
FTSE Equity Country Classification March 2022 Interim Update Announcement

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1. Classification of Markets

A formal interim review of country classification within the FTSE global equity indices is conducted every March using a comprehensive, transparent and consistent methodology. This interim review ensures that investors are informed of the progress of markets that were placed on the Watch List in September, when the Annual Review is published.

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 placed on the Watch List following the Annual Review in September 2021:

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

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

3. Progress of Watch List markets since September 2021

Advanced Emerging Watch List

Russia – Deleted from FTSE Russell Equity Indices

On 02 March 2022, FTSE Russell [announced](#) that in accordance with rule 2.1 of the FTSE Russell Index Policy [In the Event Clients are Unable to Trade a Market](#), Russia would be deleted from all FTSE Russell equity indices effective from the open on Monday 07 March 2022. In addition, Russia was assigned an 'Unclassified' market status within the FTSE Equity Country Classification scheme.

This decision was taken following consultation with advisory committee members and other market participants, and was based on the following factors:

- The imposition of escalating sanctions by the European Union, the United Kingdom and the United States of America.
- The decision by the Central Bank of Russia (CBR) to suspend trading on the Moscow Exchange (MOEX) and prohibit non-resident investors from executing security sales.
- The decision by the CBR to prohibit international investors from withdrawing funds from Russia during March 2022.

Upon the resumption of regular trading and the removal of all restrictions on non-resident investors, Russia will be re-evaluated as a new market as part of the FTSE Equity Country Classification process.

Secondary Emerging Watch List

Iceland – Reclassification from Frontier to Secondary Emerging market status

FTSE Russell is pleased to announce that Iceland will be assigned Secondary Emerging market status effective from the FTSE Global Equity Index Series (GEIS) semi-annual review in September 2022.

Iceland was added to the Watch List in September 2021 for possible reclassification from Frontier to Secondary Emerging market status. The market meets all the FTSE Quality of Markets criteria and the minimum size and eligible securities count requirements required for attaining Secondary Emerging market status within the FTSE Equity Country Classification scheme.

FTSE Russell will confirm by 30 June 2022 whether the inclusion of Iceland in FTSE GEIS will be implemented in one or more tranches. An FAQ is available on the FTSE Russell website for additional information on Iceland's reclassification; see hyperlink: [FAQ - Iceland](#).

FTSE Watch List indices reflecting the inclusion of Iceland in FTSE GEIS are available to subscribing index users.

Vietnam – Retained on the Watch List for possible reclassification from Frontier to Secondary Emerging market status

Vietnam was added to the Watch List in September 2018 for possible reclassification from Frontier to Secondary Emerging market status. Vietnam does not 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 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 acknowledges the State Securities Commission of Vietnam’s market engagement and ongoing initiatives to improve the regulatory framework and market settlement practices. In particular, FTSE Russell is encouraged by the continued political commitment to, and the support of the World Bank Group and Ernst & Young for, the wider market reform programme. The work with market participants to determine and agree the practical market process, along with the required roles and responsibilities that are aligned to the new legislation, remains a critical next step.

FTSE Russell also continues to acknowledge the constructive interaction with the Vietnam market authorities during the last six months and the additional enactment of legislation intended to support the ambition to enhance market practices.

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 Equity Country Classification scheme at the Annual Review in September 2022.

Frontier Watch List

Mongolia - Retained on the Watch List for possible reclassification from Unclassified to Frontier market status

Mongolia was added to the Watch List in September 2021 for possible reclassification from Unclassified to Frontier market status.

Mongolia continues to meet the FTSE Quality of Markets criteria required for Frontier market status within the FTSE Equity Country Classification scheme. However, FTSE Russell deems it necessary to conduct further analysis into operational aspects of the market, such as custody services. This will enable FTSE Russell to make a more informed determination as to the timing of any reclassification and the notice that potential international market participants will require before the market enters the FTSE Frontier Index.

Mongolia is retained on the Watch List and will be reviewed for possible reclassification as a Frontier market within the FTSE Equity Country Classification scheme at the Annual Review in September 2022.

4. Other Markets

India

FTSE Russell is currently engaging with market authorities and participants on the implications of India's transition to a T+1 settlement. The transition to this new settlement cycle commenced in February 2022 and is scheduled to be completed by January 2023.

Whilst acknowledging the desire of the Indian market to embrace the benefits of a shortened settlement cycle, the primary concern expressed by members of FTSE Russell's advisory committees is that the current T+1 settlement process deadlines mean that foreign portfolio investors will likely need to pre-fund trades in Indian equities. Until this issue is resolved, despite the current efforts of many market participants, India may no longer meet the FTSE Equity Country Classification criteria for settlement, which requires a market to have a fully established and functioning Delivery versus Payment (DvP) clearing system, with the absence of pre-funding.

FTSE Russell will provide an update on India as part of the FTSE Equity Country Classification September 2022 Annual Review of Markets.

5. The March 2022 Watch List is as follows:

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

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

The table below shows the FTSE equity country classification of equity markets as at March 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 | India | Côte d'Ivoire |
| Finland | Mexico | Indonesia | Croatia |
| France | South Africa | Kuwait | Cyprus |
| Germany | Taiwan | Pakistan | Estonia |
| Hong Kong | Thailand | Philippines | Ghana |
| Ireland | Turkey | Qatar | Iceland** |
| Israel | | Romania | Jordan |
| Italy | | Saudi Arabia | Kazakhstan |
| Japan | | UAE | Kenya |
| Netherlands | | | Latvia |
| New Zealand | | | Lithuania |
| Norway | | | Malta |
| Poland | | | Mauritius |
| Portugal | | | Morocco |
| Singapore | | | Nigeria |
| South Korea | | | Oman |
| Spain | | | Palestine |
| Sweden | | | Peru |
| Switzerland | | | Republic of North Macedonia |
| UK | | | Serbia |
| USA | | | Slovak Republic |
| | | | Slovenia |
| | | | Sri Lanka |
| | | | Tanzania |
| | | | Tunisia |
| | | | Vietnam |

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

**Iceland to be reclassified from Frontier to Secondary Emerging market status from September 2022 ([Iceland FAQ](#))

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

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