

Consultation on enhancing the FTSE North America Review Process within FTSE GEIS

May 2025



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Introduction

The FTSE Global Equity Index Series (GEIS) is reviewed semi-annually based on eight review regions in which the United States and Canada are combined into a single North America region for company ranking and size cut-off determination. However, the significant growth of the United States over the last 10+ years has had a direct impact on the number of Canadian companies represented within the FTSE Global All Cap Index.

To address the impact that the significant growth of the US equity market has had on the representation of Canada within FTSE GEIS, FTSE Russell proposes separating the FTSE North America regional review into standalone FTSE Canada and FTSE USA review regions. This treatment is similar to the treatment of standalone FTSE Japan and FTSE China review regions due to their relative size within the Asia Pacific region.

Responding to the consultation

The questions posed as part of this consultation are intended to gather feedback from all market participants and may or may not result in changes to our indices.

Index users and market stakeholders are invited to respond by **13 June 2025**.

The consultation results will be reviewed by the FTSE Russell Index Governance Board in accordance with the [FTSE Russell Policy for Benchmark Methodology Changes: Ground Rules \(lseq.com\)](https://www.ftserussell.com/indices/ground-rules).

Any changes will be communicated by via an announcement, which will be available on the FTSE Russell public website.

Please submit your response to the questions included in this consultation online at <https://www.surveymonkey.com/r/92MSBDT>

All responses will be treated as confidential. FTSE Russell may publish a summary of the consultation feedback, but no individual responses will be published and no respondents will be named.

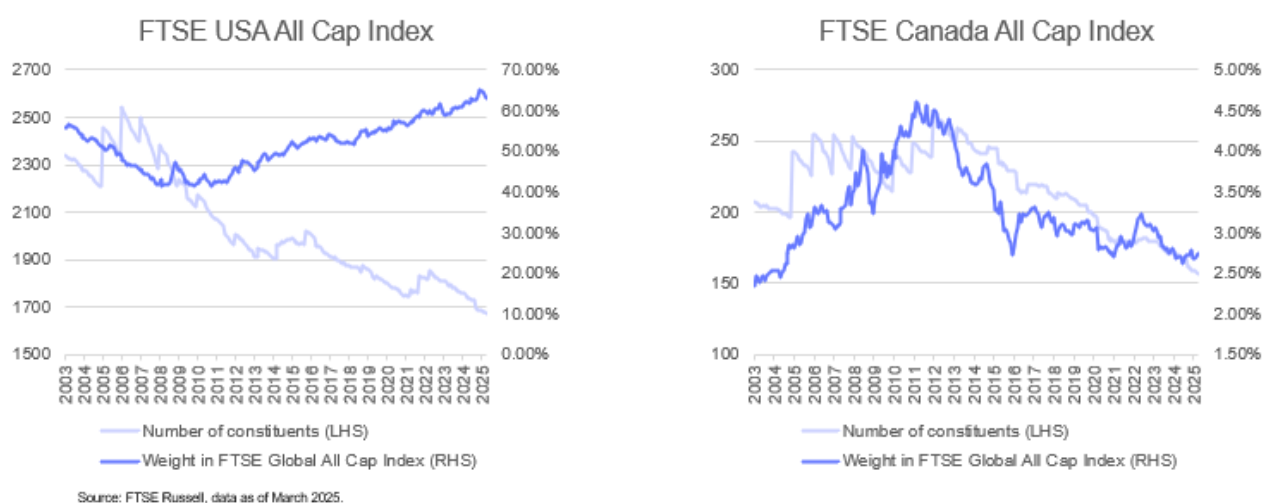
If you have any questions about this survey, or if you encounter any technical issues, please contact committeesecretary@ftserussell.com.

Background

The FTSE Global Equity Index Series (GEIS) is reviewed semi-annually based on eight review regions in which the United States and Canada are combined into a single North America region for company ranking and size cut-off determination. However, the significant growth of the United States over the last 10+ years has had a direct impact on the number of Canadian companies represented within the FTSE Global All Cap Index.

Context for the Market Consultation

Impact of growing US equity market concentration



The grouping of Canada with the United States for regional ranking purposes has several structural effects on the composition of FTSE GEIS:

Market Cap Concentration: As of March 31, 2025, the US market represents approximately 96% of the North America region by net market capitalisation. As a result, the regional ranking is dominated by mega cap US companies, creating a challenge for maintaining a balanced representation of Canada and USA when reviewed as a combined North America region.

Size Segment Eligibility: Canadian companies are evaluated against the combined North America regional size breakpoints for size assignment within the FTSE Global All Cap Index. This aggregation results in a higher threshold for Canadian companies to qualify for the upper size segments, limiting representation in large and mid cap companies relative to a standalone country review.

Country and Regional Weighting: Canada's weight within the North America region is typically around 3-5% of the FTSE North America region depending on market conditions. When further aggregated into a Developed or Global benchmark, this leads to a reduced standalone weighting for Canada in global portfolios. However, Canada's weight in ex-US indices increases, e.g. to around 6-8% of the FTSE Global All Cap ex US and FTSE All-World ex US indices. While FTSE GEIS maintains a distinct country classification for Canada within the North



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America region, enabling country-specific indices such as the FTSE Canada All Cap Index, the regional aggregation for size segmentation impacts the representation of Canadian companies at the global index level.

Proposal

To address the impact that the significant growth of the US equity market has had on the representation of Canada within FTSE GEIS, FTSE Russell proposes separating the FTSE North America regional review into standalone FTSE Canada and FTSE USA review regions. This treatment is similar to the treatment of standalone FTSE Japan and FTSE China review regions due to their relative size within the Asia Pacific region.

Overall, splitting Canada and the US into separate regional reviews would increase Canadian company inclusion, weight in the overall global equity index, and better represent the Canadian equity market within FTSE GEIS. On a global scale, the turnover impact is relatively small, however meaningful to the Canadian equity market as a building block within the FTSE GEIS structure.

FTSE Russell proposes to implement the change in one tranche, effective at the September 2025 FTSE GEIS semi-annual index review. This results in a one-time turnover event in order to de-couple the FTSE Canada index review region from the FTSE USA index review region.

Hypothetical review characteristics based on September 2024

FTSE USA All Cap	Live Index Review	Hypothetical Index Review	FTSE Canada All Cap	Live Index Review	Hypothetical Index Review
Number of Constituents	1,698	1,674	Number of Constituents	161	220
L	175	160	L	13	38
M	373	378	M	34	43
S	1,150	1,136	S	114	139
Constituent Sizes			Constituent Sizes		
(USD Million)			(USD Million)		
Weight of Largest Constituent (%)	6.39%	6.39%	Weight of Largest Constituent (%)	7.00%	6.78%
Top 10 Holdings (% Index MCap)	31.30%	31.31%	Top 10 Holdings (% Index MCap)	37.15%	36.01%
L	73.52%	72.10%	L	42.73%	71.18%
M	17.16%	18.43%	M	36.54%	17.49%
S	9.32%	9.47%	S	20.72%	11.34%
Total Portfolio Size (Net Market Cap \$M)	51,932,936.56	51,908,608.42	Total Portfolio Size (Net Market Cap \$M)	2,143,419.24	2,211,160.21
Average	30,584.77	31,008.73	Average	13,313.16	10,050.73
Largest	3,319,306.31	3,319,306.31	Largest	149,953.35	149,953.35
Smallest	281.42	316.15	Smallest*	379.76	379.76
Median	5,500.05	5,617.98	Median	4,823.16	2,529.11

Source: FTSE Russell, data as of September 2024. Hypothetical illustration.

*Smallest stock by net market cap in FTSE Canada All Cap Index remains the same due to inclusion based on lower buffer for the Small Cap size segment.

Hypothetical breakpoints and turnover based on September 2024

Breakpoints	Actual North America Index Review	Hypothetical FTSE USA Review	Difference	Hypothetical FTSE Canada Review	Difference
Capped Regional Universe	59,196,712.17	56,528,113.17	-2,668,598.99	2,668,598.99	-56,528,113.17
Index Universe (98% Regional Universe)	58,012,802.40	55,398,073.09	-2,614,729.30	2,615,294.71	-55,397,507.69
Large Cap Entry (68%)	64,951.49	71,804.52	6,853.03	20,383.99	-44,567.51
Large Cap Exit (72%)	50,547.20	56,608.10	6,060.90	17,446.72	-33,100.48
Mid Cap Entry (86%)	18,872.36	20,409.36	1,537.00	5,337.19	-13,535.17
Mid Cap Exit (92%)	9,536.33	10,316.13	779.8	2,567.01	-6,969.33
Small Cap Entry (98%)	3,220.37	3,520.05	299.67	932.79	-2,287.58
Small Cap Exit (101%)	862.82	989.05	126.23	266.23	-596.59
Small Cap Entry (Investable Inclusion)	1,028.80	940.3	-88.5	150	-878.8
Small Cap Exit (Investable Exclusion)	257.2	235.07	-22.13	30	-227.2
All World (Inclusion Level)	21,158.15	20,316.27	-841.88	841.88	-20,316.27

FTSE USA Total Cap	All-World	Small Cap	Micro Cap
Number of Adds	0	11	27
Inv. Mkt Cap (\$m) Adds	0	97,879	26,625
Number of Deletes	10	25	1
Inv. Mkt Cap (\$m) Deletes	96,920	25,287	147
Regional two-way turnover	0.26%	2.25%	3.87%
Country two-way turnover	0.21%	1.99%	3.52%

FTSE Canada Total Cap	All-World	Small Cap	Micro Cap
Number of Adds	34	62	3
Inv. Mkt Cap (\$m) Adds	241,831	70,139	1,951
Number of Deletes	0	37	65
Inv. Mkt Cap (\$m) Deletes	0	263,430	71,846
Regional two-way turnover	0.27%	3.22%	4.97%
Country two-way turnover	13.32%	59.31%	52.68%

Source: FTSE Russell, data as of September 2024. Hypothetical illustration.

Enhanced Canadian Market Representation: Splitting the North American regional review allows Canada to have its own large, mid and small cap thresholds based solely on the Canadian equity universe, rather than competing against the much larger US market. As a result, more Canadian companies qualify for inclusion within each size segment, particularly in the mid cap and small cap size segments due to the significant reduction of inclusion levels for the FTSE Canada All Cap Index. Please note, all stocks in the hypothetical reviews are already within the FTSE Global Equity Index Series Universe, and all additions except one company are migrations from a different size segment, e.g. Canada Mid Cap to Canada Large Cap or USA Large Cap to USA Mid Cap; the one new FTSE GEIS addition is a Canadian stock that was previously too large to be included in Micro Cap after failing the investable market cap screen, which is based on the combined North America thresholds, however it qualifies in the hypothetical review as a Canada Small Cap addition.

- Based on our hypothetical review as of September 2024, the number of constituents in the FTSE Canada All Cap Index increased from 161 constituents to 220 constituents.
- Canada's overall weight in the FTSE North America index increases from 3.96% to 4.09%, making Canadian equities more accessible to FTSE GEIS trackers.
- The resulting distribution of Canadian equity weights across large, mid, and small cap segments aims to align with intended target coverage of 70%/20%/10%, large, mid and small cap representation

Preservation of Canadian Market Characteristics: Canada's industry exposures, particularly in Financials, Energy and Basic Materials, would be better represented within the global index, instead of being diluted by the tech-heavy US companies. When splitting the North American regional review, we observe a slight decrease to the Technology Industry within the FTSE North America All Cap Index and an increase to Basic Materials and Energy Industry weights.

Impact to FTSE USA review region: Overall, we see minimal impact to the FTSE USA review when removing Canada from its review universe. We observed an increase in the size of the smallest company within the FTSE USA All Cap Index. The smallest security within the live index review fails investable market cap and is below the 101% buffer within the hypothetical index review.

Note: Any custom indices based on FTSE GEIS will reflect changes to the component USA and Canada indices.

Questions

- 1) Do you endorse separating the FTSE North America review region into distinct FTSE Canada and FTSE USA regions for the purposes of rebalancing FTSE GEIS? If not, why? Please describe in Comments.

☐ Yes

☐ No

Comments:

- 2) Do you endorse the September 2025 review implementation timing? If not, what date do you suggest? Please describe in Comments.

☐ Yes

☐ No

Comments:

- 3) Any other comments that you would like to share with FTSE Russell?

Comments:

Please contact your local client services team on info@ftserussell.com or your respective account manager if you have any questions or would like to schedule a call to discuss this topic in greater detail.

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