
March 2024

FTSE Classification of Equity Markets – FTSE Equity Country Classification Interim Announcement March 2024

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A formal interim review of country classification within the FTSE global equity indices is conducted every March using a comprehensive, transparent, and consistent methodology. This interim review ensures that investors are informed of the progress of markets that were placed on the Watch List in the preceding September, when the annual review is published.

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

The results of the Interim March 2024 FTSE Equity Country Classification Review can be found in the remainder of this announcement.



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1. FTSE Equity Country Classification Watch List

To provide investors with visibility of the potential movement of markets between classifications, FTSE Russell maintains a Watch List of markets that are under review and being monitored for reclassification.

The following markets were members of the Watch List following the September 2023 Annual Equity Country Classification Review:

- **Egypt:** possible reclassification from Secondary Emerging to Unclassified.
- **Pakistan:** possible reclassification from Secondary Emerging to Frontier.
- **Vietnam:** possible reclassification from Frontier to Secondary Emerging.

2. Progress of Watch List Markets since September 2023

Secondary Emerging Watch List

Egypt

Egypt is currently classified as a Secondary Emerging market and was added to the Watch List from September 2023 for possible reclassification from Secondary Emerging to Unclassified market status.

Egypt was added to the Watch List from September 2023 for possible reclassification from Secondary Emerging to Unclassified market status. This was due to reports received from index users and market participants that, from March 2023 onwards, there were significant, ongoing delays to the ability of international institutional investors to repatriate capital from Egypt and in the execution of foreign exchange (FX) transactions. Consequently, FTSE Russell has not implemented certain corporate events for Egyptian constituents of FTSE Russell equity indices since June 2023.

FTSE Russell notes the recent positive developments in Egypt, including but not limited to, the International Monetary Fund (IMF) agreeing a Staff Level loan agreement, which have contributed to international institutional investors reporting being able to repatriate capital from Egypt, resulting in the outstanding foreign exchange (FX) queues being cleared. Consequently, FTSE Russell will recommence implementing corporate events for Egyptian constituents of FTSE Russell equity indices effective from the open on Monday 01 April 2024.

As the clearing of the outstanding FX queues is a recent development, FTSE Russell will continue to monitor the market to determine whether the clearing of the FX queue is permanent or temporary in nature. Consequently, following the recommendations received from the FTSE Equity Country Classification Advisory Committee and the FTSE Russell Policy Advisory Board, the FTSE Russell Index Governance Board has determined to **retain Egypt on the Watch List as part of the March 2024 Interim Update.**

FTSE Russell will continue to monitor the market and will provide an update on the Watch List status of Egypt by the end of June 2024.

Pakistan

Pakistan is currently classified as a Secondary Emerging market and was added to the Watch List from September 2023 for possible reclassification from Secondary Emerging to Frontier market status.

Over the last few years Pakistan has experienced a steady decrease in its index weight within FTSE Russell global benchmarks, which resulted in the market failing to meet the Minimum Investable Market Capitalisation exit level threshold required to retain a Secondary Emerging market status, based on data as of the close on Friday 30 June 2023, resulting in Pakistan being placed on Watch List from September 2023.

The Minimum Investable Market Capitalisation and Securities Count assessment is conducted twice a year, based on data as of month-end June and December. Based on data as of the close on Friday 28 December 2023, Pakistan marginally passed the Minimum Investable Market Capitalisation exit level threshold that is required to retain Secondary Emerging market status. For further details on the Minimum Investable Market Capitalisation and Securities Count thresholds please refer to the [FTSE Equity Country Classification Process](#) guide.

Pakistan will next be assessed against the Minimum Investable Market Capitalisation and Securities Count exit level thresholds based on data as of the close on Friday 28 June 2024. FTSE Russell will announce the results of the assessment by Friday 05 July 2024.

Subject to Pakistan failing the thresholds and final ratification by the FTSE Russell Index Governance Board, FTSE Russell will announce the reclassification of Pakistan from Secondary Emerging to Frontier market status in conjunction the September 2024 index reviews that are effective from the open on Monday 23 September 2024.

Consequently, following the recommendations received from the FTSE Equity Country Classification Advisory Committee and the FTSE Russell Policy Advisory Board, the FTSE Russell Index Governance Board has determined to **retain Pakistan on the Watch List as part of the March 2024 Interim Update.**

Vietnam

Vietnam is currently classified as a Frontier market and was added to the Watch List from September 2018 for possible reclassification to Secondary Emerging market status.

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' 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 – costs associated with failed trades' criterion is unrated. Additionally, improvements to the process for the registration of new accounts are required, as market practice can result in the extension of 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 (FOL) is also seen as important.

The drive towards achieving Emerging Market status has remained resolute since the September 2023 Annual Announcement and was recently re-enforced by the Prime Minister of Vietnam. On 28 February 2024, he specifically committed the Vietnamese market to the removal of various obstacles that may prevent Vietnam from meeting the FTSE Equity Country Classification criteria by 2025. The list included the amendment of relevant legal regulations and the creation of more favourable conditions and removal of barriers for foreign investors to access the market. A review of the current FOL regime and simplification of the foreign investors account opening process, were given as examples.

The proposed settlement model under consideration is being further refined, by an industry group, working alongside the State Securities Commission of Vietnam (SSC). FTSE Russell continues to encourage meetings between the local Vietnamese entities and the international investment community, to assist in better understanding the current difficulties encountered when accessing the Vietnamese equity market.

To achieve the above mentioned 2025 reclassification target, it is imperative that the settlement model be confirmed and widely communicated, relatively soon, including finalisation of the required roles and responsibilities within the settlement model, and a roadmap, with key milestones, setting out the path towards implementation.

FTSE Russell continues to maintain a constructive relationship with the SSC, other market authorities, and the World Bank Group, who is supporting the wider market reform programme.

Consequently, following the recommendations received from the FTSE Equity Country Classification Advisory Committee and the FTSE Russell Policy Advisory Board, the FTSE Russell Index Governance Board has determined to **retain Vietnam on the Watch List as part of the March 2024 Interim Update.**

4. Other Markets

Bangladesh (Frontier market status)

On 28 February 2023, FTSE Russell [announced](#) that index changes for Bangladesh constituents of FTSE Russell equity indices would be frozen due to the continued imposition of a 'floor price' on the Dhaka Stock Exchange that impacts the ability of international institutional investors to replicate benchmark changes. Consequently, the 'Efficient Trading Mechanism' criterion for Bangladesh has been downgraded from 'Restricted' to a 'Not Met' rating.

FTSE Russell notes the recent announcements by the Bangladesh Securities and Exchange Commission (BSEC) to lift the 'floor price' restriction on all but six Bangladeshi listed securities. Consequently, FTSE Russell continues to engage with the BSEC to confirm when the final restrictions will be lifted.

Canada, Mexico and USA

FTSE Russell notes the intent of Canada, Mexico and the USA to shorten their respective settlement cycles from trade date plus two days (T+2) to trade date plus one day (T+1), with effect from the end of May 2023 (Canada and Mexico are set to move on 27 May 2024, and the USA on 28 May 2024, a day later, due to the Memorial Day federal holiday).

Although there has been significant preparation for these changes, their implementation will provide challenges for many counterparties, particularly non-domestic market participants in these markets.

FTSE Russell has no plans to make any adjustment within its Equity Country Classification framework with regard to these important initiatives. However, FTSE Russell will continue to work with its clients to reflect the evolution of equity markets. The Equity Country Classification framework makes clear within its Clearing, Settlement and Custody criteria that a market should have an efficient, established and fully functional clearing and settlement process, aligned with international standards. The framework also specifies that there should be no need to pre-fund trades (or for a pre-trading check to be conducted) for non-domestic investors, and that a comprehensive Delivery versus Payment (DvP) model should be operating.

The impact of the change to T+1 on the Equity Country Classification criteria will be carefully scrutinised as the practical experience of managing the shorter settlement cycle is assessed.

5. The March 2024 Watch List

- **Egypt:** retained on the Watch List for possible reclassification from Secondary Emerging to Unclassified market status; an update on the Watch List status of Egypt will be provided by the end of June 2024.
- **Pakistan:** retained on the Watch List for possible reclassification from Secondary Emerging to Frontier market status and announce by Friday 05 July 2024 whether a reclassification will be implemented effective from the open on Monday 23 September 2024.
- **Vietnam:** retained on the Watch List for possible reclassification from Frontier to Secondary Emerging market status and provide an update on the Watch List status of Vietnam as part of the annual update in September 2024.

For more information please visit: [Equity Country Classification | LSEG](#)

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.

Effective immediately, the minimum securities count requirement for both the Developed and Emerging market exit levels for a market to be considered for addition to the Watch List for a possible downgrade in its classification will be based on the number of securities eligible for the FTSE Developed and FTSE Emerging indices respectively, which encompasses Large and Mid Cap designated securities. Previously the assessment was based on eligibility for the FTSE Global All Cap Index which encompasses Large, Mid and Small Cap designated securities.

The following provides a summary of the changes to the minimum securities count requirement for a market to be added to the Watch List for possible a reclassification:

Developed market status

- Entry: an investable market capitalisation of greater than five basis point of the FTSE Developed All Cap Index and a minimum of five securities eligible for the FTSE Developed Index
- Exit: an investable market capitalisation of greater than 2.5 basis point of the FTSE Developed All Cap Index or the number of eligible securities for the FTSE Developed Index falls below two.

Emerging market status

- Entry: an investable market capitalisation of greater than 10 basis point of the FTSE Emerging All Cap Index and a minimum of five securities eligible for the FTSE Emerging All Cap Index of which at least three securities are eligible for the FTSE Emerging Index.
- Exit: an investable market capitalisation of greater than five basis point of the FTSE Developed All Cap Index or the number of eligible securities for the FTSE Emerging Index falls below two.

The minimum investable market capitalisation and securities count thresholds ensure that the FTSE Global Equity Index Series (GEIS) and associated global indices represent sizeable and liquid markets, with the assessment conducted on a semi-annual basis based on data as of the last business day in June and December.

For further information, please refer to the [FTSE Equity Country Classification Process](#) document and the FTSE Russell website: [Equity Country Classification | LSEG](#).

The table below shows the markets classified within the FTSE Equity Country Classification scheme as at March 2024:

Developed	Advanced Emerging	Secondary Emerging	Frontier
Australia	Brazil	Chile	Bahrain
Austria	Czech Republic	China	Bangladesh
Belgium/Luxembourg	Greece	Colombia	Botswana
Canada	Hungary	Egypt	Bulgaria
Denmark	Malaysia	Iceland	Côte d'Ivoire
Finland	Mexico	India	Croatia
France	South Africa	Indonesia	Cyprus
Germany	Taiwan	Kuwait	Estonia
Hong Kong	Thailand	Pakistan	Ghana
Ireland	Turkiye	Philippines	Jordan
Israel		Qatar	Kazakhstan
Italy		Romania	Kenya
Japan		Saudi Arabia	Latvia
Netherlands		United Arab Emirates	Lithuania
New Zealand			Malta
Norway			Mauritius
Poland			Mongolia
Portugal			Morocco
Singapore			Oman
South Korea			Palestine
Spain			Peru
Sweden			Republic of North Macedonia
Switzerland			Serbia
UK			Slovak Republic
USA			Slovenia
			Sri Lanka
			Tanzania
			Tunisia
			Vietnam

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For over 35 years we have been at the forefront of driving change for the investor, always innovating to shape the next generation of benchmarks and investment solutions that open up new opportunities for the global investment community.

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