



February 6, 2025

Dear Asset Manager:

State attorneys general enforce laws related to fiduciary duties and misrepresentations, and represent states in disputes with outside contractors. Many of the largest asset managers in the world appear to make misrepresentations and omit essential disclosures for funds that include Chinese investments.

We are particularly concerned about BlackRock's material misstatements and omissions, as BlackRock is the largest issuer of emerging market ETFs¹ and China ETFs.² BlackRock implies that investing in China has similar risks to investing in other countries, even though China is a statutorily-designated foreign adversary of the U.S. and has threatened to invade Taiwan. BlackRock fails to disclose when its funds rely on investments in corporate structures that could be ruled illegal at any time by the Chinese Communist Party (CCP). BlackRock euphemistically refers to Uyghur forced labor and genocide as "religious and nationalist disputes," and gives its China fund the same ESG letter grade as for its U.S. small-cap stocks fund, despite China's dismal performance on ESG. As noted below, other major³ asset managers such as State Street, Invesco, JPMorgan, Goldman Sachs, and Morgan Stanley (the "Other Asset Managers") similarly misrepresent or conceal the material risks of Chinese investments.

Misstatements or material omissions implicate state laws on securities and on unfair and deceptive acts and practices,⁴ and prevent fiduciaries from being able to fulfill their duty of care to investigate the facts underlying an investment. This means that it may be impossible for state defined benefit plans, public 457 plans, businesses offering 401(k) plans, or other fiduciaries to invest in funds with China exposure without violating their fiduciary duty. The Federal Retirement Thrift

¹ <https://etfdb.com/etfdb-category/emerging-markets-equities/>.

² <https://etfdb.com/etfdb-category/china-equities/>.

³ <https://etfdb.com/etfdb-category/emerging-markets-equities/>; <https://etfdb.com/etfdb-category/china-equities/> BlackRock's emerging markets funds have significant China holdings.

⁴ See, e.g., S.C. Code Ann. § 35-1-601 (attorney general administers state securities act); Tenn. Code Ann. § 47-18-104 (prohibiting unfair or deceptive acts and practices).

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Investment Board has moved to an index that excludes China and Hong Kong.⁵ In November 2024, 20 state financial officers issued a joint statement calling on public pension fund fiduciaries to divest from China,⁶ and Texas Governor Greg Abbott recently directed state agencies to divest from China as soon as possible.⁷ A recent report concluded that investments in China “appear to violate the components of the fiduciary duty of care.”⁸

Asset manager misstatements and omissions may result from a conflict of interest from the intense pressure China places on firms seeking access to Chinese investors. In particular, after BlackRock was the first to get permission from the CCP to sell to Chinese investors, BlackRock abruptly reversed course on prior advice and made the disastrous recommendation that worldwide investors increase their investments in China. Alternatively, misstatements and omissions may stem from an inability to investigate the facts accurately, given interference and distortion from the CCP. To that end, we have included questions to aid any potential ongoing investigations.

I. Apparent Misstatements or Material Omissions in Fund Disclosures

BlackRock and the Other Asset Managers appear to make misrepresentations and omit essential disclosures for funds that include Chinese investments. Asset managers have a responsibility under state and federal law to provide accurate disclosures related to their funds. Failure to do so can result in legal action, such as actions filed against BlackRock in the past year regarding its fund statements regarding its ESG disclosures.⁹

a. Material Omissions Regarding China’s Official Status as a Foreign Adversary of the United States

BlackRock fails to disclose that China is a statutorily-designated foreign adversary of the United States and has investment risks similar to other listed adversaries, such as Iran and Russia.

Since 2021, the United States federal government has kept a public list of “foreign adversaries,” which “have engaged in a long-term pattern or serious

⁵ <https://www.pionline.com/investing/federal-thrift-board-excludes-china-following-years-debate;> [https://www.frtib.gov/pdf/reading-room/PressRel/PR_2023-11-14_I-Fund-Benchmark-Change.pdf;](https://www.frtib.gov/pdf/reading-room/PressRel/PR_2023-11-14_I-Fund-Benchmark-Change.pdf) https://www.frtib.gov/meeting_minutes/2023/2023Nov.pdf (minutes noting divestment would reduce risk)

⁶ <https://sfof.com/wp-content/uploads/2024/11/China-Divestment-Letter11-4.pdf>

⁷ https://gov.texas.gov/uploads/files/press/China_Divestment_Letter_to_Pension_Systems-PR_%28FINAL%29.pdf

⁸ <https://statearmor.org/ccp-divestments/>

⁹ [https://www.tn.gov/content/dam/tn/attorneygeneral/documents/pr/2023/pr23-59-complaint.pdf;](https://www.tn.gov/content/dam/tn/attorneygeneral/documents/pr/2023/pr23-59-complaint.pdf) [https://www.sos.ms.gov/content/enforcementactionssearch/EnforcementActions/BlackRock%20Inc..%20et%20al..pdf;](https://www.sos.ms.gov/content/enforcementactionssearch/EnforcementActions/BlackRock%20Inc..%20et%20al..pdf) <https://events.in.gov/event/indiana-secretary-of-state-diego-morales-reports-cease-desist-order-issued-against-blackrock-for-alleged-securities-fraud-related-to-esg-investment-strategy>

instances of conduct significantly adverse to the national security of the United States or security and safety of United States persons.”¹⁰ The list includes countries such as North Korea, Iran, and Russia.¹¹ U.S. investors realistically can only invest in one country on that list—China—but restrictions have steadily increased.¹²

Yet BlackRock’s prospectuses universally fail to identify China as a foreign adversary. Instead, prospectuses simply state that “strained” relations between the U.S. and “Asia-Pacific issuers” could create adverse effects.¹³ This obfuscates the enormous differences between an Asia-Pacific investment in China (a foreign adversary) or Japan (a U.S. ally). BlackRock prospectuses imply that China’s risks are due to its status as an emerging market, China’s “alleged” cyberattacks, or possible “heightened trade tensions” or a “trade war” with the United States.¹⁴

The Other Asset Managers do not appear to disclose this information either. For example, State Street’s prospectuses for its China funds or emerging market funds do not disclose China’s status as a designated foreign adversary of the United States.¹⁵

b. Material Omissions Regarding Likelihood of China Invading Taiwan

Many BlackRock fund disclosures do not reflect China’s apparent intention to invade Taiwan, and misleadingly compare China’s relationship with Taiwan to that of neighboring countries. President Xi Jinping is preparing the Chinese military to invade Taiwan by 2027,¹⁶ and the U.S. Navy has announced it is preparing for a potential war with China by that same date.¹⁷ U.S. military officials have stated that

¹⁰ 15 C.F.R. § 791.4

¹¹ 15 C.F.R. § 791.4

¹² See <https://www.federalregister.gov/documents/2020/11/17/2020-25459/addressing-the-threat-from-securities-investments-that-finance-communist-chinese-military-companies> (restricting investments in certain Chinese military companies); <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/06/03/executive-order-on-addressing-the-threat-from-securities-investments-that-finance-certain-companies-of-the-peoples-republic-of-china/> (broadening scope of restrictions); <https://www.whitehouse.gov/briefing-room/presidential-actions/2023/08/09/executive-order-on-addressing-united-states-investments-in-certain-national-security-technologies-and-products-in-countries-of-concern/> (issuing additional restrictions related to national security technologies, including AI and semiconductors)

¹³ <https://perma.cc/MS7G-VVPL> (BlackRock China A Opportunities Fund) (p. 7-8); <https://perma.cc/H7SK-QGU8> (BlackRock Advantage Emerging Markets Fund) (p. 7); <https://perma.cc/KZ7B-23S4> (BlackRock 60/40 Target Allocation ETF V.I. Fund) (p. 22-23)

¹⁴ See, e.g., <https://perma.cc/Z4MN-3N9F> (iShares Core Emerging Markets ETF) (p. 8-9)

¹⁵ SPDR Index Shares Funds, Prospectus 2024, <https://www.ssga.com/us/en/intermediary/resources/doc-viewer#gxc&prospectus>.

¹⁶ <https://apnews.com/article/russia-ukraine-taiwan-politics-united-states-government-eaf869eb617c6c356b2708607ed15759>

¹⁷ <https://news.usni.org/2024/09/18/cno-franchettis-new-navy-navigation-plan>

a conflict could happen even sooner.¹⁸

Yet most of BlackRock's China funds fail to disclose this material risk. Some BlackRock funds instead misleadingly single out the possibility of war between North and South Korea¹⁹ as the only specific example of conflict between two Asia-Pacific countries. Even prospectuses that refer to the possibility of conflict between China and Taiwan omit China's stated *intention* to control Taiwan.²⁰ Instead, BlackRock suggests that a conflict between China and "neighboring countries" would create relatively minor economic risks such as "interest rate fluctuations."²¹

These omissions harm investors, as such an invasion likely would result in the shuttering of BlackRock's China-focused funds. After the Russian invasion, BlackRock suspended its "emerging Europe" fund—which is still suspended.²² It also liquidated its Russia ETF, and that fund's holders received pocket change for their investments.²³

Trading bans and actions also tend to induce responses from the targeted country. After Russia invaded Ukraine and index providers valued Russia's stocks at zero, Russia responded by cancelling all foreign derivatives, zeroing out all of those investments.²⁴ Yet BlackRock fails to disclose this risk of an invasion on the derivative positions in its funds with Chinese investments.

The Other Asset Managers fail to address this issue as well. For instance, a Morgan Stanley prospectus fails to disclose the possibility of an invasion, China's stated intention to take control of Taiwan, or the devastating impacts such a conflict would have on the fund.²⁵

c. Material Omissions or Misrepresentations Regarding Private Property

¹⁸ <https://taiwannews.com.tw/news/4693479>; <https://www.nbcnews.com/politics/national-security/us-air-force-general-predicts-war-china-2025-memo-rcna67967>

¹⁹ <https://perma.cc/MS7G-VVPL> (BlackRock China A Opportunities Fund) (p. 8, 15, 18); <https://perma.cc/FA6F-S9KF> (BlackRock Emerging Markets Fund – Investor A) (p. 16)

²⁰ See, e.g., <https://perma.cc/Z4MN-3NQE> (iShares Core Emerging Markets ETF) (p. 16); <https://perma.cc/9DV4-DMZW> (iShares MSCI China ETF) (p. 14); <https://perma.cc/JP3T-LVX4> (iShares ESG Aware MSCI EM ETF) (p. 15); <https://perma.cc/8JDF-4CC5> (iShares MSCI Emerging Markets ETF) (p. 14-15)

²¹ <https://perma.cc/MS7G-VVPL> (BlackRock China A Opportunities Fund) (p. 4)

²² <https://www.blackrock.com/sg/en/literature/shareholder-letters/bgf-emerging-europe-suspension-notice-11-march-sg.pdf>; [https://www.blackrock.com/hk/en/products/229566/blackrock-emerging-europe-fund-a4-eur#/#/](https://www.blackrock.com/hk/en/products/229566/blackrock-emerging-europe-fund-a4-eur#/)

²³ <https://www.ishares.com/us/literature/forms/erus-historical-premium-discount.pdf>; <https://www.blackrock.com/americas-offshore/en/products/239677/ishares-msci-russia-capped-etf>

²⁴ <https://www.etfstream.com/articles/etfs-a-year-on-from-russia-s-invasion-of-ukraine>

²⁵ Morgan Stanely, Emerging Markets Equity Portfolios, Prospectus 2024, <https://morganstanley.prospectus-express.com/getcombinedpdf/morganstll/pros?key=vreU2MoevH4kUMhe6vkjqAMFDEZZb4ufd5b75pYJA781&fid=61744J820>.

Ownership

BlackRock's disclosures misleadingly assess the trends of private property ownership and market reforms in China over a period of past decades, rather than describing recent trends. A recent BlackRock prospectus states that the "Chinese government has undertaken reform of economic and market practices and has expanded the sphere of private ownership of property in China."²⁶

Under President Xi Jinping's regime, China has: (1) introduced crackdowns on China's tech companies that led to losses of more than \$1 trillion;²⁷ (2) halted a massive IPO after the founder criticized the CCP;²⁸ (3) pushed that founder out of his controlling role;²⁹ (4) passed a "Counter-Espionage Law" allowing the national security agencies to raid private companies and seize information at any time;³⁰ (5) passed laws enhancing China's control over technology and data held by private companies;³¹ (6) forced companies to give the CCP "golden shares" granting power and influence within the companies;³² and (7) generally cracked down on any "independent concentrations of money and power outside Xi's immediate circle."³³

As a result of these actions, the share of private companies among China's 100 biggest companies has dropped 17% in just the past three years.³⁴ Yet BlackRock tells investors the sphere of private ownership in China is expanding.

The Other Asset Managers also do not disclose the crackdowns of the Chinese government on private property, and some, like BlackRock, suggest the opposite. For instance, State Street has published fund materials that state the Chinese government has "*less direct central and local government control over the business and production activities of Chinese enterprises and companies.*"³⁵ This statement appears to be false for the reasons stated above.

d. Material Omissions Regarding CCP / PAFD Involvement in Companies

BlackRock fails to mention that China also is exerting increasing control

²⁶ <https://perma.cc/9DV4-DMZW> (iShares MSCI China ETF) (p. S-4)

²⁷ <https://jamestown.org/program/political-drivers-of-chinas-private-sector-demise/>

²⁸ <https://www.wsj.com/articles/china-president-xi-jinping-halted-jack-ma-ant-ipo-11605203556>

²⁹ <https://www.cnn.com/2023/07/12/business/china-jack-ma-wealth-drop-intl-hnk/index.html>

³⁰ <https://selectcommitteeontheccp.house.gov/media/press-releases/gallagher-statement-ccp-raid-bain-mintz-and-expansion-counter-espionage-law;>

<https://privacymatters.dlapiper.com/2023/05/china-new-anti-espionage-law-and-its-impact-on-your-china-data-and-operations-how-your-organisation-should-respond/>

³¹ <https://crsreports.congress.gov/product/pdf/R/R46915>

³² <https://www.wsj.com/articles/xi-jinpings-subtle-strategy-to-control-chinas-biggest-companies-ad001a63>

³³ https://www.hoover.org/sites/default/files/research/docs/Hvr_JohnsonEssay_CPP_web.pdf

³⁴ <https://www.piie.com/research/piie-charts/2024/share-chinas-top-companies-private-sector-continued-steadily-decline-2023#>

³⁵ SPDR® Index Shares Funds, Prospectus 2024, 181 <https://www.ssga.com/us/en/individual/resources/doc-viewer#spem&prospectus> (emphasis added).

within private companies through the installation of party and militia units in private companies.³⁶ BlackRock generally refers to a risk “that Chinese authorities can intervene in [Chinese companies] operations and structure,” without disclosing that the CCP actively is doing so.³⁷

Former FBI Director Christopher Wray has stated that the CCP requires “any company of any size” to host a CCP cell.³⁸ The CCP also has overseen an “expansion of PAFD [People’s Armed Police Forces Departments] militia units into the corporate sector,” including private companies, and these units are intended to “maintain control over companies.”³⁹

None of the Other Asset Managers appear to disclose the CCP cell requirement. For example, Invesco has published fund materials that refer to risks associated with China’s “greater government control over the economy” than other “Western nations”⁴⁰ without disclosing the fact that the CCP actively is embedded in and helping control many Chinese entities.

e. Material Omissions or Misrepresentations Regarding Price-to-Earnings Ratios

BlackRock’s ETFs includes stated price-to-earnings (PE) and price-to-book (PB) ratios without disclosing that China’s active suppression of financial information makes it impossible to know a company’s true earnings or book value. For example, BlackRock’s iShares MSCI China ETF claims specific ratios,⁴¹ but omits the material fact that any claim of a PE or PB ratio for a fund with Chinese investments is necessarily false or misleading, for at least three reasons.⁴²

First, there are a lack of reliable audits. The U.S. Public Company Accounting Oversight Board’s investigations of auditing firms in China have found “unacceptable” deficiencies.⁴³ To avoid U.S. oversight, the CCP has urged Chinese firms to switch to “local Chinese or Hong Kong accountants.”⁴⁴ Because the PCAOB’s authority does not extend to Chinese companies that are not listed on U.S. markets,⁴⁵

³⁶ <https://perma.cc/MS7G-VVPL> (BlackRock China A Opportunities Fund) (p. 4, 14)

³⁷ <https://perma.cc/MS7G-VVPL> (BlackRock China A Opportunities Fund) (p. 4, 14)

³⁸ <https://www.cnn.com/2023/07/12/communist-cells-influence-companies-in-china-fbi-director.html>; <https://www.congress.gov/118/chrg/CHRG-118hhrg52977/CHRG-118hhrg52977.pdf> (p. 74)

³⁹ <https://jamestown.org/program/chinas-peoples-armed-forces-departments-developments-under-xi-jinping/>

⁴⁰ Invesco Exchange-Traded Fund Trust II, 2024 Prospectus, 7 <https://connect.rightprospectus.com/Invesco/TVT/46138E727/P?site=ETF>.

⁴¹ <https://www.ishares.com/us/products/239619/ishares-msci-china-etf>

⁴² <https://perma.cc/C9E4-HGU6>

⁴³ <https://www.wsj.com/articles/audits-of-chinese-companies-are-highly-deficient-u-s-regulator-says-2da99766>

⁴⁴ <https://www.insurancejournal.com/news/international/2023/02/23/709183.htm>

⁴⁵ See <https://pcaobus.org/oversight/international> (“PCAOB oversight extends to non-U.S. firms that audit or play a substantial role in the audit of U.S. issuers and broker-dealers.”)

funds like BlackRock’s “China A Opportunities Fund,” which contains only stocks listed on Chinese markets, are subject to even worse audit quality.⁴⁶

Second, the CCP has cracked down on efforts to publish truthful information on Chinese companies. In 2022, the Chinese government instructed JPMorgan’s research arm not to publish economic data that it labeled “politically sensitive financial information.”⁴⁷ Since then, the government has become even more aggressive, cracking down on firms trying to conduct due diligence on Chinese companies. The CCP closed one firm’s Beijing office and detained all of the local employees⁴⁸ for conducting unauthorized “statistical investigations.”⁴⁹ These actions have led other due diligence firms to leave the country.⁵⁰ The government’s active prevention of due diligence makes verifying financial information or identifying fraud nearly impossible.⁵¹

Third, the prices paid for Chinese stocks are being manipulated, as the CCP has recently prevented stock sales by mutual funds, short sellers, and insurers to artificially boost stock prices.⁵² BlackRock does not refer to any of these practices manipulating active stock prices, instead referring to China-specific “trading suspensions,” under which a specific Chinese stock suspends trading completely, typically voluntarily.⁵³

Instead of disclosing the government’s active suppression of accurate information, BlackRock implies that the quality of Chinese audits are merely not up to U.S. standards. BlackRock prospectuses generally contain a disclaimer stating that oversight for Chinese companies is less than in “more developed countries” and therefore financial information “may be less reliable or complete.”⁵⁴ This statement is misleading and omits material information, as it implies that the issue is that

⁴⁶ <https://www.blackrock.com/us/individual/literature/fact-sheet/chkix-blackrock-china-a-opportunities-fund-factsheet-us09258n2163-us-en-individual.pdf>

⁴⁷ <https://www.thaiaxaminer.com/thai-news-foreigners/2022/10/04/china-moves-to-censor-top-western-banks/>

⁴⁸ <https://harris-sliwoski.com/chinalawblog/due-diligence-in-china-just-got-a-lot-harder-now-what/>; <https://www.nytimes.com/2023/03/24/business/china-business-company-raid.html>; https://www.wsj.com/articles/chinese-authorities-question-bain-staff-in-shanghai-e0bbf2fb?mod=article_inline

⁴⁹ <https://www.cnn.com/2023/08/22/economy/china-mintz-consulting-fine-intl-hnk/index.html>

⁵⁰ <https://www.ft.com/content/df10673-f3e3-4117-8a71-cb57a9cc4ccb>

⁵¹ See, e.g., <https://www.wsj.com/articles/coffees-for-closers-how-a-short-sellers-warning-helped-take-down-luckin-coffee-11593423002>

⁵² <https://www.reuters.com/world/china/beijing-stock-exchange-tells-major-shareholders-refrain-selling-sources-2023-11-27/>; <https://www.bloomberg.com/news/articles/2024-01-23/china-is-said-to-expand-stock-selling-restrictions-to-insurers>; <https://www.pionline.com/economy/china-tightens-securities-lending-rule-support-stock-market>

⁵³ <https://perma.cc/MS7G-VVPL> (BlackRock China A Opportunities Fund) (p. 4, 14, 17); see <https://wp.lancs.ac.uk/fofi2020/files/2020/04/FoFI-2020-071-Kaiwen-Tian.pdf>

⁵⁴ See, e.g., <https://perma.cc/9DV4-DMZW> (iShares MSCI China ETF) (p. 15)

China is not “developed” enough or does not have enough “oversight” from the government, rather than admitting that the Chinese government is actively interfering with its markets and with attempts to obtain accurate financial information. BlackRock also states that Chinese markets experience “pricing anomalies resulting from governmental influence,” but fails to explain that the government’s influence results in inflated prices.⁵⁵

None of the Other Asset Managers appear to disclose the issues affecting the purported price-to-earnings ratio of funds including Chinese companies either. For instance, Goldman Sachs has published fund materials which list price-to-earnings or price-to-book ratios for Chinese investments without disclosing the issues related to manipulation of prices and earnings by the Chinese government, including intentional avoidance of PCAOB auditing, China’s crackdown on due diligence, and China restricting stock sales to keep prices higher.⁵⁶

f. Material Omissions or Misrepresentations Regarding VIE Structures

BlackRock does not disclose the percentage of its holdings that use a “shell company” structure unique to China, the serious risks related to those holdings, or the connection of those risks to worsening relations between the U.S. and its recognized foreign adversary.

The CCP disallows foreign investment in many types of companies. Many affected companies have thus adopted a Variable Interest Entity (“VIE”) structure in which a holding company is formed in another jurisdiction (usually the Cayman Islands), and that holding company contracts with a VIE in China affiliated with the actual company. However, despite the best efforts of companies, the VIE structure appears to be illegal under Chinese law, as it is a contractual attempt to allow a prohibited investment.⁵⁷ Nevertheless, over 90% of the market capitalization of China-based firms on the three major U.S. exchanges are in companies using a VIE structure.⁵⁸ Hundreds of billions of dollars are thus invested in offshore holding companies that may be illegal and have *zero* equity in the Chinese firms with which

⁵⁵ See, e.g., <https://perma.cc/9DV4-DMZW> (iShares MSCI China ETF) (p. S-4)

⁵⁶ <https://am.gs.com/en-us/individual/funds/detail/PV102391/381430206/goldman-sachs-active-beta-emerging-markets-equity-etf>; see Tencent Form F-6 <https://www.sec.gov/Archives/edgar/data/1201935/000101915521000184/tencentf6ef.htm>; see also Alibaba Annual Report 2024, <https://www.sec.gov/ix?doc=/Archives/edgar/data/1577552/000095017024063767/baba-20240331.htm>.

⁵⁷ Contract Law of the People’s Republic of China, Chapter III, Article 52, Section 3, http://www.npc.gov.cn/zgrdw/englishnpc/Law/2007-12/11/content_1383564.htm (prohibiting any “attempt to conceal illegal goals under the disguise of legitimate forms”)

⁵⁸ https://www.uscc.gov/sites/default/files/2024-01/Chinese_Companies_Listed_on_US_Stock_Exchanges_01_2024.pdf

they contract.⁵⁹

The SEC has issued several stern warnings about this issue, noting that the Chinese government “*has never approved these structures,*” could find them illegal “*at any time and without notice,*” and that this could lead to “*significant losses with little or no recourse available.*”⁶⁰

The holding companies appear to have taken the SEC’s guidance to heart. For example, Alibaba Group Holding Ltd. places information about the “Risks Related to the VIE Structure” in the *first lines* of its “Key Information” disclosures, and stresses that the “unique risks related to the VIE structure” could lead the shares in the holding company to “become worthless.”⁶¹

Disclosure is essential, because, as SEC Chair Gary Gensler has warned, “average investors may not realize that they hold stock in a shell company rather than a China-based operating company.”⁶² Many investors likely would pause when told that when they buy a supposed “Alibaba” share, they are getting a share in a Cayman Islands holding company and have no equity in Alibaba at all. Investors’ concerns would grow if they were warned that the CCP could confirm the illegality of the VIE structure at any time, including as a response to U.S. sanctions.

Yet BlackRock appears to actively conceal all of these issues. It even lists shares of Cayman Islands holding companies as shares of Chinese companies. For example, despite the clear statement above that Alibaba Group Holding Ltd is a Cayman Islands company, BlackRock lists it under “China” in fund disclosures.⁶³ These representations are incorrect and have the potential to mislead investors about key risks related to investments in these offshore holding companies.

BlackRock’s limited disclosures about holding companies and VIEs appear to be insufficient. In a China fund document, BlackRock simply states “The Fund may also invest in Chinese companies listed on U.S. exchanges, such as ... [VIEs], which are subject to the investment risks associated with the underlying Chinese issuer or operating company.”⁶⁴ This appears to be misleading, as it fails to note that this structure creates risks of owning shares in the *holding company* that are unique and far greater than the risks of holding equity in the actual *operating company*. A holding company could completely collapse (or have its contracts invalidated) while

⁵⁹ [https://www.uscc.gov/sites/default/files/2024-01/Chinese Companies Listed on US Stock Exchanges 01 2024.pdf](https://www.uscc.gov/sites/default/files/2024-01/Chinese%20Companies%20Listed%20on%20US%20Stock%20Exchanges%2001%202024.pdf)

⁶⁰ <https://www.investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-bulletins/investor-bulletin-us-listed-companies-operating-chinese-businesses-through-vie-structure>

⁶¹ <https://www.sec.gov/ix?doc=/Archives/edgar/data/0001577552/000095017024063767/baba-20240331.htm>

⁶² <https://www.sec.gov/newsroom/speeches-statements/gensler-2021-07-30>

⁶³ See, e.g., <https://perma.cc/C9E4-HGU6> (Annual Financial Statement, p. 15)

⁶⁴ <https://perma.cc/MS7G-VVPL> (BlackRock China A Opportunities Fund) (p. 15)

the operating company continues. BlackRock also misleadingly states that its holdings “represent equity ownership in a company,”⁶⁵ even though shares of companies like “Alibaba Holdings Group Ltd” do not represent equity ownership in Alibaba at all.

Funds from some of the Other Asset Managers have similar disclosure deficiencies. For example, even though Goldman Sachs’ Emerging Markets Equity ETF holds shares in shell companies that utilize VIE structures, like Tencent Holdings Ltd and Alibaba Group Holding Ltd,⁶⁶ Goldman Sachs’ ETF Trust Prospectus fails to disclose any risks related to VIE structures,⁶⁷ including the fact that China currently does not recognize these contracts as enforceable and that these contracts are likely illegal under Chinese law.⁶⁸

Many asset managers, including JPMorgan, also have published fund materials that list investments in Cayman Islands holding companies as investments in China.⁶⁹

g. Material Omissions or Misrepresentations Labeling Funds with Chinese Investments As “ESG Aware”

BlackRock offers an “ESG Aware” emerging markets fund, despite the fact that 20% of the fund consists of Chinese investments, which conflicts with the fund’s stated ESG representations.⁷⁰ Shockingly, this fund has an “AA” ESG fund rating, exceeding BlackRock’s rating of its U.S. S&P 500 fund.⁷¹ As further evidence of the absurdity of BlackRock’s ESG ratings for its China funds, BlackRock publishes the same ESG letter grade for its all-China fund

⁶⁵ <https://perma.cc/MS7G-VVPL> (BlackRock China A Opportunities Fund) (p. 21)

⁶⁶ <https://am.gs.com/en-us/individual/funds/detail/PV102391/381430206/goldman-sachs-active-beta-emerging-markets-equity-etf>.

⁶⁷ Goldman Sachs ETF Trust, 2023 Prospectus <https://am.gs.com/en-us/individual/funds/detail/PV102391/381430206/goldman-sachs-active-beta-emerging-markets-equity-etf>.

⁶⁸ Contract Law of the People’s Republic of China, Chapter III, Article 52, Section 3, http://www.npc.gov.cn/zgrdw/englishnpc/Law/2007-12/11/content_1383564.htm.

⁶⁹ See Tencent Form F-6 <https://www.sec.gov/Archives/edgar/data/1201935/000101915521000184/tencentf6ef.htm>; see also Alibaba Annual Report 2024, <https://www.sec.gov/ix?doc=/Archives/edgar/data/1577552/000095017024063767/baba-20240331.htm>; see also https://www.sec.gov/Archives/edgar/data/1474274/000119380521000447/e620443_f6ef-shenzhou.htm; see also JPMorgan ActiveBuilders Emerging Markets Equity ETF, Quarter 3 Holdings, <https://am.jpmorgan.com/JPMorgan/TVT/46641Q266/QH3?site=JPMorganv3>.

⁷⁰ <https://www.ishares.com/us/products/283777/ishares-esg-aware-msci-em-etf>

⁷¹ <https://www.ishares.com/us/products/283777/ishares-esg-aware-msci-em-etf>; <https://www.blackrock.com/us/individual/literature/fact-sheet/ivv-ishares-core-s-p-500-etf-fund-fact-sheet-en-us.pdf>

as for its U.S. small-cap stocks fund.⁷²

Characterizing a fund with Chinese investments as “ESG Aware” is misleading for all three letters in the acronym:

- **Environmental:** China emits more CO2 emissions than the United States, Europe, and Japan combined,⁷³ and its increased CO2 emissions last year single-handedly outweighed the net decrease from the rest of the world.⁷⁴
- **Social:** China’s brutal oppression of Uyghurs led to Congress passing the Uyghur Forced Labor Prevention Act with near-unanimous support.⁷⁵ Yet what the White House has called “genocide,” BlackRock euphemistically calls “religious and nationalist disputes in Tibet and Xinjiang.”⁷⁶
- **Governance:** China views its companies as existing to serve the state, including by requiring CCP cells.⁷⁷

Having an “ESG Aware” fund that supports China and the CCP is misleading, given that China flagrantly violates ESG principles, and Chinese companies are increasingly bound to the CCP and the Chinese military.

Funds from the Other Asset Managers have similar issues. For example, Invesco offers an “MSCI Emerging Markets ESG Climate Paris Aligned” ETF, even though over 20% of the ETF’s holdings are based in China.⁷⁸ JPMorgan ETF prospectuses, including those for funds with investments in China, state that JPMorgan “seeks to assess the impact of environmental, social and governance (ESG) factors on many issuers in the universe in which the Fund may invest.”⁷⁹ This suggests to investors that ESG factors are being considered in the construction of these funds, even though

⁷² <https://www.blackrock.com/us/individual/products/239619/ishares-msci-china-etf>; <https://www.blackrock.com/ca/investors/en/products/309732/ishares-s-p-u-s-small-cap-index-etf-fund>

⁷³ Max Bearak & Nadja Popovich, *The World Is Falling Short of Its Climate Goals. Four Big Emitters Show Why*, N.Y. Times (Nov. 8, 2022).

⁷⁴ Seth Borenstein, *World Carbon Dioxide Emissions Increase Again, Driven by China, India, and Aviation*, Associated Press (Dec. 4, 2023) (noting that the world’s CO2 emissions went up by about 400 million tons last year, and that China contributed an increase of about 450 million tons).

⁷⁵ <https://www.congress.gov/bill/117th-congress/house-bill/6256>

⁷⁶ See, e.g., <https://perma.cc/9DV4-DMZW> (iShares MSCI China ETF) (p. 14). Cf. <https://www.whitehouse.gov/briefing-room/statements-releases/2021/12/14/statement-by-press-secretary-jen-psaki-on-the-uyghur-forced-labor-prevention-act/> (China must be held “accountable for genocide and human rights abuses,” and forced labor in Xinjiang)

⁷⁷ <https://www.cnbc.com/2021/08/19/lobbying-china-firms-cant-influence-government-like-us-companies-do.html>; https://www.uscc.gov/sites/default/files/2021-11/Chapter_2_Section_3--Chinese_Governments_Evolving_Control_of_the_Nonstate_Sector.pdf; <https://www.cna.org/our-media/indepth/2024/09/fused-together-the-chinese-communist-party-moves-inside-chinas-private-sector>

⁷⁸ <https://www.invesco.com/uk/en/financial-products/etfs/invesco-msci-emerging-markets-esg-climate-paris-aligned-ucits-etf-acc.html>

⁷⁹ JPMorgan Exchange Traded Funds, 2024 Prospectus, 2, 9, 16, 21, 25, 31, 38, 39, 40-43, <https://am.jpmorgan.com/JPMorgan/TVT/46641Q266/P?site=JPMorganv3>.

China has dismal ESG practices.

II. Apparent Conflicts with the Fiduciary Duty of Loyalty

Asset managers have a duty of loyalty to their clients. But involvement with Chinese investments may conflict with that duty, given the CCP's interference with its markets and companies. An asset manager may not act with "mixed motives" and pursue objectives other than the financial benefits of its clients.⁸⁰ Generally speaking, the duty of loyalty requires an adviser to "eliminate or make full and fair disclosure of all conflicts of interest which might incline [the adviser]—consciously or unconsciously—to render advice which is not disinterested such that a client can provide informed consent to the conflict."⁸¹

BlackRock provides a sobering example of these apparent conflicts, as there is substantial evidence that BlackRock may have a mixed motive to curry favor with the CCP.

a. Evidence of Potential Mixed Motives

Shortly after BlackRock became the first firm to obtain a coveted permission from the CCP, it began to aggressively push Chinese investments to the world, despite the fact that the U.S. had designated China as a foreign adversary only months before. BlackRock's recommendations have caused losses for investors and may have breached BlackRock's fiduciary duty of loyalty.

In March 2021, the U.S. officially designated China as a foreign adversary.⁸² In June 2021, BlackRock announced it had obtained permission to become the first firm to have a wholly-owned onshore mutual fund business in China.⁸³ Shortly thereafter, BlackRock conducted a "mid-year review" of its recommendations and announced that investors should more than double the percentage of their investments in China.⁸⁴ The timing of BlackRock's sudden change of heart was troubling. Even George Soros noted at the time that BlackRock's move was "likely to lose money for BlackRock's clients," who would be in for a "rude awakening."⁸⁵

Soros's prediction proved to be correct: investors who followed BlackRock's

⁸⁰ Max M. Schanzenbach & Robert H. Sitkoff, *Reconciling Fiduciary Duty and Social Conscience: The Law and Economics of ESG Investing by a Trustee*, 72 Stan. L. Rev. 381, 401 (Feb. 2020) (internal marks and footnote omitted).

⁸¹ Commission Interpretation Regarding Standard of Conduct for Investment Advisers, 84 Fed. Reg. 33,669, 33,671 (2019)

⁸² 15 C.F.R. § 7.4

⁸³ <https://www.reuters.com/business/finance/blackrock-wins-chinese-regulatory-approval-onshore-mutual-fund-business-2021-06-11/>

⁸⁴ <https://www.ft.com/content/f876fb63-1823-4f4b-a28f-faa7797aa49c>

⁸⁵ <https://www.wsj.com/articles/blackrock-larry-fink-china-hkex-sse-authoritarianism-xi-jinping-term-limits-human-rights-ant-didi-global-national-security-11630938728>;
<https://www.ft.com/content/ecf7de34-e595-4814-9cbd-4a5119187330>

revised advice have suffered significant losses. BlackRock's China ETF is *down about 30%* since 2021,⁸⁶ but its ETF that adhered to the MSCI's recommended allocation of Chinese equities is *up about 25%* during the same timeframe.⁸⁷ The primary difference is Chinese equities, which have lost substantial value over the past several years.⁸⁸

b. Continuing pressure to embrace mixed motives

As noted above, former FBI Director Wray has stated that China requires companies of any size in China to have a CCP cell.⁸⁹ This aligns with two Hong Kong experts who noted that new Chinese securities rules would require managers like BlackRock to host CCP cells in their Chinese operations.⁹⁰ BlackRock has a mutual fund, a joint venture, and several locations in mainland China.⁹¹ Based on these reports, BlackRock likely has a CCP cell, and it is possible that the cell is distorting BlackRock's disclosures and advice. It is essential that BlackRock clearly states the level of influence that the CCP has within BlackRock's operations.

The CCP's power and BlackRock's ongoing commitment to China create a powerful incentive for BlackRock to stay quiet about the serious issues with Chinese investments. Unfortunately, to the extent the Other Asset Managers are involved in China, they likely face similar mandates and pressures, creating conflicts with their fiduciary duty of loyalty.⁹²

III. Duty of Care for Fiduciaries Purchasing These Funds

Misleading disclosures from asset managers call into question whether public or private fiduciaries can invest in these funds in light of their fiduciary duty of care.

Fiduciaries managing investment decisions have a duty to take reasonable steps to investigate an investment before choosing it. For example, under ERISA, fiduciaries must independently investigate the merits of investments, using appropriate methods. *Bunch v. W.R. Grace & Co.*, 555 F.3d 1, 10 n.9 (1st Cir. 2009).

⁸⁶ <https://www.blackrock.com/us/individual/products/239619/ishares-msci-china-etf>

⁸⁷ <https://www.ishares.com/us/products/239600/ishares-msci-acwi-etf>

⁸⁸ Compare <https://www.ishares.com/us/products/288504/ishares-msci-emerging-markets-ex-china-etf> (MSCI emerging markets index fund excluding Chinese investments, value increased since July 2021) with <https://www.ishares.com/us/products/239637/ishares-msci-emerging-markets-etf> (MSCI emerging markets index fund including Chinese investments, value decreased about 10% since July 2021); see also <https://finance.yahoo.com/quote/399107.SZ/> (Shenzen A-share index, dropping by about 20% since July 2021)

⁸⁹ <https://www.cnn.com/2023/07/12/communist-cells-influence-companies-in-china-fbi-director.html>; <https://www.congress.gov/118/chrg/CHRG-118hrg52977/CHRG-118hrg52977.pdf> (p. 74)

⁹⁰ <https://www.wsj.com/articles/communist-cells-in-western-firms-business-investment-returns-xi-jinping-11657552354>

⁹¹ <https://www.blackrock.com/corporate/about-us/contacts-locations#asia-pacific>

⁹² See, e.g., https://www.assetserVICINGtimes.com/assetservicesnews/industryarticle.php?article_id=13698 (article about State Street onshore China fund)

ERISA generally applies to 401(k) providers. In addition, though state pension funds or 457 plans are not subject to ERISA, state fiduciary duties frequently are based on the same principles ERISA is based on: the common law of trusts.⁹³

As discussed above, misstatements and omissions by BlackRock and the Other Asset Managers include topics such as (1) China’s status as a designated foreign adversary of the U.S.; (2) the risk of an invasion of Taiwan; (3) China’s increasing restrictions on private property ownership; (4) China’s requirement for companies to host CCP and militia cells; (5) China pushing companies away from U.S. audit oversight and cracking down on due diligence firms; (6) the VIE-holding company structures used to evade Chinese law; (7) ESG-related misrepresentations; and (8) conflicts of interest. These misleading or omitted disclosures, combined with the underlying activity of the CCP to interfere with and obfuscate its markets, appear to make it extraordinarily difficult, if not impossible, for states, 457 or 401(k) providers, or other fiduciaries to fulfill their duty of investigation when they purchase funds issued by BlackRock or the Other Asset Managers with exposure to Chinese investments. As one recent report put it, investments in China “appear to violate the components of the fiduciary duty of care.”⁹⁴

Notably, the risks related to Chinese investments have already caused the Federal Thrift Savings Plan to divest from China,⁹⁵ led to 20 state financial officers recently issuing a joint statement calling on public pension fund fiduciaries to divest from China,⁹⁶ and caused Texas Governor Greg Abbott to direct state agencies to divest from China as soon as possible.⁹⁷ As Governor Abbott put it, “As Chinese aggression against the United States and its allies seems likely to continue, the financial risk associated with holding investments in China will also rise.”⁹⁸

IV. Questions for Asset Managers

Additional information is needed. Please provide responses to the questions below by March 10, 2025.

- 1) If your prospectuses for any China funds or emerging market funds do not disclose any of the following, explain in detail why your prospectuses do not do so:

⁹³ See *Central States, Southeast & Southwest Areas Pension Fund v. Central Transport, Inc.*, 472 U.S. 559, 570 (1985) (“ERISA’s fiduciary duty is ‘derived from the common law of trusts’ (cleaned up)); see, e.g., *White v. Pub. Emps. Ret. Bd.*, 268 P.3d 600, 606 (Or. 2011) (interpreting state pension fiduciary duties according to common law of trusts).

⁹⁴ <https://statearmor.org/ccp-divestments/>

⁹⁵ <https://www.pionline.com/investing/federal-thrift-board-excludes-china-following-years-debate>

⁹⁶ <https://sfof.com/wp-content/uploads/2024/11/China-Divestment-Letter11-4.pdf>

⁹⁷ https://gov.texas.gov/uploads/files/press/China_Divestment_Letter_to_Pension_Systems-PR_%28FINAL%29.pdf

⁹⁸ https://gov.texas.gov/uploads/files/press/China_Divestment_Letter_to_Pension_Systems-PR_%28FINAL%29.pdf

- a. China’s status as a designated foreign adversary of the United States.⁹⁹
- b. Risks related to a Chinese invasion of Taiwan,¹⁰⁰ including the risk of a catastrophic drop in value and trading restrictions with respect to fund positions in derivatives.¹⁰¹
- c. China’s stated intention to take control of Taiwan.¹⁰²
- d. China’s genocide of Uyghurs.¹⁰³
- e. Risk of increased tariffs or investment restrictions on China.¹⁰⁴
- f. The CCP’s crackdowns on private property.¹⁰⁵
- g. The installation of CCP cells and PAFD units in Chinese companies.¹⁰⁶
- h. The uncertainties related to price-to-earnings or price-to-book ratios for Chinese investments, stemming from issues such as the manipulation of prices and earnings by the Chinese government, lack of auditing, China’s crackdown on due diligence, and China stopping stock sales to keep prices higher.¹⁰⁷
- i. The fact that investments in some companies purportedly based in China are in fact investments in Cayman Islands holding companies.¹⁰⁸
- j. The risks related to Variable Interest Entities (VIEs), such as those identified by the SEC and by holding companies.¹⁰⁹

2) Questions for Individual Asset Managers

- a. **BlackRock:** Why do you refer to “religious and nationalist disputes in Tibet and Xinjiang,”¹¹⁰ when the United States government has recognized

⁹⁹ See, e.g., <https://perma.cc/Z4MN-3NQF> (iShares Core Emerging Markets ETF); <https://perma.cc/MS7G-VVPL> (BlackRock China A Opportunities Fund)

¹⁰⁰ See, e.g., <https://perma.cc/MS7G-VVPL> (BlackRock China A Opportunities Fund) (p. 8, 15, 18); <https://perma.cc/FA6F-S9KF> (BlackRock Emerging Markets Fund – Investor A) (p. 16)

¹⁰¹ See, e.g., <https://perma.cc/MS7G-VVPL> (BlackRock China A Opportunities Fund) (p. 8, 15, 18); <https://perma.cc/FA6F-S9KF> (BlackRock Emerging Markets Fund – Investor A) (p. 16); <https://perma.cc/Z4MN-3NQF> (iShares Core Emerging Markets ETF) (p. 16); <https://perma.cc/9DV4-DMZW> (iShares MSCI China ETF) (p. 14); <https://perma.cc/JP3T-LVX4> (iShares ESG Aware MSCI EM ETF) (p. 15); <https://perma.cc/8JDF-4CC5> (iShares MSCI Emerging Markets ETF) (p. 14-15)

¹⁰² See, e.g., <https://perma.cc/Z4MN-3NQF> (iShares Core Emerging Markets ETF) (p. 16); <https://perma.cc/9DV4-DMZW> (iShares MSCI China ETF) (p. 14); <https://perma.cc/JP3T-LVX4> (iShares ESG Aware MSCI EM ETF) (p. 15); <https://perma.cc/8JDF-4CC5> (iShares MSCI Emerging Markets ETF) (p. 14-15)

¹⁰³ See, e.g., <https://perma.cc/9DV4-DMZW> (iShares MSCI China ETF) (p. 14). Cf. <https://www.whitehouse.gov/briefing-room/statements-releases/2021/12/14/statement-by-press-secretary-jen-psaki-on-the-uyghur-forced-labor-prevention-act/> (China must be held “accountable for genocide and human rights abuses,” and forced labor in Xinjiang)

¹⁰⁴ <https://perma.cc/MS7G-VVPL> (BlackRock China A Opportunities Fund) (p. 7-8); <https://perma.cc/H7SK-QGU8> (BlackRock Advantage Emerging Markets Fund) (p. 7); <https://perma.cc/KZ7B-23S4> (BlackRock 60/40 Target Allocation ETF V.I. Fund) (p. 22-23)

¹⁰⁵ See, e.g., <https://perma.cc/9DV4-DMZW> (iShares MSCI China ETF) (p. S-4)

¹⁰⁶ See, e.g., <https://perma.cc/MS7G-VVPL> (BlackRock China A Opportunities Fund) (p. 4, 14)

¹⁰⁷ See, e.g., <https://www.ishares.com/us/products/239619/ishares-msci-china-etf>

¹⁰⁸ See, e.g., <https://perma.cc/C9E4-HGU6> (Annual Financial Statement, p. 15)

¹⁰⁹ <https://perma.cc/9DV4-DMZW> (iShares MSCI China ETF); <https://perma.cc/MS7G-VVPL> (BlackRock China A Opportunities Fund) (p. 15)

¹¹⁰ <https://perma.cc/9DV4-DMZW> (BlackRock iShares MSCI China ETF 2023 Prospectus) (p. 14)

- that China is engaged in ongoing “genocide and human rights abuses” in Xinjiang, not just “disputes”?¹¹¹
- b. **BlackRock:** Why do you refer to “disagreements related to integration with Hong Kong,”¹¹² when the United States government has recognized that China is acting “to fundamentally undermine Hong Kong’s autonomy”?¹¹³
 - c. **BlackRock:** Why do you state that the “Chinese government has undertaken reform of economic and market practices and has expanded the sphere of private ownership of property in China,”¹¹⁴ when in fact the CCP has (1) introduced crackdowns on China’s tech companies that led to losses of more than \$1 trillion;¹¹⁵ (2) halted a massive IPO after the founder criticized the CCP;¹¹⁶ (3) pushed that founder out of his controlling role;¹¹⁷ (4) passed a “Counter-Espionage Law” allowing the national security agencies to raid private companies and seize information at any time;¹¹⁸ (5) passed laws enhancing China’s control over technology and data held by private companies;¹¹⁹ (6) forced companies to give the CCP “golden shares” granting power and influence within the companies;¹²⁰ and (7) generally cracked down on any “independent concentrations of money and power outside Xi’s immediate circle”;¹²¹ all of which contracted the sphere of private property ownership in China?
 - d. **State Street:** Why do you state that “the Chinese government has been, and is expected to continue, reforming its economic policies, which has resulted in *less direct central and local government control* over the business and production activities of Chinese enterprises and companies,”¹²² when in fact the CCP has (1) introduced crackdowns on China’s tech companies that led to losses of more than \$1 trillion;¹²³ (2) halted a massive IPO after the founder criticized the CCP;¹²⁴ (3) pushed that founder out of his

¹¹¹ <https://www.whitehouse.gov/briefing-room/statements-releases/2021/12/14/statement-by-press-secretary-jen-psaki-on-the-uyghur-forced-labor-prevention-act/>

¹¹² <https://perma.cc/9DV4-DMZW> (BlackRock iShares MSCI China ETF 2023 Prospectus) (p. 14)

¹¹³ <https://www.whitehouse.gov/briefing-room/presidential-actions/2024/07/10/notice-on-the-continuation-of-the-national-emergency-with-respect-to-hong-kong-4/>

¹¹⁴ <https://perma.cc/9DV4-DMZW> (BlackRock iShares MSCI China ETF 2023 Prospectus) (p. S-4)

¹¹⁵ <https://jamestown.org/program/political-drivers-of-chinas-private-sector-demise/>

¹¹⁶ <https://www.wsj.com/articles/china-president-xi-jinping-halted-jack-ma-ant-ipo-11605203556>

¹¹⁷ <https://www.cnn.com/2023/07/12/business/china-jack-ma-wealth-drop-intl-hnk/index.html>

¹¹⁸ <https://selectcommitteeontheccp.house.gov/media/press-releases/gallagher-statement-ccp-raid-bain-mintz-and-expansion-counter-espionage-law;>

<https://privacymatters.dlapiper.com/2023/05/china-new-anti-espionage-law-and-its-impact-on-your-china-data-and-operations-how-your-organisation-should-respond/>

¹¹⁹ <https://crsreports.congress.gov/product/pdf/R/R46915>

¹²⁰ <https://www.wsj.com/articles/xi-jinpings-subtle-strategy-to-control-chinas-biggest-companies-ad001a63>

¹²¹ https://www.hoover.org/sites/default/files/research/docs/Hvr_JohnsonEssay_CPP_web.pdf

¹²² SPDR® Index Shares Funds, Prospectus 2024, 181

<https://www.ssga.com/us/en/individual/resources/doc-viewer#spem&prospectus> (emphasis added).

¹²³ <https://jamestown.org/program/political-drivers-of-chinas-private-sector-demise/>

¹²⁴ <https://www.wsj.com/articles/china-president-xi-jinping-halted-jack-ma-ant-ipo-11605203556>

- controlling role;¹²⁵ (4) passed a “Counter-Espionage Law” allowing the national security agencies to raid private companies and seize information at any time;¹²⁶ (5) passed laws enhancing China’s control over technology and data held by private companies;¹²⁷ (6) forced companies to give the CCP “golden shares” granting power and influence within the companies;¹²⁸ and (7) generally cracked down on any “independent concentrations of money and power outside Xi’s immediate circle”;¹²⁹ all of which contracted the sphere of private property ownership in China?
- e. **Invesco:** Why do you title a fund as an “MSCI Emerging Markets *ESG Climate Paris Aligned*” ETF,¹³⁰ even though over 20% of the ETF’s holdings are based in China, and China produces more emissions than any other country, directly counter to the Paris Agreement?
 - f. **JPMorgan:** Why do you state, for funds that contain investment in Chinese companies, that JPMorgan “seeks to assess the impact of environmental, social and governance (ESG) factors on many issuers in the universe in which the Fund may invest,”¹³¹ even though China has performed dismally on ESG metrics?
 - g. **Goldman Sachs:** Why, for a fund that includes a VIE holding as one of its top three holdings,¹³² do you list a number of risks related to foreign investments but do not list risks related to VIEs,¹³³ such as the fact that China currently does not recognize these contracts as enforceable and that these contracts are likely illegal under Chinese law?¹³⁴
 - h. **Morgan Stanley:** Why, for a fund that includes Chinese holdings,¹³⁵ does your prospectus disclose other risks related to China (such as risks of the

¹²⁵ <https://www.cnn.com/2023/07/12/business/china-jack-ma-wealth-drop-intl-hnk/index.html>

¹²⁶ <https://selectcommitteeontheccp.house.gov/media/press-releases/gallagher-statement-ccp-raid-bain-mintz-and-expansion-counter-espionage-law>;
<https://privacymatters.dlapiper.com/2023/05/china-new-anti-espionage-law-and-its-impact-on-your-china-data-and-operations-how-your-organisation-should-respond/>

¹²⁷ <https://crsreports.congress.gov/product/pdf/R/R46915>

¹²⁸ <https://www.wsj.com/articles/xi-jinpings-subtle-strategy-to-control-chinas-biggest-companies-ad001a63>

¹²⁹ https://www.hoover.org/sites/default/files/research/docs/Hvr_JohnsonEssay_CPP_web.pdf

¹³⁰ <https://www.invesco.com/uk/en/financial-products/etfs/invesco-msci-emerging-markets-esg-climate-paris-aligned-ucits-etf-acc.html> (emphasis added)

¹³¹ JPMorgan Exchange Traded Funds, 2024 Prospectus, 2, 9, 16, 21, 25, 31, 38, 39, 40-43, <https://am.jpmorgan.com/JPMorgan/TVT/46641Q266/P?site=JPMorganv3>.

¹³² Goldman Sachs ActiveBeta Emerging Markets Equity ETF, Top 10 Holdings, <https://am.gs.com/en-us/individual/funds/detail/PV102391/381430206/goldman-sachs-active-beta-emerging-markets-equity-etf>

¹³³ Goldman Sachs ETF Trust, 2023 Prospectus <https://am.gs.com/en-us/individual/funds/detail/PV102391/381430206/goldman-sachs-active-beta-emerging-markets-equity-etf>.

¹³⁴ Contract Law of the People’s Republic of China, Chapter III, Article 52, Section 3, http://www.npc.gov.cn/zgrdw/englishnpc/Law/2007-12/11/content_1383564.htm.

¹³⁵ <https://www.morganstanley.com/im/en-us/individual-investor/product-and-performance/mutual-funds/emerging-market-equity/emerging-markets-portfolio.html>

- VIE structure and risks related to Hong Kong), but does not even mention Taiwan, let alone risks related to China's stated intention to seize Taiwan by force if necessary?¹³⁶
- i. **BlackRock and Asset Managers:** Explain in detail why you characterize investments in Cayman Islands holding companies as investments in China.
- 3) For any funds with "ESG" in the title that contain Chinese investments, or any funds with Chinese investments that discuss ESG considerations in their prospectus, explain in detail how each Chinese investment aligns with the concepts of ESG.¹³⁷
 - 4) How many members of the CCP exist in your operations? For purposes of this question and the questions below, "your operations" includes any parent, subsidiary, or affiliate.
 - 5) Explain in detail the authority of CCP cells in your operations, and explain in detail why you do not disclose the existence of CCP cells in your operations.
 - 6) Are there any PAFD militia units in your operations? If so, how many?
 - 7) Explain in detail the authority of the PAFD militia units in your operations, and explain in detail why you do not disclose the existence of PAFD units in your operations.

Please send your responses to the Montana Office of Consumer Protection at contactocp@mt.gov by March 10, 2025.

Sincerely,



Austin Knudsen
ATTORNEY GENERAL TO MONTANA

¹³⁶

<https://morganstanley.prospectus-express.com/summary.asp?clientid=morganstll&fundid=61744J820%20&doctype=pros>

¹³⁷ See, e.g., <https://www.ishares.com/us/products/283777/ishares-esg-aware-msci-em-etf>



Steve Marshall
ATTORNEY GENERAL OF ALABAMA



Raúl Labrador
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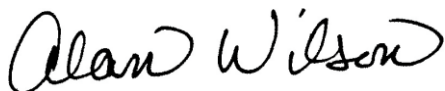
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