

June 10, 2026

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Re: Request for Answers Concerning the Russell US Indexes IPO Fast-Entry Rule and Related Eligibility Changes

Dear Mr. Robert and Ms. Bassett:

We write as the Trustee of the New York State Common Retirement Fund, the investment adviser, custodian, and a trustee of the five New York City public pension systems, the Comptroller of Maryland and the Illinois State Treasurer. Together, our funds manage combined assets under management exceeding \$600 billion, held for millions of working and retired public servants, teachers, firefighters, police officers, nurses, and other beneficiaries. Those beneficiaries' retirement security depends on the long-term health of the U.S. public capital markets and stability of passive investment vehicles tracking indexes with reliable, tested inclusion methodologies.

In light of those interests and our respective fiduciary duties, we respectfully request that the London Stock Exchange Group (LSEG) and FTSE Russell reconsider the implementation of the Russell US Indexes IPO fast-entry rule and related eligibility changes, given deep concerns about their potential negative impacts on investors in Russell index-tracking funds. We further request that FTSE Russell publicly disclose the analysis conducted during the consultation process to justify these changes. This includes any analysis of the total market impact of Russell's rule changes in light of a cascading series of eligibility revisions from other major index providers that seem likely to expose clients to unprecedented volatility over the pending SpaceX IPO.

As disclosed in the May 26, 2026, market consultation results, the fast-entry rule allows newly listed companies with investable market capitalizations above the Russell Top 500 breakpoint as of the previous reconstitution to be eligible to enter the Russell US Indexes after just five trading days.

Significantly, the changes approved by the FTSE Russell Index Governance Board include that IPOs with less than 5% free float or voting rights at the time of listing, due to lock-up arrangements, may nonetheless be eligible for inclusion, provided those lock-ups are expected to bring the IPO above the minimum requirements within twelve months of the inclusion date.<sup>1</sup>

### **The Risk of a Race to the Bottom**

Unfortunately, FTSE Russell is not the only index provider implementing accelerated inclusion rules for large IPOs. Nasdaq has already lowered its Nasdaq-100 standards. Because Nasdaq operates both an exchange and an index business, we are deeply concerned that those changes appear to have been made on the index side of Nasdaq's business to benefit the exchange side. Other major index providers appear to be following suit. Morningstar's CRSP indexes introduced an "alternative liquidity screen" for rapid inclusion of giant IPOs.<sup>2</sup>

Notably, S&P Dow Jones Indices reached the opposite conclusion.<sup>3</sup> After a formal consultation on whether to maintain its strict listing requirements, including shorten its seasoning period, waive its profitability requirement, and eliminate its minimum float requirement for megacap companies, S&P announced on June 4, 2026, that it would retain all three listing requirements without change, effective immediately and applicable to all new listings regardless of market capitalization. The result is that one of the largest index companies in the world has declined to fast-track the very same IPOs. In short, this decision ensures that these requirements apply immediately to all new listings regardless of market size.

We urge FTSE Russell not to treat these developments as competitive pressure requiring a matching response. When multiple index providers simultaneously lower their inclusion standards to accommodate the same handful of IPOs, the result is not better market representation, it is a race to the bottom. Each provider's decision to relax its standards makes it easier for the next provider to do the same, and the aggregate effect is that trillions of dollars in passive assets are forced to purchase securities that would not have qualified under the rules that existed six months earlier. This would expose clients of index providers and passive investors in the funds tracking those indexes to significant volatility risks.

FTSE Russell has historically differentiated itself through methodological rigor and governance independence. If FTSE Russell maintains its existing standards while competitors lower theirs, the result is not a loss of relevance, it is a demonstration that at least one major index provider remains true to the core tenet of investability, which protects investors. FTSE Russell would not be acting alone in holding the line. S&P Dow Jones Indices recently declined to relax its standards for these same listings. The competitive argument for accommodation has been tested by the largest index provider in the market and flatly rejected.

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<sup>1</sup> FTSE Russell Market Consultation Results, May 26, 2026,, avail at: [https://www.lseg.com/content/dam/ftse-russell/en\\_us/documents/consultation/ipo-fast-entry-russell-us.pdf](https://www.lseg.com/content/dam/ftse-russell/en_us/documents/consultation/ipo-fast-entry-russell-us.pdf)

<sup>2</sup> Reuters, "Morningstar considers revamping index construction ahead of SpaceX IPO," April 20, 2026, avail at: <https://www.reuters.com/legal/government/morningstar-considers-revamping-index-construction-ahead-spacex-ipo-2026-04-20/>.

<sup>3</sup> <https://www.cnbc.com/2026/06/05/spacex-blocked-from-early-us-benchmark-index-entry-as-sp-reaffirms-existing-rules.html>

As long-term clients, we value FTSE Russell's commitment to investor protection and methodological integrity, and we take seriously the integrity of the indexes we track. Consistent with our fiduciary obligations to our beneficiaries, we will continue to review our future reliance on FTSE Russell indexes.

### **The Scale of the Risk**

When SpaceX enters the Russell indexes under the fast-entry rule, every fund tracking the Russell 1000, Russell 3000, and related indexes will be forced to purchase shares within five trading days of listing, regardless of the stock's valuation, initial float, governance, or financial performance. FTSE Russell's own consultation estimated that Russell US Large passive managers would need to purchase 3.83% of the entire offering, approximately \$1.15 billion on a \$30 billion offering, within this window.<sup>4</sup> That estimate may be understated since recent reporting indicates it could be a \$75 billion offering at a \$1.75 trillion valuation.<sup>5</sup>

The five-day inclusion window is the most compressed of any major index provider, shorter than Nasdaq's 15-day fast-entry window. At five days, the Russell inclusion will occur entirely within the SEC Regulation M stabilization period, during which the IPO underwriters are permitted to artificially support the stock price through open-market purchases and short covering. As a result, index funds would be seeking to purchase at prices set during the permitted stabilization period rather than through subsequent free-market trading and price discovery, and would do so from or alongside the same institutions that underwrote the offering.

The risks do not end after the initial inclusion. A stock with an exceptionally low initial free float that becomes an index constituent would be expected to exhibit structurally higher volatility than other index members, because any meaningful buying or selling pressure is concentrated into a fraction of the shares available for comparable companies. Research has shown that stocks with lower free floats tend to experience higher price volatility, wider bid-ask spreads, and greater susceptibility to market manipulation.<sup>6</sup> For index fund investors, this means the SpaceX position may be the most volatile component of their portfolio on an ongoing basis, not only during the entry window but for as long as the stock remains in the index with a constrained float. Rebalancing events, earnings releases, lock-up expirations,<sup>7</sup> and insider selling under the staggered early-release provisions may each create outsized price swings because the available float is so small. The 5% minimum float requirement that the new rule accommodates via a forward-looking grace period flouts this ongoing volatility, which the initial 5% rule was designed to prevent.

While FTSE Russell's consultation acknowledged that SpaceX's free float and public voting rights may sit below traditional baseline requirements, the final rule structure creates carveouts for companies large enough to meet the fast entry size threshold. The practical effect is that the companies least aligned with traditional index inclusion

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<sup>4</sup> FTSE Russell Consultation, p. 8 (\$1.5T market cap, \$30B offering, ~2% float assumptions).

<sup>5</sup> Motley Fool, May 25, 2026: "The SpaceX IPO Could Raise \$75 Billion," avail at: <https://www.fool.com/investing/2026/05/25/the-spacex-ipo-could-raise-75-billion-history-says/>.

<sup>6</sup> E.g., Fortrade, May 23, 2024, "Low Float Stocks: Exploring Scarcity and Volatility" <https://www.fortrade.com/a/blog/low-float-stocks-exploring-scarcity-and-volatility/>; see also, Plus500, "Stock Float: How Available Shares Impact Trading Volatility & Liquidity," avail at: <https://us.plus500.com/en/academy/understanding-stock-float-guide~23>.

<sup>7</sup> SpaceX S-1, p. 266, May 20, 2026, SEC EDGAR CIK 0001181412, avail at: <https://www.sec.gov/Archives/edgar/data/1181412/000162828026036936/spacexplorationtechnologi.htm>

standards (lowest initial float, least shareholder voting power) receive the fastest inclusion timeline and the most accommodating eligibility treatment.

## The Conflict of Interest

LSEG operates as both a data and analytics business that benefits commercially from attracting large US listings, and as the owner of FTSE Russell, which determines when trillions of dollars in benchmarked assets must purchase newly listed securities. These roles create a structural conflict.

The consultation document acknowledged that the proposed rule was developed in response to "client feedback" regarding "the projected listing of several large IPOs in 2026 (e.g., SpaceX, OpenAI, Anthropic)." <sup>8</sup> That the consultation expressly cited specific, named companies expected to list within months raises the question of whether the rule was calibrated to anticipated listings rather than to the structural interests of index users.

We respectfully urge the FTSE Russell Index Governance Board to reconsider its methodology changes and not to place the interests of listing companies and their underwriters ahead of the interests of the passive fund assets that will bear the cost of any resulting mispricing.

## Specific Concerns about Fast-Tracking SpaceX

Based on the S-1 registration statement filed May 20, 2026, and public reporting, the following characteristics of SpaceX raise particular concerns about accelerated index inclusion<sup>9</sup>:

- **Valuation Disconnected from Fundamentals:** At the \$1.75 trillion valuation reported in press accounts, SpaceX would enter the Russell indexes at a substantial multiple of revenue and consolidated adjusted EBITDA, on the order of 90x trailing revenue and well over 200x consolidated adjusted EBITDA based on reported figures, notwithstanding a net loss of \$4.9 billion in FY2025 and \$4.3 billion in the first quarter of 2026 alone. Furthermore, based on public reporting, the pre-IPO valuation appears not to have been established through arm's-length market price discovery, but rather through company-directed tender offers and a related-party merger in which the CEO controlled both sides of the transaction.<sup>10</sup>
- **Specific Governance Deficiencies:** The S-1 registration statement confirms an aggressive dual-class share structure featuring 10 votes per Class B insider share versus one vote per Class A public share). This structure grants the company "controlled-company" status exempting it from baseline investor protections such as mandatory majority-independent board, compensation committees, or nominating committees. Additionally, the corporate charter severely restricts shareholder legal recourse, and mandates that the CEO cannot be removed from

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<sup>8</sup> FTSE Russell Consultation, p. 3.

<sup>9</sup> SpaceX S-1, May 20, 2026, SEC EDGAR CIK 0001181412.

<https://www.sec.gov/Archives/edgar/data/1181412/000162828026036936/spacexplorationtechnology.htm>

<sup>10</sup> S-1 p. F-57; CNBC, December 11, 2024: <https://www.cnbc.com/2024/12/11/spacex-valuation-surges-to-350-billion-as-company-buys-back-stock.html>; Fortune, December 13, 2025: <https://fortune.com/2025/12/13/spacex-ipo-plan-2026-secondary-offering-insider-share-sale-800-billion-valuation/>; CNBC, February 3, 2026:

<https://www.cnbc.com/2026/02/03/musk-xai-spacex-biggest-merger-ever.html>

the board or his position as CEO and Chair except by the affirmative vote of a majority of the outstanding Class B common stock. The CEO controls approximately 85% of the Class B voting and according to the S-1, the CEO is expected to hold a substantial majority (about 80%) of the total post offering voting power.

- **Highly Constrained Public Float:** A \$75 billion offering at a reported price of approximately \$140 per share, measured against an estimated pro forma share count of approximately 12.5 billion shares, represents roughly 4% of post-offering shares outstanding. This sits well below the historical 5% minimum requirement. Because FTSE Russell's own initial consultation estimated the immediate investable public float could be as low as 2%, forced passive capital will be concentrated into an exceptionally thin slice of available equity.<sup>11</sup>
- **Underwriter and Stabilization Conflicts:** All five lead bookrunners (Goldman Sachs, Morgan Stanley, BofA Securities, Citigroup, and J.P. Morgan) serve as lenders or administrative agents on a massive \$20 billion bridge loan that must be repaid from IPO proceeds within six months. These exact financial institutions will be managing stock price stabilization under SEC Regulation M during the identical five-day window in which index funds are forced to purchase shares.<sup>12</sup>

### Wider Market Concerns

The fast-entry rule, combined with the forward looking free-float and voting-rights waivers, sets a harmful precedent that extends well beyond SpaceX. While FTSE Russell's consultation explicitly named three companies (SpaceX, OpenAI, Anthropic) the technical mechanism applies broadly to any future megacap IPO meeting the size threshold. Under the new rules FTSE Russell has established that:

- A company can enter the Russell indexes within five trading days of listing, completely bypassing any independent analyst coverage, the first quarterly earnings report, or seasoned price discovery outside the initial IPO bookbuilding process;
- A company can be included with less than 5% free float, concentrating index-fund forced buying into a fraction of total outstanding shares that would have been required under the prior rules;
- A company can be included with virtually no public voting rights, stripping investors of meaningful governance voice while using their capital to support the equity; and
- The index provider can adjust its core protective thresholds at the request of listing clients, signaling that sufficiently large companies can negotiate variances from rules designed to protect the index investors.

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<sup>11</sup> FTSE Russell Consultation p. 5; S-1 pp. 247, 68

<sup>12</sup> S-1 pp. 264-268, 123

Every future mega-IPO will undoubtedly cite SpaceX precedent to demand identical treatment. These are structural changes to how \$11.6 trillion in benchmarked assets interacts with new listings. The question is whether FTSE Russell intends to anchor the market with methodological rigor or accommodate listing clients at the expense of investors.

### **Questions LSEG and FTSE Russell Need to Answer**

In light of the concerns outlined above, we respectfully ask you to address the following technical and governance questions:

- For an issuer whose multi-class structure concentrates voting power such that public voting rights cannot, as a mathematical matter, reach 5% through the expiration of lock-up arrangements alone, what is the factual basis for any determination that the issuer will satisfy the 5% voting-rights requirement within twelve months of inclusion?
- If a company is admitted to the Russell indexes under the fast-entry rule and does not satisfy the 5% free-float and voting-rights requirements within twelve-month grace period, what precise action will FTSE Russell take? Will the company be removed from the index, and if so, on what timeline and through what process? If it will not be removed, on what basis does the twelve-month condition operate as a meaningful eligibility requirement?
- Did FTSE Russell conduct a formal data-driven analysis of the impact of the fast-entry rule on investors in Russell index-tracking funds before adopting the change? Given that the consultation document states that "no IPO would have been added" under this rule in the past five years, what forward-looking modeling analysis was conducted? If such an analysis exists, we request that it be disclosed publicly.
- What specific risk analysis was conducted concerning low-float stocks regarding higher price volatility, wider bid-ask spreads, and greater susceptibility to market manipulation? Any such analysis should be disclosed publicly.
- Did FTSE Russell evaluate the specific market impact risk created by allowing a stock with approximately 2% investable float to enter the Russell indexes within five trading days of its IPO? Did it model the price impact of \$1.15+ billion in indexed buying on a float this small, especially when compounded by simultaneous fast-entry buying from the Nasdaq-100 and CRSP indexes?
- Did FTSE Russell assess whether the five-day inclusion window, which falls within the permitted Regulation M stabilization period, would result in index funds purchasing before the conclusion of that period and before subsequent unsupported price discovery? Did FTSE Russell consider requiring that inclusion occur only after the stabilization period ends?
- How did LSEG evaluate the structural tension between its competitive interest in maintaining index relevance against rival benchmarks and its responsibility as an index provider? Was the decision to adopt the fast-entry rule driven by investor protection analysis or by concern that the Russell indexes would lose tracking assets to competitors that include SpaceX sooner?

- Why did FTSE Russell propose waiving the 5% minimum free-float requirement for the very companies most likely to have the lowest floats? Why did it simultaneously propose waiving the 5% minimum voting rights requirement? These rules were specifically designed to protect index investors from the conditions this rule change creates.
- What was the substance of the consultation feedback received by the March 18, 2026, deadline? How many respondents supported vs. opposed each proposal? Were responses predominantly from asset managers or from asset owners (pension funds, endowments, etc.) who bear the actual cost of mispricing?
- Did FTSE Russell consider a longer inclusion window (e.g., 30, 60, or 90 trading days) that would allow for genuine price discovery, or maintaining the minimum float and voting-rights requirements while still offering expedited quarterly inclusion?
- Was the fast-entry rule developed in coordination with or in response to communications from SpaceX, its underwriters, or other prospective listing clients? If so, when did those communications begin?

### **Request to Pause Implementation**

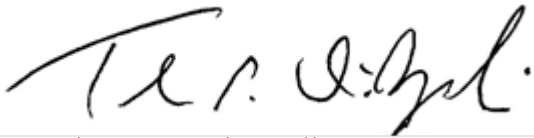
If FTSE Russell did not conduct a formal investor impact analysis that fully addresses the questions detailed above before adopting the fast-entry rule, we respectfully request that LSEG pause implementation of this rule until such an analysis is completed, reviewed by the FTSE Russell Index Governance Board with extensive input from institutional asset owners, and made available to the public. If such an analysis was conducted, we ask that it be disclosed to the public immediately.

We recognize that index methodology must evolve over time to meet shifting market realities. However, that evolution must be driven strictly by the long-term interests of the investors whose capital the index directs, rather than by the competitive dynamics between index providers seeking to accommodate the same listing clients. The reality that Nasdaq changed its rules first and lowered its baseline criteria did not obligate FTSE Russell to follow suit. Rather, it creates an invaluable opportunity to demonstrate that at least one major index provider is willing to maintain the institutional standards necessary to protect the trillions of dollars entrusted to various investment strategies.

The practical cost of pausing this implementation is modest: SpaceX would simply enter the Russell indexes at a standard, subsequent quarterly review rather than within a compressed five-day window. Conversely, the long-term cost of proceeding without adequate rigorous, data driven analysis could be borne entirely by public pension beneficiaries and working public employees for years to come.

We are available to discuss these critical concerns at your earliest convenience.

Respectfully submitted,



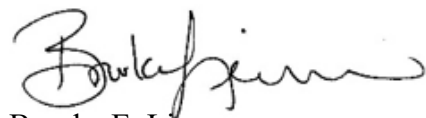
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