

FTSE Equity Country Classification Process Enhancements April 2025

The FTSE Equity Country Classification process assesses markets against criteria which are referred to as the FTSE Quality of Markets matrix.

The FTSE Quality of Markets matrix is reviewed on a regular basis to reflect developments in equity capital markets and to ensure the FTSE Equity Country Classification process continues to meet the needs of global investors when evaluated against a set of objective and transparent criteria. This document lists the enhancements to the FTSE Quality of Markets criteria and the FTSE Equity Country Classification evaluation process since January 2020.



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Enhancement effective from 31 March 2024

For a Developed market, if the number of eligible index constituents within the FTSE Developed Index, which encompasses Large and Mid Cap securities, falls below two then the market will be placed on Watch List for possible reclassification from Developed to Advanced Emerging market status.

Previously, the minimum securities requirement was two eligible index constituents, and the index eligibility requirement was based on the FTSE Global All Cap Index which encompasses Large, Mid and Small Cap designated securities.

For a Secondary Emerging market, if the number of eligible index constituents within the FTSE Emerging Index, which encompasses Large and Mid Cap securities, falls below two, then the market will be placed on Watch List for possible reclassification from Secondary Emerging to Frontier market status.

Previously, the minimum securities requirement was two eligible index constituents, and the index eligibility requirement was based on the FTSE Global All Cap Index which encompasses Large, Mid and Small Cap designated securities.

For a Frontier market to be considered for addition to the Watch List for possible reclassification from Frontier to Secondary Emerging market status, the minimum number of five securities required to the FTSE Global All Cap (Large, Mid and Small Cap) index eligibility screens remains unchanged. However, effective from March 2024 a minimum of three of these five or more securities must meet the index eligibility screens for the FTSE Emerging Index, which encompasses Large and Mid Cap securities.

Enhancement effective from 31 March 2023

The minimum securities count requirement for an Advanced Emerging market to be considered for addition to the Watch List for possible reclassification to Developed market status will be based on five securities meeting the index eligibility requirements for the FTSE Developed Index, which encompasses Large and Mid Cap designated securities. Previously, the index eligibility requirement was based on the FTSE Global All Cap Index which encompasses Large, Mid and Small Cap designated securities.

For further information on the minimum investable market capitalisation and securities count requirements, please refer to the [FTSE Equity Country Classification Process](#) document.

Enhancement effective from September 2022 – (notification)

FTSE Russell's Index Governance Board (formerly the Product Governance Board) approved the following enhancements to the FTSE Quality of Markets matrix, effective from September 2022:

Change of the 'Settlement – rare incidences of failed trades' criterion to 'Settlement – costs associated with failed trades'. This criterion will be required for attaining Developed, Advanced Emerging, Secondary Emerging and Frontier market status.

For FTSE Equity Country Classification evaluation purposes, the assessment of this criterion is typically based on the costs, timing and market mechanisms associated with failed (and/or failing) trades, which should be transparent, reasonable and comparable with peer markets. The lack of a 'buy-in' process is rated negatively, and non-financial penalties imposed on a failing counterparty should be transparent, fair and appropriate.

The table below details the ratings assigned to the markets that do not currently pass this criterion, effective in conjunction with the FTSE Equity Country Classification September 2022 annual review of markets.

Market	Classification	Proposed Rating
Belgium	Developed	Restricted
France	Developed	Restricted
Hong Kong	Developed	Restricted
Singapore	Developed	Restricted
South Korea	Developed	Restricted
Sweden	Developed	Restricted
Brazil	Advanced Emerging	Restricted
Czech Republic	Advanced Emerging	Restricted
Malaysia	Advanced Emerging	Restricted
Mexico	Advanced Emerging	Restricted
Taiwan	Advanced Emerging	Restricted
Thailand	Advanced Emerging	Restricted
Chile	Secondary Emerging	Restricted
China	Secondary Emerging	Restricted
India	Secondary Emerging	Restricted
Indonesia	Secondary Emerging	Not Met
Pakistan	Secondary Emerging	Restricted
Romania	Secondary Emerging	Restricted
Saudi Arabia	Secondary Emerging	Restricted
UAE	Secondary Emerging	Restricted
Botswana	Frontier	Restricted
Côte d'Ivoire	Frontier	Restricted
Jordan	Frontier	Restricted
Kenya	Frontier	Restricted
Palestine	Frontier	Restricted
Republic of North Macedonia	Frontier	Restricted

Please note that markets will not be reclassified immediately or placed on the Watch List from September 2022 for failing to meet this criterion.

Any potential changes to the Developed, Advanced Emerging, Secondary Emerging or Frontier classification status of a market will initially involve placing a market on the FTSE Equity Country Classification Watch List and sufficient advance notice will be provided prior to any reclassification.

Enhancement effective from March 2022 (notification)

FTSE Russell's Index Governance Board (formerly the Product Governance Board) approved the following changes to the FTSE Equity Country Classification process notification period:

- The minimum period a market must stay on the Watch List has been reduced from twelve months to six months.
- The minimum notification period in advance of a reclassification has been reduced from twelve months to six months.

Enhancement effective from September 2021 [\(notification\)](#)

FTSE Russell's Product Governance Board approved the following enhancement to the FTSE Quality of Markets matrix, effective from September 2021:

- Introduction of a '**Tax** – *imposition of taxes to be reasonable, consistent in nature and comparable between domestic and non-domestic investors*' criterion. This criterion will be required for attaining Developed and Advanced Emerging market status.

For FTSE Equity Country Classification evaluation purposes, the assessment of Tax is typically based on rates imposed on Capital Gains: the cost levied on the growth in value of an asset during its holding period, with the impost crystallised at the time of realisation. There may be differentiation between the Tax levied for short- and long-term holding periods. It will be viewed negatively if a Tax is based on the jurisdiction or global location of a fund/beneficial owner and/or the type of end investor and is materially more onerous than that imposed on domestic peers. If the Tax is overly burdensome, viewed as unnecessarily complex and/or requires the non-domestic investor to hire a local tax agent, it will also be viewed negatively.

The table below illustrates the proposed ratings that will be assigned to the markets that do not currently pass the new Tax criterion, effective in conjunction with the FTSE Equity Country Classification September 2021 annual review of markets.

Market	Classification	Proposed Rating
Bangladesh	Frontier	Not Met
Botswana	Frontier	Not Met
Brazil	Advanced Emerging	Restricted
Iceland	Frontier	Restricted
India	Secondary Emerging	Not Met
Pakistan	Secondary Emerging	Not Met
Romania	Secondary Emerging	Not Met
Serbia	Frontier	Restricted
Taiwan	Advanced Emerging	Restricted

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 immediately reclassified or placed on the Watch List from September 2021 for failing to meet this criterion.

Any potential changes to the Developed Advanced Emerging, Secondary Emerging or Frontier classification status of a market will initially involve the market being placed on the Watch List and sufficient advance notice provided prior to any reclassification.

Enhancements effective from January 2020 [\(notification\)](#)

Following a previous review, the FTSE Russell Product Governance Board approved the following enhancements to the FTSE Quality of Markets matrix that became effective from January 2020:

- Discontinuation of the 'Developed Equity Market' criterion.
- Discontinuation of the 'Liquidity – Sufficient broad market liquidity to support sizeable global investment' criterion.
- Introduction of a 'Central Securities Depository' criterion – a requirement for attaining Developed, Advanced Emerging and Secondary Emerging market status.

- Introduction of a 'Central Counterparty Clearing House' criterion – a requirement for attaining Developed and Advanced Emerging market status.
- Change of the 'Custody – Omnibus and segregated account facilities available to international investors' criterion to 'Account structure operating at the Custodian level (securities and cash)'.
- Introduction of a 'Minimum Investable Market Capitalisation and Securities Count Requirement' criterion.

Minimum Size and Securities Count Requirement

To counterbalance the discontinuation of the 'Liquidity – Sufficient broad market liquidity to support sizeable global investment' criterion, a minimum investable market capitalisation (cap) and eligible security count entry and exit thresholds are being introduced to the FTSE Equity Country Classification process for Developed and Secondary Emerging markets. This will ensure the representation of sizeable and liquid markets in the FTSE Global Equity Index Series (GEIS), thereby eliminating the need for index trackers to open trading accounts in very small markets. Markets with a lower investable market cap and a lesser number of eligible securities will continue to be represented in the FTSE Frontier Index Series.

For **Developed** markets, the new minimum investable market cap and securities count requirements are as follows:

- For Entry – the combined investable market cap of the eligible securities is greater than five basis points of the FTSE Developed All Cap Index, and a minimum of five securities meet the FTSE Global All Cap Index eligibility screens.
- For Exit (i.e., to be placed on the Watch List) – the combined investable market cap of the eligible securities falls below two and a half basis points of the FTSE Developed All Cap Index, or the number of eligible stocks decreases to two or fewer.

Developed	Minimum Stock Requirement	FTSE Developed All Cap	Investable Market Cap*	GNI
Entry	5	5 Basis Points	USD 25.54bn	High
Exit	2	2.5 Basis Points	USD 12.77bn	

*Data as of close 31 December 2019

For **Emerging** markets, the new minimum investable market cap and securities count requirements are as follows:

- For Entry - the combined investable market cap of the eligible securities is greater than 10 basis points of the FTSE Emerging All Cap Index, and a minimum of five securities meet the FTSE Global All Cap Index eligibility screens.
- For Exit (i.e. to be placed on the Watch List) - the combined investable market cap of the eligible securities falls below five basis points of the FTSE Emerging All Cap Index, or the number of eligible stocks decreases to two or fewer.

Secondary Emerging	Minimum Stock Requirement	FTSE Emerging All Cap	Investable Market Cap*	GNI
Entry	5	10 Basis Points	USD 6.03bn	Lower Middle
Exit	2	5 Basis Points	USD 3.02bn	

*Data as of close 31 December 2019

The minimum investable market cap cut-off levels will be calculated semi-annually, as follows:

- Year-end values will be used for assessing markets as part of the March Interim Update
- Last trading day in June values will be used for assessing markets for the September Annual Review.

The 80 markets that were covered by the FTSE Equity Country Classification scheme in 2020 were evaluated against these enhancements in the FTSE Quality of Markets matrix with results published as part of the FTSE Equity Country Classification March 2020 Interim Update. As a result of the enhancements to the FTSE Equity Country Classification process no markets were immediately reclassified.

Further details on the FTSE Equity Country Classification Process can be assessed using the following link: [FTSE Equity Country Classification Process](#)

CRITERIA	DEVELOPED	ADVANCED EMERGING	SECONDARY EMERGING	FRONTIER
World Bank GNI Per Capita Rating (Atlas Method)				
Credit Worthiness				
Market and Regulatory Environment				
Formal stock market regulatory authorities actively monitor market (e.g., SEC, FSA, SFC)	X	X	X	X
Fair and non-prejudicial treatment of minority shareholders	X	X		
No or selective incidence of foreign ownership restrictions	X	X		
No objection to or significant restrictions or penalties applied to the investment of capital or the repatriation of capital and income	X	X	X	X
No or simple registration process for international investors	X	X		
Foreign Exchange Market				
Developed foreign exchange market	X	X		
Equity Market				
Brokerage - Sufficient competition to ensure high quality broker services	X	X	X	
Transaction costs - implicit and explicit costs to be reasonable and competitive	X	X	X	
Tax – imposition of taxes to be reasonable, consistent in nature and comparable between domestic and non-domestic investors.	X	X		
Stock lending permitted	X			
Short sales permitted	X			
Developed Derivatives Market	X			
Off-exchange transactions permitted	X			
Efficient trading mechanism	X	X		
Transparency - market depth information / visibility and timely trade reporting process	X	X	X	X
Clearing, Settlement and Custody				
Settlement - costs associated with failed trades	X	X	X	X
Settlement Cycle (DvP)	X	X	X	X
Central Securities Depository	X	X	X	
Central Counterparty Clearing House (Equities)	X	X		
Settlement - Free delivery available	X			
Custody-Sufficient competition to ensure high quality custodian services	X	X	X	
Account structure operating at the Custodian level (securities and cash)	X			

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