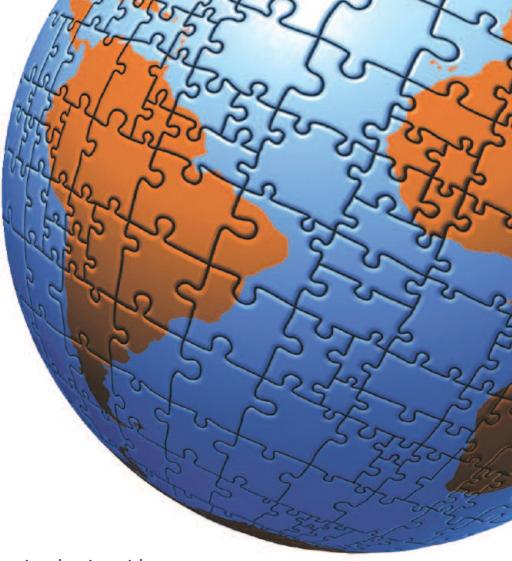


# FTSE Global Equity Index Series Country Classification



## MARCH 2012 UPDATE

### Market Classification within FTSE Equity Indices

The classification of markets within FTSE's Global Equity Index Series is assessed and considered on an ongoing basis, with changes in designation between Developed, Advanced Emerging, Secondary Emerging and Frontier status agreed annually in September.

This note provides an interim update on the 2012 assessment process, for the purposes of keeping investors fully informed. Although assessment of all markets within FTSE indices is a continuous process, FTSE, in conjunction with its external advisory committee of investment professionals, focuses mainly on working with markets which have been placed on the Watch List. The Watch List comprises a set of markets which international investors believe are close to promotion to the next category or, occasionally, demotion from its existing Country Classification category.

### Progress of Watch List markets since September 2011

#### *Developed Watch List*

##### *Greece*

At the September 2011 review, FTSE retained Greece on the Watch List for possible demotion from Developed to Advanced Emerging status. With the backdrop of debt concerns, the Greek authorities continue to slowly introduce a regime of regulatory development. However, while many of these changes reflect progress in bringing the Greek market in line with other developed markets, international investors have noted that these reforms are not yet fully reflected in market practice, and note continued difficulties in areas of Custody, Settlement and Dealing Landscape.

FTSE's assessment of the Greek market remains unchanged at this time.

#### *Advanced Emerging Watch List*

##### *Poland*

FTSE has made no changes to its assessment of Poland's market against the Quality of Market criteria at this interim point. Poland remains on the FTSE Watch List as an Advanced Emerging market, to be reviewed again for possible promotion to Developed status at the next review in September 2012.

##### *Taiwan*

FTSE has made no changes to its assessment of Taiwan's market against the Quality of Market criteria at this interim point. Taiwan remains on the FTSE Watch List as an Advanced Emerging market, to be reviewed again for possible promotion to Developed status at the next review in September 2012.

##### *Thailand*

Promoted from Secondary Emerging to Advanced Emerging in the FTSE Global Equity Index Series in March 2012.

#### *Secondary Emerging Watch List*

##### *China A*

FTSE has made no changes to its assessment of the China A shares market against the Quality of Market criteria at this interim point.

##### *Kuwait*

FTSE has made no changes to its assessment of Kuwait's market against the Quality of Market criteria at this interim point. FTSE awaits clarification on the role of the Capital Markets Authority (CMA) and its legality to regulate the Kuwaiti Stock Exchange, thereby protecting the rights of all market participants. Kuwait is retained on FTSE's Watch List for possible addition to the FTSE Global Equity Index Series as Secondary Emerging status, at the next review in September 2012.

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**FTSE**

## **Frontier Watch List**

### **Ghana**

To be promoted to Frontier market status from June 2012.

### **Kazakhstan**

FTSE placed Kazakhstan on the Watch List for admission to Frontier status in September 2008. FTSE continues constructive engagement with officials at the Kazakhstan Stock Exchange. One of the key outstanding issues requires reform of the T+0 settlement cycle to international standards. FTSE has made no changes to its assessment of Kazakhstan's market against the Quality of Market criteria at this interim point. Kazakhstan is retained on FTSE's Watch List for possible addition to the FTSE Global Equity Index Series as Frontier status, at the next review in September 2012.

### **Ukraine**

FTSE placed Ukraine on the Watch List for admission to Frontier status in September 2011. FTSE continues constructive engagement with officials at the Ukraine Stock Exchange. One of the key outstanding issues requires reform of the T+0 settlement cycle to international standards. FTSE has made no changes to its assessment of Ukraine's market against the Quality of Market criteria at this interim point. Ukraine is retained on FTSE's Watch List for possible addition to the FTSE Global Equity Index Series as Frontier status, at the next review in September 2012.

## **Highlights of Quality of Market changes to non Watch List countries**

### **Russia**

*"Free and well developed equity market"* criterion has been upgraded from 'Not Met' to 'Restricted' because there is sufficient market size to support international investors.

*"Free and well developed foreign exchange market"* has been upgraded from 'Restricted' to 'Pass' because 24 hour trading and offshore trading is available.

*"Settlement – Free delivery available"* has been upgraded from 'Not Met' to 'Restricted' because there is free transfer between accounts.

*"Custody – Omnibus account facilities available to international investors"* has been upgraded from 'Not Met' to 'Restricted' because omnibus accounting facilities are available to foreign investors without restrictions.

*"Developed Derivatives Market"* - has been upgraded from 'Not Met' to 'Restricted' because the market offers a wide range of futures and options on single stocks.

### **South Korea**

*"Non or selective incidence of foreign ownership restrictions"* criterion has been re-evaluated from 'Pass' to 'Restricted' status because there is no efficient mechanism for foreign investors to trade stocks which have reached their foreign ownership ceilings.

For the complete list of quality of markets status changes please refer to the matrix.

In reaching these interim assessments on the Watch List markets' eligibility against FTSE's country classification criteria, FTSE is grateful to market authorities and market participants across the industry for sharing their experiences of working in international equity markets.

## **2012 Annual Review**

Going forward, FTSE welcomes comments from both buy and sell side participants on their experiences and perceptions on trading with all markets, but particularly those on the Watch List. Data collection and analysis for the annual review will close in July and results of the annual country classification review will be announced in September 2012.

For more information on any of the topics discussed in this paper, please contact [info@ftse.com](mailto:info@ftse.com)

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