

## FTSE Russell announces results of FTSE annual country classification review

- Poland to be promoted to Developed from Advanced Emerging
- Kuwait to be classified as Secondary Emerging
- Saudi Arabia will soon meet promotion criteria. Index users and market practitioners readiness now to be assessed; inclusion indexes to be launched in October
- China A-Shares remain on Watch List for possible inclusion as Secondary Emerging
- FTSE Russell provides progress update on other current Watch List countries

FTSE Russell, the global index, data and analytics provider, today announces the results of the FTSE Annual Country Classification Review for 2017. FTSE Russell formally reviews country classifications within its FTSE Global Equity Index Series (FTSE GEIS) each September using a comprehensive, transparent and consistent methodology. This annual review incorporates ongoing country classification research and feedback from the independent FTSE Russell external advisory committees to designate markets as Developed, Advanced Emerging, Secondary Emerging or Frontier.

Following the September 2017 annual review, FTSE Russell confirms the following:

- Poland, currently an Advanced Emerging market, to be reclassified as a Developed market
- Kuwait, currently unclassified, to be included as a Secondary Emerging market
- Saudi Arabia close to upgrade and will be assessed again in March 2018
- China A-Shares to remain on the Watch List for possible inclusion as a Secondary Emerging market
- Iceland to be added to the Watch List for possible inclusion as Frontier market
- Nigeria and Mongolia to drop off the Watch List

FTSE Russell congratulates Poland and Kuwait on meeting the requirements for attaining Developed and Secondary Emerging market status respectively. The reclassification of Kuwait is in recognition of the recent market enhancements implemented by the Capital Market Authority of Kuwait and Boursa Kuwait. The implementation of Poland and Kuwait's revised market status will commence from September 2018.

Saudi Arabia is to be congratulated on the pace of the recent market reforms which are widely acknowledged as being positive. As a result of these reforms, it is anticipated that Saudi Arabia will meet the requirements for inclusion as a Secondary Emerging market from early 2018 when further enhancements to the Independent Custody Model (ICM) are scheduled to be introduced. Accordingly, FTSE Russell will proceed with the launch of stand-alone Saudi Arabia country indexes and global and regional Saudi Arabia inclusion indexes to assist domestic and international investors who wish to seek early index-based exposure to the market.



Because of the size of the international investor flows that follow a change to a country's classification status, the FTSE country classification process for the FTSE GEIS requires that, in addition to meeting the requirements, the practical operation of changes to market structures be demonstrated before a change in a country's classification can be confirmed. Accordingly, FTSE Russell will work closely with the Saudi Arabian authorities and index users over the coming months to ensure the efficacy of the recent and intended reforms and the readiness of index users and market practitioners. In recognition of the pace of change in Saudi Arabia, FTSE Russell proposes to bring forward the next formal assessment of Saudi Arabia's classification status to March 2018 at which point a further announcement on the timing of Saudi Arabia's inclusion in the FTSE GEIS will be made.

Since the 2016 annual review, the Chinese authorities have sought to improve the attractiveness of the Stock Connect programme to international investors. The Shenzhen-Hong Kong Connect route was opened in December 2016 and there are plans for investors to be able to access cross-border IPOs via the Primary Equity Connect initiative. However, the coverage of the Connect programmes, daily quota limits, the number of trading holidays and the comparatively high level of stock suspensions continue to present concerns to international investors. FTSE Russell will continue to work with the Chinese authorities and index users to address these problems. In the meantime we maintain China A Shares on the Watch List.

**Mark Makepeace, CEO FTSE Russell said:**

"Congratulations to Poland and Kuwait. The authorities in these countries have worked hard to achieve their promotions.

"The Saudi Arabian authorities should also be congratulated on their very significant progress. The policy changes necessary for promotion have been put in place and we will now begin work with institutional investors and market practitioners to prepare for the promotion of the Saudi Arabian market. I fully expect us to finalise these arrangements and announce the implementation schedule in March next year.

"The China A-Share market continues to make progress. I expect to see growing use of our FTSE Global China A Inclusion Indexes prior to China A-Shares entering our core global benchmarks".

**Chris Woods, Managing Director Governance, Risk and Compliance, FTSE Russell, said:**

"We thank all the major institutional investors who have participated in our country classification review. Our strong, transparent governance structure is an integral part of our business and we will continue to consult with all participants to ensure our indexes are an accurate representation of global markets".

**FTSE Watch List 2017**

In order to ensure that the movement of countries between classifications is completely transparent to market participants, FTSE Russell maintains a Watch List of markets being considered for change between the various market classifications. The September 2017 FTSE Watch List is as follows:

- China A-Shares: Possible inclusion as Secondary Emerging
- Iceland: Possible inclusion as Frontier
- Romania: Possible reclassification from Frontier to Secondary Emerging
- Saudi Arabia: Possible inclusion as Secondary Emerging

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. FTSE Russell will provide a formal interim update in March 2018. FTSE Russell provides a minimum of six months' notice prior to changes being implemented in its indexes.

For more information please visit [Country Classification page](#).



– Ends –

## For further information:

### Global Media

Ed Clark	+44 (0)20 7797 1222
Mark Benhard	+1 212 314 1199
	newsroom@lseg.com

### Regional Contacts

Hong Kong: Fennie Wong	+852 2164 3267
Sydney: Laura McCrackle	+61 2 8823 3526

## Notes to editors:

### About FTSE Russell:

FTSE Russell is a leading global index provider creating and managing a wide range of indexes, data and analytic solutions to meet client needs across asset classes, style and strategies. Covering 98% of the investable market, FTSE Russell indexes offer a true picture of global markets, combined with the specialist knowledge gained from developing local benchmarks around the world.

FTSE Russell index expertise and products are used extensively by institutional and retail investors globally. Approximately \$15 trillion is currently benchmarked to FTSE Russell indexes. 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 investment funds, ETFs, structured products and index-based derivatives. FTSE Russell indexes also provide clients with tools for asset allocation, investment strategy analysis and risk management.

A core set of universal principles guides FTSE Russell index design and management: a transparent rules-based methodology is informed by independent committees of leading market participants. FTSE Russell is focused on index innovation and customer partnership applying the highest industry standards and embracing the IOSCO Principles. FTSE Russell is wholly owned by London Stock Exchange Group.

For more information, visit [www.ftserussell.com](http://www.ftserussell.com)

© 2017 London Stock Exchange Group plc and its applicable group undertakings (the "LSE Group"). The LSE Group includes (1) FTSE International Limited ("FTSE"), (2) Frank Russell Company ("Russell"), (3) FTSE TMX Global Debt Capital Markets Inc. and FTSE TMX Global Debt Capital Markets Limited (together, "FTSE TMX") and (4) MTSNext Limited ("MTSNext"). All rights reserved.

FTSE Russell® is a trading name of FTSE, Russell, FTSE TMX and MTS Next Limited. "FTSE®", "Russell®", "FTSE Russell®", "MTS®", "FTSE TMX®", "FTSE4Good®" and "ICB®" and all other trademarks and service marks used herein (whether registered or unregistered) are trade marks and/or service marks owned or licensed by the applicable member of the LSE Group or their respective licensors and are owned, or used under licence, by FTSE, Russell, MTSNext, or FTSE TMX.

All information is provided for information purposes only. Every effort is made to ensure that all information given in this publication is accurate, but no responsibility or liability can be accepted by any member of the LSE Group nor their respective directors, officers, employees, partners or licensors for any errors or for any loss from use of this publication or any of the information or data contained herein.

No member of the LSE Group nor their respective directors, officers, employees, partners or licensors make any claim, prediction, warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the FTSE Russell Indexes or the fitness or suitability of the Indexes for any particular purpose to which they might be put.

No member of the LSE Group nor their respective directors, officers, employees, partners or licensors provide investment advice and nothing in this communication should be taken as constituting financial or investment advice. No member of the LSE Group nor their respective directors, officers, employees, partners or licensors make any representation regarding the advisability of investing in any asset. A decision to invest in any such asset should not be made in reliance on any information herein. Indexes cannot be invested in directly. Inclusion of an asset in an index is not a recommendation to buy, sell or hold that asset. The general information contained in this publication should not be acted upon without obtaining specific legal, tax, and investment advice from a licensed professional.

No part of this information may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without prior written permission of the applicable member of the LSE Group. Use and distribution of the LSE Group index data and the use of their data to create financial products require a licence from FTSE, Russell, FTSE TMX, MTSNext and/or their respective licensors.

