

FTSE Russell announces results of Country Classification Review for Equities and Fixed Income

- For equities, Romania reclassified from Frontier to Secondary Emerging while Tanzania becomes a Frontier market
- For fixed income, Israel to be added to FTSE World Government Bond Index (WGBI) and FTSE World Inflation Linked Securities Index beginning April 2020
- China and Malaysia remain on FTSE Russell Fixed Income Watch List
- FTSE Russell’s comprehensive approach to country classification applied on a multi-asset basis across equities and fixed income

FTSE Russell, a leading multi-asset global index, analytics and data provider, today published the results of the annual Country Classification Review, for countries monitored by its global equity and fixed income indexes. FTSE Russell’s comprehensive approach to country classification is informed by feedback from a broad set of market participants and provides investors with a framework for evaluating and investing across asset classes in global equities and fixed income markets.

A Watch List of is maintained for both equity and fixed income to monitor their investment conditions and ensure transparency in market assessments.

FTSE Equity Country Classification

Following the September 2019 annual review, FTSE Russell confirms that:

- Romania, currently a Frontier market, to be reclassified as a Secondary Emerging market, effective from September 2020
- Tanzania, currently unclassified, to be included as a Frontier Market, effective from September 2020
- Argentina is removed from the Watch List for possible reclassification to Secondary Emerging market status due to the imposition of capital controls
- Vietnam is retained on the Watch List for possible reclassification from Frontier to Secondary Emerging

FTSE Russell acknowledges Romania and Tanzania on meeting the requirements for attaining Secondary Emerging and Frontier market status respectively. The reclassification follows market improvements implemented by authorities in the respective countries.

Joti Rana, Head of Index Governance and Policy, Americas said: “Congratulations to the authorities in Romania and Tanzania who have worked hard to achieve their promotions. We also



continue to track the progress of Vietnam, which remains on our Watch List. FTSE Russell continues to engage with the Argentinean market authorities to ascertain the longevity of the recently introduced capital controls. Our strong, transparent country classification framework ensures our indexes are an accurate representation of global markets and we will continue to work with our global clients to provide benchmarks and analytic solutions to facilitate their equity investments.”

FTSE Fixed Income Country Classification

The FTSE Russell Fixed Income Country Classification Framework was introduced in early 2019 to enhance the transparency of the process used to manage benchmark inclusion. It assigns a Market Accessibility Level of 0, 1 or 2, with 2 representing the highest level of accessibility for foreign investors. A minimum of 2 is required for the FTSE World Government Bond Index (WGBI), a widely used metric for global, fixed-rate local currency investment grade government bonds markets that covers 22 markets.

Following the September 2019 annual review, FTSE Russell confirms that:

- Israel was assigned a Market Accessibility Level of 2 as part of the inaugural March 2019 review and continues to meet the minimum market size and credit rating criteria for the WGBI. As a result, Israel local currency government bonds will be added to the index from 1 April 2020 and are projected to comprise 0.29% of the index on a market value weighted basis as of August 2019 based on 13 bonds with \$68.2 billion in market value. ILS-denominated linkers will also be added to the FTSE World Inflation Linked Securities Index (WorldILSI) from 1 April 2020, and are projected to comprise 1.78% of the index on a market value weighted basis.
- China will remain on the Watch List for potential upgrade to Market Accessibility Level 2 based on feedback from index users that the Chinese government bond market continues to make demonstrable progress towards meeting the criteria for the highest accessibility level.
- Malaysia will be retained on the Watch List for potential downgrade from its current Market Accessibility Level of 2. FTSE Russell will continue to engage with market participants to understand the practical impact of recent initiatives announced by Bank Negara Malaysia to improve market liquidity and accessibility.

FTSE Russell will provide further updates as appropriate after the interim review in March 2020.

Nikki Stefanelli, Head of Fixed Income Index Policy, FTSE Russell, said: “We congratulate Israel on their inclusion in the FTSE World Government Bond Index. There was a strong consensus from index users that the Israeli government bond market meets the thresholds of our highest accessibility level. Additionally, the September review further demonstrated that our transparent Watch List serves as an effective tool to identify areas for market structure development and monitor the progress of ongoing regulatory initiatives to improve accessibility. Overall, the framework has been extremely well received by the global investment community.”

More information on the Equity Country Classification framework can be found on our website <https://www.ftserussell.com/equity-country-classification>

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:

FTSE Russell is a leading global index provider creating and managing a wide range of indexes, data and analytic solutions to meet client needs across asset classes, style and strategies. Covering 98% of the investable market, FTSE Russell indexes offer a true picture of global markets, combined with the specialist knowledge gained from developing local benchmarks around the world.

FTSE Russell index expertise and products are used extensively by institutional and retail investors globally. Approximately \$15 trillion is currently benchmarked to FTSE Russell indexes. For over 30 years, leading asset owners, asset managers, ETF providers and investment banks have chosen FTSE Russell indexes to benchmark their investment performance and create investment funds, ETFs, structured products and index-based derivatives. FTSE Russell indexes also provide clients with tools for asset allocation, investment strategy analysis and risk management.

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