



FTSE Equity Country Classification March 2020 Interim Update

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1. Classification of Markets

A formal interim review of country classification within the FTSE global equity indexes is conducted every March using a comprehensive, transparent and consistent methodology to keep investors fully informed on the markets which had been placed on the Watch List the previous September.

2. FTSE Watch List

To ensure that potential movement of markets between classifications is completely transparent to investors, a Watch List of markets being considered for reclassification is maintained.

The following markets were placed on the Watch List following the Annual Review in September 2019:

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

This interim review provides an update on the status of each market on the Watch List and confirms the reclassifications pending implementation.

3. 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 based on a set of objective and transparent criteria. Please refer to the following paper detailing the enhancements to the FTSE Equity Country Classification process effective from January 2020 and the minimum investable market capitalisation (cap) and securities count requirements required for Developed and Emerging markets: [FTSE Equity Country Classification Process Enhancements - January 2020](#)

4. Progress of Watch List markets since September 2019

Secondary Emerging Watch List

Vietnam

Vietnam was added to the Watch List in September 2018 for possible reclassification to Secondary Emerging market status. Vietnam continues not 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 – Rare incidence of failed trades” criterion is unrated.

Additionally, improvements are sought firstly with regard to the registration of new accounts, where market practice can extend the registration process and also with regard to 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 engage with the Vietnam market authorities as they implement reforms aimed at developing the capital market.

Vietnam is retained on the Watch List as a Frontier market and will be reviewed for possible reclassification as a Secondary Emerging market, within the FTSE Country Classification scheme at the Annual Review in September 2020.

5. Changes to the FTSE Country Classification status of other markets

Argentina

Following the continued imposition of capital controls, FTSE Russell announced that, effective from September 2020, Argentina would be reclassified from Frontier to Unclassified market status subject to existing capital controls not being removed by 28 September 2020. Further details are available in the following notification: [Argentina - Treatment in FTSE Russell Indexes](#)

Peru

There is currently one Peruvian stock in the FTSE Global All Cap index and consequently Peru fails to meet the new minimum investable market cap and securities count requirement criterion. As a result, Peru will be reclassified from Secondary Emerging to Frontier market status effective from September 2020.

Romania

Further to the September 2019 FTSE Equity Country Classification Annual Review, Romania will be reclassified from Frontier to Secondary Emerging market status with effect from September 2020. However, Romanian securities will only be added to the FTSE Global Equity Index Series (GEIS) if a minimum of two securities meet the FTSE Global All Cap Index eligibility requirements based on data as at 30 June 2020. This decision has been taken to avoid unnecessary costs associated with the opening of Romanian securities accounts and the potential for subsequent flip-flop turnover in the FTSE GEIS indexes should Romania fail to meet the new country classification requirements and be re-added to the Watch List at a subsequent country classification review. This decision reflects feedback from the FTSE Russell advisory committees.

6. Confirmed reclassifications pending implementation

- **Argentina:** reclassification from Frontier to Unclassified effective in one tranche from September 2020, subject to existing capital controls not being removed by 28 September 2020.
- **Peru:** reclassification from Secondary Emerging to Frontier market status, effective in one tranche from September 2020.
- **Romania:** reclassification from Frontier to Secondary Emerging market status, effective in one tranche from September 2020. Romanian securities will be deleted from the FTSE Frontier Index Series. However, Romanian securities will only be included in FTSE GEIS subject to a minimum of two securities meeting the FTSE Global All Cap Index eligibility screens based on data as at 30 June 2020.
- **Tanzania:** reclassification from Unclassified to Frontier market status, effective in one tranche from September 2020.

The below table illustrates the index inclusion dates of the confirmed country classification changes:

| Market | Reclassification | June 2020 | September 2020 |
|----------------|-----------------------------------------------------------|------------------|----------------|
| China A Share* | Unclassified to Secondary Emerging extended to 4 Tranches | Tranche 4 | - |
| Saudi Arabia* | Unclassified to Secondary Emerging extended to 6 Tranches | Tranche 6 | - |
| Argentina** | Frontier to Unclassified | - | 100% |
| Peru | Secondary Emerging to Frontier in 1 Tranche | - | 100% |
| Romania*** | Frontier to Secondary Emerging in 1 Tranche | - | 100% |
| Tanzania | Frontier in 1 Tranche | - | 100% |

*China A Share and Saudi Arabia transition to Secondary Emerging to be completed in June 2020: ([China A FAQ](#)) ; ([Saudi Arabia FAQ](#))

**Argentina to be reclassified from Frontier to Unclassified subject to capital controls not being removed by 28 September 2020

***Romania to be reclassified from Frontier to Secondary Emerging. Romanian securities will be deleted from the FTSE Frontier Index Series. However, Romanian securities will only be included in FTSE GEIS subject to a minimum of two securities meeting the FTSE Global All Cap Index eligibility screens based on data as at 30 June 2020.

An FAQ supporting the reclassification of Romania is available here: <https://www.ftserussell.com/equity-country-classification>

7. The March 2020 Watch List is as follows:

- **Argentina:** possible reclassification from Frontier to Unclassified subject to capital controls not being removed by 28 September 2020
- **Vietnam:** possible reclassification from Frontier to Secondary Emerging.

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

The table below shows the FTSE country classification of equity markets as at March 2020.

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

* Includes the Phase 1 inclusion of China A Shares to Secondary Emerging market status to be completed by June 2020 ([China A FAQ](#))

** Saudi Arabia reclassification to Secondary Emerging market status to be completed by June 2020 ([Saudi Arabia FAQ](#))

*** Argentina to be reclassified from Frontier to Unclassified, effective from September 2020 (subject to existing capital controls not being removed by 28 September 2020)

**** Peru to be reclassified from Secondary Emerging to Frontier market status effective in conjunction with the September 2020 annual review of the FTSE Frontier Index Series

***** Romania to be reclassified from Frontier to Secondary Emerging, effective from September 2020. Romanian securities will be deleted from the FTSE Frontier Index Series. However, Romanian securities will only be included in FTSE GEIS subject to a minimum of two securities meeting the FTSE Global All Cap Index eligibility screens based on data as at 30 June 2020.

***** Tanzania to be reclassified as Frontier, effective in conjunction with the September 2020 annual review of the FTSE Frontier Index Series

For more information about our indexes, please visit ftserussell.com.

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