



# **FTSE Country Classification Process: What Constitutes a Country?**



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FTSE Russell understands that investors need an objective and consistent approach to the classification of markets. To ensure that the classification of markets within FTSE Russell's global benchmarks remains accurate and up-to-date, FTSE Russell works closely with both the international institutional investor community and domestic market authorities to review the classification status of individual markets on a regular basis.

This interactive and consultative process is also used to determine what characteristics define a "Country" within the FTSE Country Classification structure. In this context, Country means a distinct geographical area with administrative autonomy and specific regulatory, economic and market characteristics. It should also have broad acceptance as a legitimate investment venue by international institutional investors.

Factors used by FTSE Russell in support of the decision on whether or not to include a particular separate area within this structure include:

- Acceptance by global investors that the area has individual characteristics influencing investment decisions.
- The legal framework is specific to the area and allows for the formation of publicly owned companies and recognises the rights as beneficial owners of investors who acquire equity stakes in such companies.
- The regulatory regime overseeing the market or markets in the area is independent and demonstrates enforcement of its rules.
- The existence of one or more exchanges whereby companies can raise equity capital and the equity securities of companies can be traded in the secondary market.
- The market infrastructure allows investors to trade in a fair and transparent manner, subject to appropriately documented market rules and regulation.
- The ability to settle transactions and hold assets with reliability and security.
- The market is of sufficient size, diversity and depth to justify the separate allocation of assets within a regional investment mandate.
- The market has its own currency or has adopted a currency that is widely recognised and traded by the international community.



Other aspects of a market may also be considered, and these factors are updated regularly within the relevant ground rules to reflect past experience and changing market conditions.

The inclusion of countries within FTSE Russell's index structure and their classification as Developed, Emerging or Frontier is based on FTSE Russell's assessment of their market quality according to specific criteria available from FTSE Russell and published on its website.

Some geographic areas may remain unclassified within the FTSE Country Classification structure and be excluded from FTSE Russell's global indexes or combined with other areas.

## For more information about our indexes, please visit [ftserussell.com](https://ftserussell.com).

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FTSE Russell index expertise and products are used extensively by institutional and retail investors globally. 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 ETFs, structured products and index-based derivatives.

FTSE Russell is focused on applying the highest industry standards in index design and governance, employing transparent rules-based methodology informed by independent committees of leading market participants. FTSE Russell fully embraces the IOSCO Principles and its Statement of Compliance has received independent assurance. Index innovation is driven by client needs and customer partnerships, allowing FTSE Russell to continually enhance the breadth, depth and reach of its offering.

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