

FTSE Country Classification

FTSE Russell today announces the March 2017 results of the FTSE Country Classification interim review.

The FTSE Country Classification interim review is conducted every March to keep investors fully informed on the markets which have been placed on the Watch List, in the previous September, as part of the Annual Review. In order to ensure that the potential, as well as the confirmed, movement of markets between categories is completely transparent for investors, FTSE Russell maintains a Watch List of countries that are being considered for promotion or demotion between the various market classifications.

The following markets remain included on the Watch List at this mid-point review:

- **China A-Share:** Possible inclusion as Secondary Emerging
- **Kuwait:** Possible inclusion as Secondary Emerging
- **Mongolia:** Possible inclusion as Frontier
- **Nigeria:** Possible reclassification from Frontier to Standalone
- **Poland:** Possible reclassification from Advanced Emerging to Developed
- **Romania:** Possible reclassification from Frontier to Secondary Emerging
- **Saudi Arabia:** Possible inclusion as Secondary Emerging

FTSE Russell announces that Argentina and Kazakhstan, previously 'Unclassified', will be designated as Frontier markets within the FTSE Country Classification scheme. The promotion of Argentina and Kazakhstan to Frontier market status will be implemented in conjunction with the FTSE Frontier Index Series annual review in September 2017.

FTSE Country Classification Changes March 2017

FTSE Russell confirms that the second 50% tranche of Qatar as a Secondary Emerging market was implemented into FTSE indexes in conjunction with the March 2017 FTSE Global Equity Index Series (GEIS) semi-annual review which was effective from the open on Monday 20 March 2017.

Progress of Watch List markets since September 2016

Poland

There have been no changes to the assessment of Poland against the Quality of Markets criteria. Poland is retained on the Watch List as an Advanced Emerging market, and will be reviewed for possible promotion to Developed status at the Annual Review in September 2017.

China A

There have been no changes to the assessment of the China A-shares market against the criteria in the Quality of Markets matrix. FTSE Russell acknowledges the efforts of the Chinese authorities to increase accessibility to the China A market to foreign investors, including the recent launch of the Shenzhen-Hong Kong Connect programme. The China A-shares market is retained on the Watch List, and will be reviewed for possible addition to the FTSE Global Equity Index Series as a Secondary Emerging market at the Annual Review in September 2017.

Kuwait

There have been no changes to the assessment of Kuwait against the Quality of Markets criteria. FTSE Russell awaits full implementation of the planned enhancements to the settlement cycle and the delivery versus payment process scheduled for March 2017.

Kuwait is retained on the Watch List, and will be reviewed for possible addition to the FTSE Global Equity Index Series as a Secondary Emerging market at the Annual Review in September 2017.

Romania

Romania was added to the Watch List in September 2016. There have been no changes to the assessment of Romania against the Quality of Markets criteria. Romania is retained on the Watch List as a Frontier market, and will be reviewed for possible promotion to the FTSE Global Equity Index Series as a Secondary Emerging market at the Annual Review in September 2017.

Saudi Arabia

Following engagement with the local market authorities, the FTSE Russell Country Classification Advisory Committee endorsed the following criteria rating changes:

- “No or selective incidences of foreign ownership restrictions” – upgraded from ‘Not Met’ to ‘Restricted’
- “No objection to or significant restrictions or penalties applied to the investment of capital or the repatriation of capital or income” – upgraded from ‘Not Met’ to ‘Restricted’
- “Custody – Sufficient competition to ensure high quality custodian services” – upgraded from ‘Not Met’ to ‘Restricted’
- “Brokerage – Sufficient competition to ensure high quality brokerage services” – upgraded from ‘Not Met’ to ‘Pass’

FTSE Russell acknowledges the recent easing of QFI rules and awaits the planned enhancements to the settlement cycle and the delivery versus payment process which are scheduled for April 2017. Saudi Arabia is retained on the Watch List, and will be reviewed for possible addition to the FTSE Global Equity Index Series as a Secondary Emerging market at the Annual Review in September 2017.

Argentina

Argentina was added to the Watch List in September 2016. Following engagement with the local market authorities, the FTSE Russell Country Classification Advisory Committee endorsed the following criteria rating changes:

- “Formal stock market regulatory authorities actively monitor market” – upgraded from ‘Restricted’ to ‘Pass’
- “Fair and non-prejudicial treatment of minority shareholders” – upgraded from ‘Not Met’ to ‘Restricted’
- “No objection to or significant restrictions or penalties applied to the investment of capital or the repatriation of capital or income” – upgraded from ‘Not Met’ to ‘Pass’ following the removal of the 120 day limit on cash inflows and associated restrictions.

Argentina now meets the requirements for Frontier market status within the FTSE Country Classification scheme. FTSE Russell is pleased to announce that Argentina will be assigned Frontier market status within the FTSE Country Classification scheme in conjunction with the FTSE Frontier annual review in September 2017.

Kazakhstan

The FTSE Russell Country Classification Advisory Committee has endorsed an upgrade for the “Clearing and Settlement” criterion from ‘Restricted’ to ‘Pass’. A T+2 settlement cycle for international investors has recently been introduced. Kazakhstan now meets the requirements for Frontier market status within the FTSE Country Classification scheme.

FTSE Russell is pleased to announce that Kazakhstan will be assigned Frontier market status within the FTSE Country Classification scheme in conjunction with the FTSE Frontier annual review in September 2017.

Mongolia

There have been no changes to the assessment of Mongolia against the Quality of Markets criteria due to the limited demonstrable progress in addressing the outstanding criteria required for attaining Frontier market status. Mongolia is retained on the Watch List and will be reviewed for possible addition to the FTSE Global Equity Index Series as a Frontier market at the Annual Review in September 2017.

Nigeria

Nigeria was added to the Watch List in September 2016 as a result of FTSE Russell index user reports of there being significant delays in their ability to repatriate capital from Nigeria. Limited progress has been made to address this concern and FTSE Russell continues to engage with the Nigerian authorities. Index changes for Nigerian domestic listed securities within FTSE Russell indexes have been suspended since June 2016.

Nigeria is retained on the Watch List, and will be reviewed for possible reclassification to Standalone market status at the Annual Review in September 2017.

FTSE Russell, supported by the FTSE Russell Country Classification Advisory Committee, will continue to engage with and closely monitor the progress of the Watch List countries.

In reaching its March 2017 interim assessments, FTSE Russell is grateful to the authorities in the world’s financial markets for their cooperation and constructive engagement and to market participants across the globe for sharing their experiences of working within international equity markets.

Other Markets (being monitored, not on the Watch List)**Egypt**

In the third quarter of 2016, FTSE Russell index users reported significant delays in their ability to repatriate capital in the form of US Dollars from Egypt. FTSE Russell commenced productive engagement with the Egyptian authorities to convey the concerns of foreign portfolio investors and to ascertain the potential longevity of these delays.

Since the beginning of 2017, FTSE Russell index users have reported an improvement in the repatriation process with the previous back-log of repatriation requests being cleared. As a result, the previously announced suspension of index changes for domestically-listed Egyptian securities within FTSE Russell indexes has been lifted. FTSE Russell will continue to monitor the market.

September 2017 Annual Review

FTSE Russell welcomes comments from all market participants on their experiences and perceptions of market practices across the globe, in particular for those countries on the current Watch List. Data collection and analysis for the Annual Review will close in July and the results will be announced in September 2017. Following the Annual Review a minimum of six months' notice is provided before country classification changes are implemented.

For full information about the FTSE country classification process, including details of the criteria for a market to be assigned Developed, Emerging and Frontier status and an assessment of each of the markets classified in FTSE equity indexes, please visit the country classification area of www.ftserussell.com.

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Data definitions available from
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