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# FTSE Equity Country Classification September 2022 Annual Announcement

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## 1. Classification of Markets

A formal annual review of country classification within the FTSE global equity indices is conducted every September using a comprehensive, transparent and consistent methodology. This annual review incorporates ongoing equity country classification research and classifies markets as Developed, Advanced Emerging, Secondary Emerging or Frontier within the FTSE global equity indices.

Please refer to the [FTSE Equity Country Classification Process](#) document for further details.

## 2. FTSE Watch List

To ensure that investors have visibility of the potential movement of markets between classifications, a Watch List of markets being considered for reclassification is maintained.

The following markets were members of the Watch List following the March 2022 Interim Equity Country Classification Review:

- **Mongolia:** possible reclassification from Unclassified to Frontier.
- **Vietnam:** possible reclassification from Frontier to Secondary Emerging.

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## 3. Progress of Watch List Markets since March 2022

### Frontier Watch List

#### **Mongolia – Reclassification from Unclassified to Frontier market status**

FTSE Russell is pleased to announce that Mongolia meets all of the FTSE Quality of Markets criteria for a Frontier market classification and will be assigned Frontier market status within the FTSE Equity Country Classification scheme, effective from September 2023.

### Secondary Emerging Watch List

#### **Vietnam**

Vietnam was added to the Watch List in September 2018 for possible reclassification to Secondary Emerging market status. Progress has been slower than anticipated, in part due to Covid-19. Vietnam has yet to meet the 'Settlement Cycle (DvP)' criterion, which is currently rated as 'Restricted' due to the market practice of conducting a pre-trading check to ensure the availability of funds prior to trade execution. Since, by default, the market does not experience failed trades, the 'Settlement – costs associated with failed trades' criterion is unrated.

Additionally, improvements to the process for the registration of new accounts are required, as is the introduction of an efficient mechanism to facilitate trading between non-domestic investors in securities that have reached, or are approaching, their foreign ownership limit.

FTSE Russell continues to maintain a constructive relationship with the State Securities Commission (SSC), the World Bank Group and Ernst & Young who are supporting the wider market reform programme, and other key market authorities. The work with market participants to determine and agree the practical market process has progressed, although the finalisation of the required roles and responsibilities that are aligned to the new legislation remains a critical next step. Clear guidance on the likely timeframe would also be viewed favourably by international market participants.

**Vietnam will remain on the Watch List as a Frontier market** and reviewed for possible reclassification as a Secondary Emerging market within the FTSE Equity Country Classification scheme at the Interim Review in March 2023.

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## 4. New Additions to the Watch List

### Nigeria (Frontier market status)

**Nigeria will be added to the Watch List for potential demotion from Frontier to Unclassified market status.** Market participants and index users have reported significant ongoing delays to their ability to repatriate capital from Nigeria since 2020.

As a result, index changes for Nigerian constituents of FTSE Russell indices have been [frozen](#) for the FTSE Frontier September 2022 annual review. FTSE Russell has sought to convey these concerns to the Nigerian authorities and will continue the engagement process to ascertain the expected duration of the delays and the issues faced by international investors when attempting to repatriate capital.

Consequently, the 'No objection to or significant restrictions or penalties applied to the investment of capital or the repatriation of capital or income' criterion has been downgraded from 'Pass' to 'Restricted'.

Nigeria experienced similar delays during 2015/2016 that resulted in FTSE Russell announcing the addition of Nigeria to the Watch List for possible demotion from Frontier at the September 2016 Annual Review. The introduction of the 'Investors and Exporters FX Window' addressed the repatriation delays, with FTSE Russell removing Nigeria from the Watch List at the September 2017 Annual Review.

## 5. Other Markets

### Ghana, Kenya and Sri Lanka (Frontier market status)

On 31 August 2022, FTSE Russell [announced](#) that index changes for Ghana, Kenya and Sri Lanka constituents of FTSE Russell indices have been frozen due to clients reporting a lack of liquidity in local foreign exchange markets, which in turn have resulted in significant delays to the repatriation of capital.

Consequently, the 'No objection to or significant restrictions or penalties applied to the investment of capital or the repatriation of capital or income' criterion for these markets is rated as 'Restricted'.

FTSE Russell will seek to engage with the relevant market authorities in Ghana, Kenya and Sri Lanka to establish when these delays will be addressed. FTSE Russell will provide an update on the continued Frontier market status of Ghana, Kenya and Sri Lanka as part of the FTSE Equity Country Classification March 2023 Interim Review.

### India (Secondary Emerging market status)

FTSE Russell is continuing to engage with market authorities and participants on the implications of India's transition to a T+1 settlement cycle. The transition to the new settlement cycle commenced in February 2022 and is scheduled to be completed by January 2023, allowing the market to capture the benefits of a shortened settlement cycle.

FTSE Russell acknowledges the considerable efforts that have been expended by many market participants to address the concerns of the international investment community, including the recent announcement confirming the extension of the custodian settlement cut-off to 07:30 IST on T+1. Despite the significant

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progress, FTSE Russell's advisory committees remain concerned that foreign portfolio investors may need to pre-fund trades in Indian equities.

The FTSE Equity Country Classification criteria for settlement requires a market to have a fully established and a functioning Delivery versus Payment (DvP) clearing system, with the absence of pre-funding. FTSE Russell will continue to monitor market developments and will seek to encourage and support the development of a workable solution. An update will be provided following the completion of the transition of all stocks to T+1, early in 2023.

## **Iceland (Secondary Emerging market status)**

Following the [announcement](#) of the reclassification of Iceland to Secondary Emerging market status at the March 2022 FTSE Equity Country Classification Review, FTSE Russell is pleased to announce that the inclusion of the first tranche of Icelandic equities in the FTSE Global Equity Index Series was completed in conjunction with the September 2022 index review. Following feedback from market participants, FTSE Russell will be proceeding with the implementation of the second and third tranches in conjunction with the December 2022 and March 2023 index reviews, respectively.

For further details on the reclassification of Iceland, please refer to the [Iceland FAQ](#).

## **6. The September 2022 Watch List**

- **Nigeria:** possible reclassification from Frontier to Unclassified.
- **Vietnam:** possible reclassification from Frontier to Secondary Emerging.

For more information please visit: <https://www.ftserussell.com/equity-country-classification>

## **7. Enhancement to the FTSE Equity Country Classification Scheme**

The FTSE Quality of Markets matrix is reviewed on a regular basis to reflect developments in equity capital markets and to ensure that the FTSE Equity Country Classification process continues to meet the needs of global investors when evaluated against a set of objective and transparent criteria. In June 2022, FTSE Russell [announced](#) the enhancement to the 'Settlement – rare incidences of failed trades' criterion, which was renamed to 'Settlement – costs associated with failed trades' within the FTSE Quality of Markets matrix. The enhanced criterion assesses the costs, timing and market mechanisms associated with failed (and/or failing) trades, which should be transparent, reasonable and comparable with peer markets.

The enhanced 'Settlement – costs associated with failed trades' criterion for attaining Developed, Advanced Emerging, Secondary Emerging and Frontier market status will come into effect in September 2022. Markets will not be reclassified or placed on the Watch List for failing to meet this criterion.

Please refer to the [FTSE Equity Country Classification Process Enhancements](#) document for further details.

The table below shows the markets classified within the FTSE equity country classification scheme as at September 2022:

Developed	Advanced Emerging	Secondary Emerging	Frontier
Australia	Brazil	Chile	Bahrain
Austria	Czech Republic	China	Bangladesh
Belgium/Luxembourg	Greece	Colombia	Botswana
Canada	Hungary	Egypt	Bulgaria
Denmark	Malaysia	Iceland*	Côte d'Ivoire
Finland	Mexico	India	Croatia
France	South Africa	Indonesia	Cyprus
Germany	Taiwan	Kuwait	Estonia
Hong Kong	Thailand	Pakistan	Ghana
Ireland	Turkey	Philippines	Jordan
Israel		Qatar	Kazakhstan
Italy		Romania	Kenya
Japan		Saudi Arabia	Latvia
Netherlands		United Arab Emirates	Lithuania
New Zealand			Malta
Norway			Mauritius
Poland			Morocco
Portugal			Nigeria
Singapore			Oman
South Korea			Palestine
Spain			Peru
Sweden			Republic of North Macedonia
Switzerland			Serbia
UK			Slovak Republic
USA			Slovenia
			Sri Lanka
			Tanzania
			Tunisia
			Vietnam
			Mongolia**

\*Iceland reclassified from Frontier to Secondary Emerging effective from September 2022

\*\*Mongolia to be reclassified from Unclassified to Frontier market status effective from September 2023

# Matrix of Markets

(Source: FTSE Russell as at September 2022. Past performance is no guarantee of future results. Please see disclaimer for important legal information).

	SEGMENTS	AMERICAS	ASIA PACIFIC	EUROPE	MEA
	All-World World Developed Advanced Emerging Emerging Secondary Emerging EMEA All-World BRIC All-World ex USA All-World ex NA Developed ex USA Developed ex NA All-World Americas All-World North America All-World Latin America Emerging Latin America All-World ex Japan World ex Japan All-World ex Asia Developed ex Japan (FTSE Kaigai) Developed Asia Pacific Developed Asia Pacific ex Japan Developed Europe Asia Pacific All-World Europe-Asia Pacific All-World Asia Pacific All-World Asia Pacific ex Japan All-World Asia Pacific ex Japan, India & Pakistan All-World Asia Pacific ex Japan, Australia & New Zealand All-World Asia ex Japan, Hong Kong, Australia & New Zealand All-World Asia Pacific ex Japan, Australia, New Zealand, India All-World Asean All-World Greater China Emerging Asia Pacific All-World ex UK All-World ex Eurozone Developed ex Eurozone Developed ex UK Developed Europe Developed Europe ex UK Developed Europe ex Eurozone ex UK All-World Europe All-World Eurozone All-World Europe ex UK All-World Europe ex Eurozone All-World Eastern Europe All-World Nordic Emerging Europe All-World ex South Africa All-World Middle East and Africa				
Australia	. . .	. . . .	. . . . .	. . . . .	. . . . .
Austria	. . . .	. . . . .	. . . . .	. . . . .	. . . . .
Belgium/Luxembourg	. . . .	. . . . .	. . . . .	. . . . .	. . . . .
Brazil	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Canada	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Chile	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
China	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Colombia	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Czech Republic	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Denmark	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Egypt	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Finland	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
France	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Germany	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Greece	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Hong Kong	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Hungary	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Iceland	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
India	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Indonesia	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Ireland	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Israel	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Italy	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Japan	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Kuwait	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Korea	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Malaysia	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Mexico	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Netherlands	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
New Zealand	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Norway	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Pakistan	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Philippines	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Poland	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Portugal	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Qatar	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Romania	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Saudi Arabia	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Singapore	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
South Africa	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Spain	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Sweden	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Switzerland	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Taiwan	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Thailand	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Turkey	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
UAE	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
UK	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
USA	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .

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