRC's revamping of its foreign investment regulatory regime in 2020 still leaves unclear whether shares owned by foreign investors are viewed equally by PRC authorities in practice. These concerns exist when foreign investors purchase China A-shares, or securities listed on mainland PRC stock exchanges (*e.g.*, Shenzhen or Shanghai).

MSCI has argued that it recognizes these major concerns of the China A-shares market by limiting the exposure of A-shares securities in its indexes. MSCI includes A-shares at a 20 percent inclusion ratio, meaning it discounts the weight assigned to a given A-share by 80 percent. However, adding China A-shares at that discounted rate did not significantly change or restrict PRC market exposure in the index—it just rearranged the PRC exposure between shares listed in mainland PRC and shares listed in Hong Kong, both of which include numerous blacklisted companies.[xx] This fact was made clear when MSCI changed the China A-Shares inclusion ratio from 5 percent to 20 percent in 2019, as shown in Image 2.2. Although the ratio between A-shares and non-A-shares changed, the total value of PRC securities in the MSCI Emerging Markets Index only changed by one percent. In practice, MSCI's A-shares inclusion ratio did not restrict the MSCI Emerging Markets Index's exposure to red-flagged securities.

Image 2.2: Composition of the MSCI Emerging Markets with a 5% inclusion ratio (before 2019, left) and a 20% inclusion ratio (after 2019, right). Source: MSCI.



Moreover, the inclusion ratio itself is a subjective determination by MSCI. The company provided the Select Committee with no evidence that the new 20 percent inclusion ratio was based on objective factors or mathematical calculations. Its selection was rather based on a subjective analysis focused on how the inclusion ratio would affect index outcomes, all in an effort to reward the A-Shares market for "improvements" in its accessibility.[20]

[20] When MSCI solicited feedback from asset providers before it chose to raise the inclusion ratio from 5% to 20% in 2019, BlackRock opposed raising the inclusion ratio to 20%, instead advocating for 10%. Information on file with the Select Committee.

SECTION III – ASSET MANAGERS LIKE BLACKROCK INVEST AMERICANS' SAVINGS IN PRC MILITARY COMPANIES AND COMPANIES COMMITTING HUMAN RIGHTS ABUSES

BlackRock and other asset managers invest billions of dollars into red-flagged companies through investment products that track those indexes or seek to achieve better performance than the indexes.

COMPANY SNAPSHOTS

Military Modernization

China National Nuclear Corporation (CNNC) oversees the PRC's civil and military nuclear programs. CNNC is "a leading element of national strategic nuclear forces."[xxi] It recently developed the ACP100 ("Linglong One") small modular reactor (SMR), the next generation of nuclear technology.[xxii] The reactor is purported to be derived from U.S. naval reactor technology and is expected to have military applications as the PLA aims to develop nuclear-powered aircraft carriers and update its nuclear submarine fleet.[xxiii] SMRs can be used to power entire islands and for sea water desalination, aiding PLA expansion in the South China Sea.[xxiv] It is on the 1260H List.

Human Rights Abuses

Zhejiang Dahua Technology Co., Ltd. is a partly state-owned video surveillance equipment company. The U.S. government and other countries have investigated Dahua's technology, primarily cameras and surveillance equipment, believing it can be used for state-sponsored surveillance and data collection. Dahua has been sanctioned by the United States numerous times for its role in mass surveillance of Uyghurs in Xinjiang and of other ethnic and religious minorities.[xxv] The FCC banned Dahua equipment from future government procurement and instituted a "rip-and-replace" regime (similar to Huawei) for existing equipment by placing it on the FCC Covered List.

Industry-Wide Investment:

$99 million (CNNC)　　**$46 million** (Dahua)

1. BlackRock alone invested $1.9 billion in red-flagged companies.

BlackRock provided the Select Committee with information about 58 of its funds, including both passively managed (*e.g.*, an ETF) and actively managed investment vehicles. Across those funds, its investments in red-flagged PRC companies totaled $1,899,000,000, with $1,366,000,000 from its passively managed

ETFs. The highest blacklist exposure funds were those which tracked Emerging Markets, All-Country World, and China indexes created by MSCI.

Table 3.1: Top 10 BlackRock funds by red-flag AUM. Source: Select Committee calculations based on BlackRock data.

Fund Name	Blacklist Weight	Assets Under Management (AUM)	Blacklisted AUM
iShares Core MSCI Emerging Markets ETF	0.78%	$ 70,902,000,000	$ 556,000,000
iShares MSCI China ETF	3.01%	$ 7,627,000,000	$ 230,000,000
iShares MSCI Emerging Markets ETF	0.89%	$ 23,425,000,000	$ 209,000,000
Emerging Markets Equity Index Master Fund*	0.80%	$ 22,767,000,000	$ 182,000,000
MSCI Equity Index Fund B - China*	2.94%	$ 5,836,000,000	$ 172,000,000
iShares MSCI Emerging Markets Minimum Volatility ETF	2.56%	$ 4,565,000,000	$ 117,000,000
Emerging Markets Index Non-Lendable Fund*	0.85%	$ 10,296,000,000	$ 83,000,000
iShares Core MSCI Total International Stock ETF	0.22%	$ 31,760,000,000	$ 68,000,000
iShares China Large Cap ETF	1.23%	$ 5,083,000,000	$ 63,000,000
iShares MSCI All-Country Asia ex. Japan ETF	1.03%	$ 2,855,000,000	$ 29,000,000

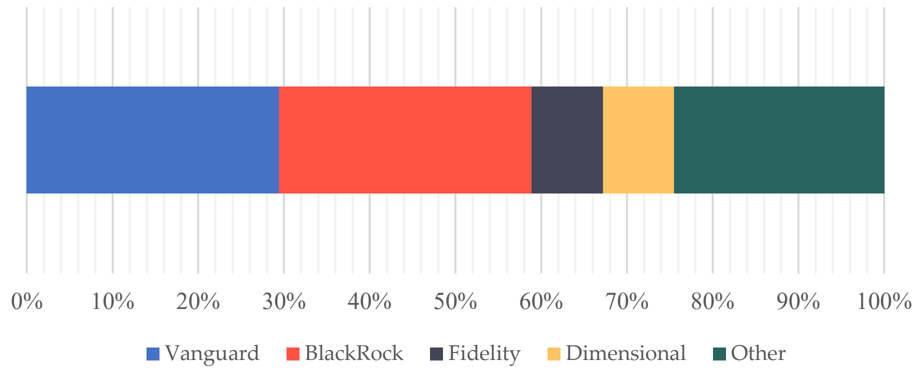
Note: Funds are ETFs unless marked with a *, noting the fund is a mutual fund.

In addition, third-party data reveals that of the total $6.5 billion invested in red-flagged PRC companies, more than 75 percent is allocated by just four asset managers. Vanguard represented the largest investor, at $1.901 billion, with BlackRock following at $1.899 billion, Fidelity at $542 million, and Dimensional at $533 million. In total, 152 unique asset managers invested in at least one of the 63 red-flagged companies.

Table 3.2: Largest asset managers by blacklisted AUM. Source: third-party data.

Asset Manager	Amount	Percent
Vanguard	$ 1,901,000,000	29.44%
BlackRock	$ 1,899,000,000	29.41%
Fidelity	$ 542,000,000	8.39%
Dimensional	$ 533,000,000	8.25%
Other	$ 1,582,000,000	24.51%
Total	$ 6,457,000,000	100.00%

Image 3.1: Largest asset managers by blacklisted AUM. Source: third-party data.



When BlackRock actively manages funds (and is thus unrestricted from the supposed "bounds" of the index), it has the ability to over-include red-flagged companies compared to the benchmarked index. Of its 58 funds reviewed by the Select Committee, the All-China Opportunities Fund had the largest percentage exposure to red-flagged securities, with 6.66 percent of its assets under management invested in them as of June 30, 2023. The fund benchmarks against the MSCI China All Shares Index, whose red-flag exposure only amounted to 4.20 percent on that same date. The nearly two percent difference represents millions in red-flagged investment, reflecting how BlackRock's actively managed funds can deviate from benchmark indexes.[21]

[21] Shortly before publication, BlackRock indicated that the AUM for the All-China Opportunities Fund dropped precipitously from June 30, 2023 to March 31, 2024 and suggested that the red-flag capitalization decreased accordingly.

COMPANY SNAPSHOTS

Military Modernization

Dongfeng Motor Corporation is a state-owned automotive manufacturer that is one of the country's "Big Four" car producers. It is a subsidiary of the China Aerospace Science and Industry Corp., listed on the 1260H and NS-CMIC Lists. Dongfeng produces the *Dongfeng Mengshi*, a class of armored tactical trucks inspired by the Humvee,[xxvi] and it is believed to export military vehicles to authoritarian regimes in Myanmar and Sudan and procure raw materials from Xinjiang.[xxvii]

Industry-Wide Investment: **$161 million**

Human Rights Abuses

ZTE Corporation is a partly state-owned telecommunications company, which operates in wireless, exchange, optical transmission, and communications software and gear. ZTE's products have been accused by the United States, India, and Sweden of enabling back-door mass surveillance.[xxviii] It pled guilty to violating U.S. sanctions for exporting equipment to Iran and North Korea and is listed on the FCC Covered List.[xxix]

Industry-Wide Investment: **$403 million**

2. Asset Managers, including BlackRock, avoid describing the CCP's authoritarianism and human rights abuses in descriptions of risk related to investment products.

Asset managers describe for investors risks associated with the constituent securities of their investment products. For instance, with respect to products that include PRC securities, BlackRock's risk disclosures describe risks related to the PRC economy, political landscape, and regulatory system. One of its prospectuses states, "[t]he Chinese government is authoritarian and has periodically used force to suppress civil dissent."[30]

However, among the asset managers whose prospectuses we reviewed, none appropriately describes the realities of the CCP's ruthless authoritarian regime. In describing government control, for example, BlackRock states that "the [PRC] government has implemented significant economic reforms in order to liberalize trade policy, promote foreign investment, … reduce government control of the economy and develop market mechanisms. There can be no assurance that these reforms will continue."[31] Indeed, there can be no assurance, because the CCP has not continued the reforms. Instead, it has reversed meaningful economic liberalization in support of harsh government crackdowns on foreign companies and the private sector, for example by raiding international consultancy firms (such as Mintz Group, Bain & Co, and Capvision Partners); increasing eightfold the number of exit bans barring people, such as foreign executives, from leaving the country; and retaliating against American semiconductor company Micron Technology by banning its products in certain sectors.[32]

Its prospectuses also state that the PRC "continues to experience disagreements related to integration with Hong Kong and religious and nationalist disputes in Tibet and Xinjiang."[33] The CCP has all but eliminated civil society and democratic activity in Hong Kong, and "integration" seems to be a euphemism for the CCP's brutal repression of free speech, destruction of democratic institution, disappearance of regime critics, and violation of international commitments in Hong Kong.

BlackRock does not appropriately describe the CCP's genocide in Xinjiang, cultural genocide against the Tibetans, and other human rights abuses, instead characterizing them as "religious and nationalist disputes in Tibet and Xinjiang." Its prospectuses explain that "relations between [the PRC's] Han ethnic majority and other ethnic groups in [the PRC], including Tibetans and Uighurs [*sic.*], are also strained and have been marked by protests and violence."[34] We should be clear about the cause of these allegedly "strained" relations: the CCP's genocide against Uyghur Muslims in Xinjiang, including the extrajudicial internment of over 1 million individuals, widespread forced labor, brutal surveillance and religious suppression, cultural genocide in Tibet, forced sterilization, organ harvesting, and other forms of repression and human rights abuses.

It is far from alone. Other asset managers—such as Vanguard, Fidelity, and Dimensional—describe the PRC and CCP in similar lights, or not at all. Dimensional, for example, also incorrectly asserts that the PRC has continued to engage in meaningful economic liberalization, and they fail to discuss risks associated with the CCP's authoritarian and illegal crackdowns in Hong Kong, Xinjiang, and Tibet.[35] Vanguard does not discuss at all those economic and human rights restrictions, instead only noting issues related to China A-Shares, PRC bonds, and variable interest entities as relevant for risk disclosure.[36] Fidelity just mentions "social conditions," turning a blind eye to the Uyghur genocide, authoritarian repression in Tibet, and the PRC's rollback of market liberalization.[37]

The CCP's draconian and authoritarian subjugation of its economy, minority groups, and entire regions of the country certainly pose risks to returns on PRC investments. The presence of these companies on U.S. government red-flag lists ought to be informative as to those underlying risks. As fiduciaries, asset managers should present and accurately describe those risks to their investors. Yet, their disclosures do not adequately warn Americans of the CCP's atrocities—atrocities Americans' life savings are financing.

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RECOMMENDATIONS

The United States government presently maintains investment restriction regimes against designated persons and entities. For example, Specially Designated Nationals (SDN) are prohibited from accessing the U.S. financial system, and U.S. persons are blocked from conducting business with them. A more targeted investment restriction list, the NS-CMIC List, specifically bars U.S. persons from trading publicly traded securities of companies explicitly listed, but it does not restrict investment in subsidiaries or parent and holding companies of the listed company. Outside of a handful of hyper-targeted lists maintained by the U.S. Department of the Treasury, and until the Biden Administration's outbound investment executive order (E.O. 14105) comes into effect, the SDN List and the NS-CMIC List represent the only vehicles the U.S. government may use to restrict financial outflows.[xxii]

It is imperative that Congress further expand the United States' investment restriction toolkit. Industry should support this effort. As this investigation shows, billions of dollars of Americans' life savings are capitalizing the military modernization of one of our foreign adversaries and egregious human rights abuses. Subsidiaries are explicitly not captured by the NS-CMIC List, and the other lists reviewed by the Select Committee do not mandate any sort of investment restriction on directly listed companies or their subsidiaries and affiliates. Additionally, there exists no requirement for the U.S. government to explain its inclusion or removal of companies on certain lists. China Three Gorges Corporation, for example, was included on the Non-SDN Communist Chinese Military List, established by E.O. 13959, but it was removed when that list transitioned to the current NS-CMIC List under E.O. 14032. The Select Committee found that BlackRock alone invested more than $154,000,000 in subsidiaries of China Three Gorges Corporation, although the Select Committee did not count that number in the totals listed above, since China Three Gorges was not on a red-flag list in 2023.[xxiii]

[xxii] The U.S. Department of the Treasury maintains some sanctions regimes which involve restrictions on certain kinds of financial outflows. The Non-SDN Menu-Based Sanctions List, for example, enumerates prohibitions on listed persons on an entity-by-entity basis, and some prohibitions include financial transactions. The List of Foreign Financial Institutions Subject to Correspondent Account or Payable-Through Account Sanctions, also known as the CAPTA List, lists foreign financial institutions for which the opening or maintaining of a correspondent account or a payable-through account in the United States is prohibited or subject to one or more strict conditions. The Sectoral Sanctions Identification List also includes prohibitions on certain debt and equity issuing. These very technical restrictions are almost exclusively applied to Russian persons.

[xxiii] In February 2024, the U.S. Department of Defense issued an update to the 1260H List with several additions, including China Three Gorges. Companies that are publicly traded, were added to the 1260H List in the February 2024 update, and were not reviewed in this investigation are listed at Appendix 1.

Recommendation 1: Restrict investment to foreign companies that pose national security concerns and whose actions are antithetical to our values.

E.O. 14105 is an important first step in addressing the investment challenge, but more work is needed to protect American investors and national security. For instance, the proposed rules associated with E.O. 14105 would create an exception for the portfolio investment described in this report. That is, it would not stop the ongoing investment of $6.5 billion in PRC companies that threaten national security and our values. Instead, it focuses on what it describes as active investment, or investment made on the private market and not in publicly traded securities.

In 2023, passive investment flows enabled $6.5 billion of Americans' savings to flow to national security concerns and human rights abusers in the PRC. Those flows should end.

Specifically, Congress should:

1. Pass legislation to generally (in both the active *and* passive portfolio investment contexts) prohibit investment in PRC companies included on key U.S. government sanctions and red-flag lists, including the UFLPA Entity List, the NS-CMIC List, the 889 List, the 1260H List, the MEU List, the 5949 List, the FCC Covered List, the Entity List, and the Withhold Release Orders and Findings List related to forced labor. Legislation should include subsidiaries, affiliates, and parent and holding companies of these listed entities.

2. Enact legislation to prevent further U.S. capitalization of PRC companies under U.S. human rights sanctions or implicated in Uyghur forced labor. This could include mandating that the SEC delist any entities on the UFLPA Entity List or with broader connections to forced labor and excise any such entities from indexes and investment products benchmarked to those indexes. Congress could also enact legislation that mirrors the NS-CMIC List but is designed to target publicly PRC traded companies that are affiliated with PRC forced labor. DHS and Treasury via the FLETF could publish and regularly update a list of these securities.

Recommendation 2: Protect Americans' basic shareholder rights when they own foreign securities and investments.

American investors face uncertain outcomes, unpredictable enforcement, and unclear restitution when they invest in the PRC companies identified in this investigation. Congress has the ability to better protect the basic shareholder rights that should be afforded to Americans investing in PRC assets, whether at home or abroad.

Specifically, Congress should:

1. Enact legislation to address how variable interest entities (VIEs) deny U.S. investors basic shareholder rights and protections.

2. Oversee the implementation of the Holding Foreign Companies Accountable Act (P.L. 116–222) to ensure that PRC firms listed in the United States come into compliance with U.S. law immediately. Specifically, Congress should pass the Holding Chinese Listed Companies Accountable Act (H.R. 4879), which would heighten accountability for PRC companies. Congress should also require the Public Company Accountability Oversight Board (PCAOB) to report regularly to Congress on the status and outcomes of its inspections of audits conducted on PRC securities issuers. Congress should also consider making public PCAOB enforcement actions on non-compliant PRC entities, to support the PCAOB's efforts, in the words of Chair Erica Williams, "to increase transparency where we can."[38]

Recommendation 3: Provide adequate transparency and information to American investors on the risks associated with the PRC market.

The investment conditions and market situations in the PRC are both highly complex and particularly risky. For Americans looking to invest in "emerging markets," including the PRC, exposure to PRC securities almost certainly means those Americans will capitalize PLA contractors and companies aiding and abetting human rights abusers. Even when Americans invest in U.S.-domiciled companies, those corporations often have deep connections to the PRC market, which is subject to the CCP. Americans should fully understand the risks involved in their investments, and Congress can play a powerful role in helping them do so.

Specifically, Congress should:

1. Enact legislation, such as the Reveal Risky Business in China Act (H.R. 4451), requiring large U.S. public companies to disclose key risks related to the PRC and the expected effects of a sudden change in market access. Specifically, to ensure transparency for investors, annual disclosure requirements should include details regarding material ties to the CCP, supply chain, profit from the PRC, and the company's preparation for and ability to withstand the sudden loss of market access that could result from a conflict in the region—with safe harbor protections for forward-looking statements. Congress should also mandate that the Financial Stability Oversight Council submit regular reports to Congress on the aggregate quantities of all PRC-associated assets held by Americans and the risks to the U.S. financial system of a PRC scenario, as described here.

2. Enact legislation requiring any current and future use of the International Emergency Economic Powers Act, the Export Control Reform Act, the Uyghur Forced Labor Prevention Act, and the Secure and Trusted Communications Networks Act by the Executive Branch, which identifies individual companies in any material way, to publicize if such companies are publicly traded, and, if so, identify the International Securities Identification Numbers of the companies' publicly-traded securities.

3. Direct the U.S. Department of the Treasury to provide monthly reports on U.S. portfolio holdings of foreign securities on the basis of nationality and, where appropriate, by sector. At present, the Treasury Department provides only annual nationality-adjusted reports with no sectoral information.[39] Treasury could also be required to provide quarterly reports on the U.S. portfolio holdings of foreign securities with issuers from foreign adversary countries and on U.S. government blacklists.

4. Direct the Federal Reserve to stress-test U.S. banks for their ability to withstand a potential sudden loss of market access to the PRC and to produce classified reports detailing the results of those assessments and considering the impact on U.S. financial markets of potential U.S. and allied sanctions against PRC financial firms in the event of a conflict.

APPENDIX 1

List of Securities on U.S. Government Red-Flag Lists as of 2023

As of 2023, U.S. investors capitalize 63 PRC companies, via 67 different securities, that are included by the U.S. government on one of seven red-flag lists. These lists identify companies that pose national security concerns to the United States, are involved in forced labor and other human rights abuses, and/or facilitate the development of the PLA.

The list of securities identified by the Select Committee as being held by U.S. investors, including identifying information, is included below. This is not an exhaustive list of red-flag securities held by U.S. investors.

Security Name	ISIN	Stock Exchange
360 SECURITY TECHNOLOGY INC.	CNE100002RZ2	Shanghai SE
AECC AERO-ENGINE CONTROL CO., LTD.	CNE000000RM5	Shenzhen SE
AECC AVIATION POWER LTD.	CNE000000JW1	Shanghai SE
AVIC ELECTROMECHANICAL SYSTEMS CO., LTD.	CNE000001JY5	Shenzhen SE
AVIC INDUSTRY-FINANCE HOLDINGS LTD.	CNE000000KC1	Shanghai SE
AVICHINA INDUSTRY & TECHNOLOGY LTD.	CNE1000001Y8	Hong Kong SE
AVICOPTER PLC	CNE0000015V6	Shanghai SE
BGI GENOMICS LTD.	CNE100003449	Shenzhen SE
BLUESTAR ADISSEO COMPANY	CNE000001253	Shanghai SE
CAMBRICON TECHNOLOGIES CORPORATION	CNE1000041R8	Shanghai SE
CETC CYBERSPACE SECURITY TECHNOLOGY (FKA WESTONE INFORMATION INDUSTRY INC.)	CNE100000CM6	Shenzhen SE
CGN MINING COMPANY LTD.	KYG2029E1052	Hong Kong SE
CGN NEW ENERGY HOLDINGS LTD.	BMG202981087	Hong Kong SE
CGN POWER LTD.	CNE100001T80	Hong Kong SE
CHINA COMMUNICATIONS SERVICES CORP.	CNE1000002G3	Hong Kong SE
CHINA CSSC HOLDINGS LTD.	CNE000000W05	Shanghai SE
CHINA GREATWALL TECHNOLOGY GROUP	CNE000000RL7	Shenzhen SE

Security Name	ISIN	Stock Exchange
CHINA NATIONAL CHEMICAL ENGINEERING	CNE100000KC0	Shanghai SE
CHINA NATIONAL NUCLEAR POWER LTD.	CNE1000022N7	Shanghai SE
CHINA NATIONAL SOFTWARE & SERVICE	CNE000001BB0	Shanghai SE
CHINA OILFIELD SERVICES LTD. A	CNE100000759	Shanghai SE
CHINA OILFIELD SERVICES LTD. H	CNE1000002P4	Hong Kong SE
CHINA OVERSEAS GRAND OCEANS GROUP	HK0000065737	Hong Kong SE
CHINA OVERSEAS LAND INVESTMENT LTD.	HK0688002218	Hong Kong SE
CHINA OVERSEAS PROPERTY HOLDINGS	KYG2118M1096	Hong Kong SE
CHINA STATE CONSTRUCTION DEVELOPMENT	KYG8438L1014	Hong Kong SE
CHINA STATE CONSTRUCTION ENGINEERING	CNE100000F46	Shanghai SE
CHINA STATE CONSTRUCTION INTERNATIONAL	KYG216771363	Hong Kong SE
CHINA TOWER CORP LTD	CNE100003688	Stuttgart SE
CHINA UNITED NETWORK COMMUNICATION	CNE000001CS2	Shanghai SE
CHINA ZHENHUA (GROUP) SCIENCE & TECHNOLOGY	CNE000000RY0	Shenzhen SE
CHINASOFT INTERNATIONAL LTD.	KYG2110A1114	Hong Kong SE
CHONGQING CHANGAN AUTOMOBILE LTD.	CNE000000R36	Shenzhen SE
CNNC HUA YUAN TITANIUM DIOXIDE	CNE1000005X1	Shenzhen SE
COFCO SUGAR	CNE000000LH8	Shanghai SE
CRRC CORP. LTD. A	CNE100000CP9	Shanghai SE
CRRC CORP. LTD. H	CNE100000BG0	Hong Kong SE
CSSC (HONG KONG) SHIPPING LTD.	HK0000504214	Hong Kong SE
DAQO NEW ENERGY ADR REPRESENTING	US23703Q2030	New York SE
DONGFENG MOTOR GROUP LTD.	CNE100000312	Hong Kong SE
FIBERHOME TELECOMMUNICATIONS TECHNOLOGY CO., LTD.	CNE0000018P2	Shanghai SE
GREENTOWN CHINA LTD.	KYG4100M1050	Hong Kong SE
GREENTOWN MANAGEMENT HOLDINGS LTD.	KYG4102M1033	Hong Kong SE
GREENTOWN SERVICE GROUP LTD.	KYG410121084	Hong Kong SE

Security Name	ISIN	Stock Exchange
GUANGZHOU HAIGE COMMUNICATIONS GROUP	CNE100000T24	Shenzhen SE
GUIZHOU AVIATION TECHNICAL DEVELOPMENT	CNE100004PJ6	Shanghai SE
HAOHUA CHEMICAL SCIENCE & TECHNOLOGY	CNE0000016V4	Shanghai SE
HENGTONG OPTIC ELECTRIC LTD.	CNE000001FQ9	Shanghai SE
HOSHINE SILICON INDUSTRY LTD.	CNE100002V10	Shanghai SE
IFLYTEK LTD.	CNE100000B81	Shenzhen SE
INSPUR DIGITAL ENTERPRISE TECHNOLOGY LTD.	KYG4820C1309	Hong Kong SE
INSPUR ELECTRONIC INFORMATION INDUSTRY	CNE0000012M2	Shenzhen SE
KUANG-CHI TECHNOLOGIES	CNE1000018P0	Shenzhen SE
NINESTAR CORP.	CNE1000007W9	Shenzhen SE
NORTH INDUSTRIES GROUP RED ARROW	CNE000000198	Shenzhen SE
OFFSHORE OIL ENGINEERING LTD.	CNE0000019T2	Shanghai SE
SHENNAN CIRCUITS LTD.	CNE100003373	Shenzhen SE
SHENZHEN KAIFA TECHNOLOGY LTD.	CNE000000FK4	Shenzhen SE
SHENZHEN SED INDUSTRY LTD.	CNE000000BK3	Shenzhen SE
TIANMA MICROELECTRONICS LTD.	CNE000000HT1	Shenzhen SE
XINJIANG DAQO NEW ENERGY LTD.	CNE100004P24	Shanghai SE
XINJIANG ZHONGTAI CHEMICAL GROUP	CNE000001PP0	Shenzhen SE
ZHEJIANG DAHUA TECHNOLOGY LTD.	CNE100000BJ4	Shenzhen SE
ZHUZHOU CRRC TIMES ELECTRIC LTD. A	CNE100004QK2	Shanghai SE
ZHUZHOU CRRC TIMES ELECTRIC LTD. H	CNE1000004X4	Hong Kong SE
ZTE CORP. A	CNE000000TK5	Shenzhen SE
ZTE CORP. H	CNE1000004Y2	Hong Kong SE

List of Securities on 2024 Update to the 1260H List Unreviewed in the Investigation

On January 31, 2024, the U.S. Department of Defense updated its Section 1260H List.[40] In addition to deleting three entities, the Department added 15 new entities. Many of the additions are also listed on red-flag lists reviewed by the Select Committee in its investigation, but seven are not represented in the Select Committee's investigation.

To aid investors and the public, the Select Committee identified below the securities of the listed companies and their publicly traded subsidiaries, when applicable, that were not analyzed. It is unclear if U.S. investors hold all the below securities, but, as mentioned, U.S. investors did hold securities in China Three Gorges subsidiaries as of 2023.

Security Name	ISIN	Stock Exchange	Note
ADVANCED MICRO-FABRICATION EQUIPMENT INC.	CNE100003MM9	Shanghai SE	
CHINA POWER CLEAN ENERGY DEVELOPMENT CO., LTD.	HK0000350550	Hong Kong SE	Subsidiary of a listed company, China Three Gorges
CHONGQING THREE GORGES WATER CONSERVANCY & ELECTRIC POWER CO., LTD.	CNE000000SN1	Shanghai SE	Subsidiary of a listed company, China Three Gorges
CHINA YANGTZE POWER CO., LTD.	US16955G1132	London SE	Subsidiary of a listed company, China Three Gorges
HUBEI ENERGY GROUP CO., LTD.	CNE000000750	Shenzhen SE	Subsidiary of a listed company, China Three Gorges
HESAI GROUP	US4280501085	NASDAQ	
SHENZHEN CONSYS SCIENCE & TECHNOLOGY CO. LTD.	688788.SS	Shanghai SE	ISIN unavailable.

APPENDIX 2

List of Companies Removed from MSCI Indexes in February 2024

On February 12, 2024, MSCI announced the results of its quarterly index review.[41] MSCI added 24 securities to and removed 101 securities from its indexes as of March 1, 2024. Six PRC securities identified in this report—and listed below—were among those removed.

MSCI provided no explanation for its decision to add and remove securities, although it conducts quarterly reviews to rebalance its indexes based on mathematical and methodological computations regarding, for example, market capitalization and other statistical measures.[42] It is unlikely MSCI removed the below securities for any other reason, and very little prevents MSCI from adding them back to its indexes if it so chooses. Moreover, BlackRock's ability to remove or add the below securities to any of its investment products remains the same.

Security Name	ISIN	Stock Exchange
BGI GENOMICS LTD.	CNE100003449	Shenzhen SE
CETC CYBERSPACE SECURITY TECHNOLOGY	CNE100000CM6	Shenzhen SE
CHINASOFT INTERNATIONAL LTD.	KYG2110A1114	Hong Kong SE
DAQO NEW ENERGY ADR REPRESENTING	US23703Q2030	New York SE
GREENTOWN CHINA LTD.	KYG4100M1050	Hong Kong SE
NORTH INDUSTRIES GROUP RED ARROW	CNE000000198	Shenzhen SE

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