



Reclassification of Kuwait to Secondary Emerging Market Status

Index Review Process

Semi-Annual Index Review - September 2018

Quarterly Index Review - December 2018

v1.0



Contents

FTSE Global Equity Index Series Review Schedule 2018

1.0	Transition of Kuwait from Unclassified to Secondary Emerging market status	4
2.0	Data Cut-off Dates.....	4
3.0	Liquidity Testing Period	4
4.0	Regional Universe.....	5
5.0	GEIS Constituent Index Membership Status	5
6.0	Inclusion/Exclusion Percentage Levels by Investable Market Capitalisation.....	5
7.0	Quarterly Review in December 2018	5
8.0	IPO / Spin-off Review Period.....	5
9.0	Market Capitalisation Cut-off used to Determine IPO / Spin- off Eligibility in December 2018	6
10.0	IPO / Spin-off Cut-off date in Order to Meet Minimum 3 Month Trading Requirement	6
11.0	Headroom	6
12.0	Indicative List	6
13.0	Projected Weight of Kuwait in FTSE GEIS and FTSE Emerging All Cap.....	7
14.0	Rebalance Effective Date	7

FTSE Global Equity Index Series Review Schedule 2018

	Semi-Annual Review September 2018	Quarterly Review December 2018
Index Rebalance Market Cap data cut-off ^{1,2}	29 June 2018	n/a
ICB Review Cut-off Date	10 August 2018	09 November 2018
Quarterly Free float and Share changes cut-off (only updates captured up to this date will be processed at the index review)	17 August 2018	16 November 2018
Liquidity Testing Period ³	03 July 2017 to 29 June 2018	n/a
IPO/Spin-off Review Period ⁸	12 February 2018 to 29 June 2018	01 April 2018 to 09 November 2018
IPO/Spin-off Market cap cut-off ⁹	29 June 2018	09 November 2018
IPO/Spin-off cut-off in order to meet three month minimum trading requirement ¹⁰	1 April 2018	13 August 2018
FTSE Notice of the Middle East & Africa (MEA) review (circulated after the regional market close) ¹²	24 August 2018	*TBC
Review Products circulated ¹²	24 August 2018	*TBC
Release of Indicative Files (Free Float and Share updates)	24 August 2018	*TBC
Release of Final Files (Free Float and Share updates) - incorporates any revisions to indicative file	07 September 2018	*TBC
Review Effective Date ^{1,14}	24 September 2018	*TBC

***TBC: The December 2018 index review schedule is under consideration due to the proximity of Christmas Day to the index review effective date of Monday 24 December 2018, FTSE Russell will confirm the December 2018 index review schedule by 29 June 2018.**

FAQ

1.0 Transition of Kuwait from Unclassified to Secondary Emerging market status

The transition of Kuwait to Secondary Emerging market status within FTSE Global Equity Index Series (GEIS) will be implemented in two 50% tranches.

The first tranche will be implemented in conjunction with the September 2018 FTSE GEIS semi-annual review (i.e. effective from the open on Monday, 24 September 2018).

The second tranche will be implemented in conjunction with the December 2018 FTSE GEIS quarterly review (i.e. effective from the open on Monday, 24 December 2018).

2.0 Data Cut-off Dates

September 2018 semi-annual review

Data cut-off will be the last business day in June (Friday, 29 June 2018).

3.0 Liquidity Testing Period

A full 12 month liquidity test will be conducted at the September 2018 semi-annual review. A liquidity test is not conducted at the December quarterly review.

Testing periods:

Review Month	Liquidity testing period
September	First business day of July of the previous year to last business day of June of the current year

For illustration purposes: Liquidity testing period for the September 2018 review will be from Sunday, 02 July 2017 to Friday, 29 June 2018.

As Kuwait is being reclassified from Unclassified to Secondary Emerging, all stocks will be considered as non-constituents. The liquidity screen for non-constituent's requires the median daily trading volume per month to turnover at least 0.05%* of the shares in issue (after the application of any free float weightings**) for at least ten of the twelve months prior to a full market review.

PLEASE NOTE: (*) In order to better reflect the investable market of the region, in accordance with rule 6.3.2 B, the liquidity threshold for non-constituents will be lowered from 0.05% to 0.04% for the September 2018 MEA semi-annual regional review only. From March 2019 the liquidity threshold for MEA non-constituents will revert back to 0.05%.

The liquidity threshold for constituents will remain unchanged at 0.04%.

(**) For clarification purposes, when testing liquidity, 100% of the investability weight will be used for the calculation. For example, if a stock has an investability weight of 49%, as at the last date in the testing period, it will be tested for liquidity at 49% investability weight.

4.0 Regional Universe

In September 2018, the full Kuwaiti universe will be considered for inclusion in the MEA review.

5.0 GEIS Constituent Index Membership Status

For the September 2018 semi-annual review Kuwaiti stocks in the universe will be treated as non-constituents in the MEA review and will be subject to inclusion based on the cut-off / basis points entry / exit levels calculated for the MEA review. In recognition of the potential liquidity demands, all Kuwaiti additions to MEA in September 2018 will be added at 50% weight and the remaining 50% added in December 2018*.

***For illustration purposes:** If a stock has an investability weight of 49%, it will be added to the Emerging index at a weight of 24.5%, reducing the investable market capitalisation of the stock by 50%. The remaining 50% weight of the stock will be added in December 2018, reflected by increasing the investability weight back to 49%.

6.0 Inclusion/Exclusion Percentage Levels by Investable Market Capitalisation

The percentage levels by investable market capitalisation for the MEA region will be determined based on the respective regional Small Cap Index as of the cut-off date.

For illustration purposes: For the September 2018 semi-annual MEA review, the investable market capitalisation buffers will be calculated based on the Small Cap Index as of 29 June 2018 which will exclude Kuwait.

7.0 Quarterly Review in December 2018

IPOs which failed to qualify as fast entrants and the Large/Mid/Small status of the resultant companies from a spin-off will continue to be processed in December 2018. Resultant companies from a spin-off below the exit threshold will be deleted.

8.0 IPO / Spin-off Review Period

For the September 2018 and December 2018 reviews, only those IPOs and spin-offs with 3 months liquidity as at the cut-off date will be considered for index inclusion.

For illustration purposes:

For the September 2018 review the cut-off date for index data is 29 June 2018. Therefore in order to meet the minimum 3 month trading requirement an IPO or spin-off would need to have listed by 01 April 2018.

For the December 2018 review the cut-off date for assessing IPOs and spin-offs is 9 November 2018. Therefore in order to meet the minimum 3 month trading requirement an IPO or spin-off would need to have listed by 13 August 2018.

PLEASE NOTE: Following the initial addition of Kuwait at the September 2018 review any IPOs or new additions entering the index at a subsequent index review (i.e. December 2018) will be included at their full investability weighting. Spin-offs included in the index subsequent to September 2018 and before the implementation of the second tranche in December 2018 will be added at 50% of their investability weighting.

9.0 Market Capitalisation Cut-off used to Determine IPO / Spin-off Eligibility in December 2018

Index membership of eligible IPOs and the companies resulting from a spin-off will be determined by referencing the full company market capitalisation at close on 09 November 2018, against the entry levels for Large, Mid, Small as set in the September 2018 review, index adjusted to reflect the subsequent change in performance of the appropriate regional index.

For illustration purposes: Kuwaiti stocks which are added to the index in December 2018 as part of the quarterly review process will be added to the index at their full investable market cap weight and not in tranches

10.0 IPO / Spin-off Cut-off date in Order to Meet Minimum 3 Month Trading Requirement

Review Month	Minimum IPO listing date
September 2018	01 April 2018
December 2018	13 August 2018

11.0 Headroom

Kuwaiti securities will be screened for headroom as part of the GEIS MEA review.

12.0 Indicative List

The table provides an indicative list of Kuwaiti securities which passed the FTSE GEIS index eligibility screen for the MEA region based on a data cut-off as of close Friday 29 December 2017.

The final confirmed list of Kuwaiti securities which will be eligible for FTSE GEIS Emerging in conjunction with the September 2018 semi-annual review will be published after the MEA regional markets have closed on Friday 24 August 2018.

Company Name	Sedol	Size
National Bank of Kuwait	6889526	Large
Kuwait Finance House	6503138	Large
Mobile Telecommunications Company	6600084	Large
Agility Public Warehousing	6890302	Mid
Boubyan Bank	B15DYL9	Mid
Human Soft	B13BYX7	Mid
Warba Bank	BDD2531	Small
Kuwait International Bank	6503213	Small
National Industries Group	6890294	Small
Alimtiyah Investment Group	B50N7B3	Small

The above indicative list of Kuwaiti securities will be reflected in the FTSE Watch List indexes.

13.0 Projected Weight of Kuwait in FTSE GEIS and FTSE Emerging All Cap

The table illustrates the number of Kuwaiti securities meeting FTSE GEIS index eligibility screen based on data cut-off as of close Friday 29 December 2017 and their projected weight in FTSE Global All Cap and FTSE Emerging All Cap indexes.

	Number of Securities	Projected weight in Global All Cap	Projected weight in Emerging All Cap
Kuwait	10	0.04%	0.40%

14.0 Rebalance Effective Date

September 2018 semi-annual review

The first tranche of the reclassification of Kuwait to Secondary Emerging is scheduled to be effective in line with the September 2018 semi-annual review (i.e. from the open on Monday, 24 September).

Similar to other Middle East markets, Kuwait is closed for trading on Friday, but open for trading on Sunday.

To mitigate potential tracking error associated with the market being closed on Friday and to allow clients to more closely replicate the benchmark change, the following treatment will be implemented:

From close of Friday 24 August 2018

FTSE will publish the final confirmed list of Kuwaiti stocks and the indicative weights at which they will be added to FTSE indexes in conjunction with the September semi-annual review.

Friday 21 September 2018 (at close)

FTSE products confirm the weights of the Kuwaiti adds (i.e. based on last traded price of Thursday 20 September).

Monday 24 September 2018

At open - Kuwaiti constituents will be held in the index throughout the Kuwaiti trading day at their last traded price (as of Thursday, 20 September).

At close (i.e. effective open of Tuesday 25 September 2018) – price adjustments will be applied to Kuwaiti constituents to align their stale price to the actual close price of Monday 24 September. This will incur a divisor change.

December 2018 quarterly review

The second tranche of the reclassification of Kuwait to Secondary Emerging is scheduled to be effective in line with the December 2018 quarterly review (i.e. from the open on Monday, 24 December 2018).

The December 2018 index review schedule is under consideration due to the proximity of Christmas Day to the index review effective date of Monday 24 December 2018, FTSE Russell will confirm the December 2018 index review schedule by 29 June 2018.

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EMEA

+44 (0) 20 7866 1810

North America

+1 877 503 6437

Asia-Pacific

Hong Kong +852 2164 3333

Tokyo +81 3 4563 634

Sydney +61 (0) 2 8823 3521