



FTSE Equity Country Classification September 2021 Annual Announcement

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1. Classification of Markets

A formal annual review of country classification within the FTSE global equity indices is conducted every September, using a comprehensive, transparent and consistent methodology. This Annual Review incorporates ongoing equity country classification research and classifies markets as Developed, Advanced Emerging, Secondary Emerging or Frontier within the FTSE global equity indexes.

Please refer to the [FTSE Equity Country Classification Process](#) document for further details.

2. FTSE Watch List

To ensure that the potential movement of markets between classifications is transparent, a Watch List of markets being considered for reclassification is maintained.

The following markets were members of the Watch List following the March 2021 Interim Equity Country Classification Review:

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

3. Progress of Watch List markets since March 2021

Advanced Emerging Watch List

Russia

Russia was added to the Watch List in September 2020 for possible reclassification from Secondary Emerging to Advanced Emerging market status. Within the September 2020 annual review of markets announcement, FTSE Russell announced that prior to a reclassification to Advanced Emerging market status, it would look for evidence of improvements to the registration process for new accounts.

FTSE Russell acknowledges the Russian National Finance Association and the Russian National Settlement Depository's joint initiative to collaborate with the Central Bank of Russia to reform the registration process. FTSE Russell will continue to monitor for enhancements to the registration process reforms and their implementation.

Russia is retained on the Watch List as a Secondary Emerging market and will be reviewed for possible reclassification to an Advanced Emerging market within the FTSE Equity Country Classification scheme at the Interim Review in March 2022.

Please note that markets with a FTSE equity country classification of Secondary Emerging or Advanced Emerging form the FTSE Russell Emerging Indices.

Secondary Emerging Watch List

Vietnam

Vietnam was added to the Watch List in September 2018 for possible reclassification to Secondary Emerging market status. Vietnam has yet to meet the "Settlement Cycle (DvP)" criterion which is currently rated as 'Restricted'. This is 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 are sought with regard to the registration of new accounts, where market practice can extend the registration process. 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 is also seen as important.

FTSE Russell acknowledges the constructive interactions it has had with the Vietnam market authorities during the last 12 months and the enactment of legislation intended to support the ambition to enhance market practices. In recent months, their continuing efforts to develop the capital market have been hampered by the global COVID-19 pandemic. FTSE Russell looks forward to continuing the engagement.

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 Interim Review in March 2022.

4. New Additions to the Watch List

Following the September 2021 Annual Review, FTSE Russell is pleased to announce that **Iceland** and **Mongolia** are being added to the Watch List. FTSE Russell will now initiate a detailed engagement process with the relevant market authorities, prior to a possible future reclassification.

Iceland is currently classified as a Frontier market and is being added to the Watch List for possible reclassification to Secondary Emerging. Iceland has been classified as a Frontier market since September 2019 and appears to meet the FTSE Quality of Markets criteria required for attaining Secondary Emerging market status. As at the end of June 2021, the market also meets the minimum investable market capitalisation and securities count requirements for Emerging market status.

Mongolia is currently Unclassified within the FTSE Equity Country Classification scheme and is being added to the Watch List for possible reclassification to a Frontier market. The inclusion in the Watch List recognises recent market enhancements by the Mongolian Stock Exchange, which, importantly, includes the availability of DvP and T+2 settlement for international investors.

Please refer to the [FTSE Quality of Markets matrix for Watch List markets](#) document for the ratings assigned to Iceland and Mongolia for the FTSE Quality of Markets criteria. FTSE Russell will provide an update on the Watch List status of these markets as part of the Interim Review of markets in March 2022.

5. The September 2021 Watch List is as follows:

- **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.

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

6. Enhancement to the FTSE Equity Country Classification Scheme

The FTSE Quality of Markets matrix is reviewed on a regular basis to reflect developments in equity capital markets and to ensure that the FTSE Equity Country Classification process continues to meet the needs of global investors when evaluated against a set of objective and transparent criteria. In July 2021, FTSE Russell [announced](#) the introduction of a new 'Tax' criterion to the FTSE Quality of Markets matrix to assess the imposition of Capital Gains Tax (CGT) on international institutional investors. The criterion focusses on any differences between the CGT rates that are levied on international versus domestic investors and assesses whether the level of taxation is reasonable when compared to that imposed by other market peers.

The new 'Tax' criterion for attaining Developed and Advanced Emerging market status will come into effect in September 2021. As a result of the introduction of the new Tax criterion to the FTSE Equity Country Classification process, the number of criteria within the FTSE Quality of Markets matrix will increase from 21 to 22. Markets will not be reclassified immediately or placed on the Watch List from September 2021 for failing to meet this criterion.

Please refer to the [FTSE Equity Country Classification Process Enhancements](#) document for further details.

Matrix of markets

(Source: FTSE Russell as at September 2021. Past performance is no guarantee of future results. Please see disclaimer for important legal information).

	SEGMENTS	AMERICAS	ASIA PACIFIC	EUROPE	MEA
	All-World World Developed Advanced Emerging Emerging Secondary Emerging EMEA All-World BRIC All-World ex USA All-World ex NA Developed ex USA Developed ex NA All-World Americas All-World North America All-World Latin America Emerging Latin America All-World ex Japan World ex Japan All-World ex Asia Developed ex Japan (FTSE Kaigai) Developed Asia Pacific Developed Asia Pacific ex Japan Developed Europe Asia Pacific All-World Europe-Asia Pacific All-World Asia Pacific All-World Asia Pacific ex Japan All-World Asia Pacific ex Japan, India & Pakistan All-World Asia Pacific ex Japan, Australia & New Zealand All-World Asia ex Japan, Hong Kong, Australia & New Zealand All-World Asia Pacific ex Japan, Australia, New Zealand, India All-World Asean All-World Greater China Emerging Asia Pacific All-World ex UK All-World ex Eurozone Developed ex Eurozone Developed ex UK Developed Europe Developed Europe ex UK Developed Europe ex Eurozone ex UK All-World Europe All-World Eurozone All-World Europe ex UK All-World Europe ex Eurozone All-World Europe ex Eurozone ex UK All-World Eastern Europe All-World Nordic Emerging Europe All-World ex South Africa All-World Middle East and Africa				
Australia
Austria
Belgium/Luxembourg
Brazil
Canada
Chile
China
Colombia
Czech Republic
Denmark
Egypt
Finland
France
Germany
Greece
Hong Kong
Hungary
India
Indonesia
Ireland
Israel
Italy
Japan
Kuwait
Korea
Malaysia
Mexico
Netherlands
New Zealand
Norway
Pakistan
Philippines
Poland
Portugal
Qatar
Romania
Russia
Saudi Arabia
Singapore
South Africa
Spain
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Switzerland
Taiwan
Thailand
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USA

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