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## *Chinese Reverse Mergers Dropped from Russell 3000 Index.*

[Russell Investments](http://www.asensio.com/china/russell_deletions.pdf) dropped China Sky One Medical, Inc. (NASDAQ: CSKI) and other Chinese reverse mergers from its widely-followed Russell 3000 index this year.

Other Chinese companies dropped by Russell include American Oriental Bioengineering, Inc. (NYSE: AOB), China Green Agriculture, Inc. (NYSE: CGA), AgFeed Industries, Inc. (NASDAQ: FEED), American Dairy, Inc. (NYSE: ADY), and China-Biotics Inc. (NASDAQ: CHBT).

The move by Russell to delete the US-listed Chinese stocks was discussed in a [Barron's](http://www.asensio.com/china/BARRONS52210.pdf) article titled "Chinese Small-Caps Join Global Stock Swoon," and is attributed to a new Russell policy concerning "country of risk." Russell published a [paper](http://www.asensio.com/china/russell_country_risk.pdf) titled "Identifying 'Country of Risk' in the Wave of Globalization," which discusses a particular type of risk evident with US-listed Chinese reverse mergers.

The Russell paper describes companies with "blended and disconnected country profiles," where, for instance, a company is incorporated in one country, domiciled in another country, and listed in a third country. Russell concludes, "This creates tremendous complications for market practitioners who are accustomed to classifying a company in a single country."

While Russell's "country of risk" criterion does not apply only to US-listed Chinese companies, these companies seem particularly affected by Russell's resulting changes to the Russell 3000 index.

This move by Russell to remove Chinese reverse mergers from its index follows actions by the SEC and PCAOB to address potential fraud among Chinese reverse mergers, addressed in a [separate asensio.com report](http://www.asensio.com/Reports/ReportView.aspx?ReportId=1050).