

FTSE Russell announces results of first Fixed Income Country Classification Review

- Market Accessibility Levels now assigned to all fixed income markets tracked by FTSE World Government Bond Index (WGBI), FTSE Emerging Markets Government Bond Index (EMGBI) and regional government indexes
- FTSE Fixed Income Country Classification Framework was introduced earlier this year to enhance transparency of the review process and technical criteria used to assess accessibility of markets for benchmark inclusion
- FTSE Russell Watch List of fixed income markets being considered for potential reclassification includes China & Malaysia
- In addition to meeting the market size and credit quality criteria of the WGBI, the inaugural Market Accessibility Level assigned to the Israeli local currency government market also meets the minimum for WGBI inclusion

FTSE Russell, the global index, analytics and data provider, today published the results of its first Fixed Income Country Classification Review. The new process was introduced in January 2019 and is intended to bring greater transparency to managing country inclusion to FTSE Russell global fixed income indexes. It assigns local currency fixed rate government markets a level of 0,1 or 2, with 2 representing the highest level of accessibility. Minimum Market Accessibility Levels replaced the barriers-to-entry criteria in the methodology for the flagship FTSE World Government Bond Index (WGBI) and FTSE Emerging Markets Government Bond Index (EMGBI), and indexes that derive their membership from them, effective March 31, 2019.

Nikki Stefanelli, Head of Fixed Income Index Policy, FTSE Russell, said:

“Our inaugural review of Market Accessibility Levels demonstrated their utility for enhancing our fixed income benchmarking approach. Index users appreciate the transparency and independence of the new process to manage index local market entry and exit. Importantly, it also helps facilitate structural changes in the markets we track by acting as a platform for us to engage with decision makers in countries who are able to address feedback from our users.”

In implementing the framework, countries currently included in the WGBI were assigned a preliminary Market Accessibility Level of “2”; countries currently included in the EMGBI, but not in the WGBI, were assigned a preliminary Market Accessibility Level of “1”. Countries tracked by FTSE Russell regional



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government indexes only were assessed against the framework with FTSE Russell's regional external advisory committees to assign an inaugural Market Accessibility Level. A level of "2" was assigned to Israel, Hong Kong and New Zealand; and "1" for Czech Republic and South Korea.

Israel now meets the minimum Market Accessibility Level for the WGBI, in addition to the objective market size and credit quality criteria. Should these criteria continue to be met for the September 2019 review, an announcement regarding a resulting index inclusion change and the timetable for implementation, which will include a minimum notice period of 6 months, will be made shortly thereafter.

Following the review, FTSE Russell has published its full Watch List of fixed income markets that will be reviewed for potential changes to their Market Accessibility Levels:

- Malaysia - currently assigned a "2" and included to the WGBI since 2004, is being considered for a potential downgrade to "1" which would render Malaysia ineligible for inclusion in the WGBI.
- Onshore China - currently assigned a "1," is being considered for a potential upgrade to a Market Accessibility Level of "2" which is the required minimum for inclusion in the WGBI

FTSE Russell will continue to engage with local regulators and market participants in Malaysia and China to assess the potential changes to a country's classification. It is important to note that inclusion on our Watch List is not a guarantee of future action. These markets will be reassessed against the WGBI eligibility criteria at the September 2019 review. Any WGBI inclusion or exclusion changes resulting from the review, and the timetable for their implementation, will be announced shortly thereafter.

FTSE Russell also intends to introduce tracking for a number of new fixed income markets, including Saudi Arabia, Nigeria, Vietnam, Argentina and Croatia over the coming months. More information on the fixed income country classification framework can be found on our website

<https://www.ftse.com/products/indices/country-classification-fixed-income>

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About FTSE Russell:

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