



Reclassification of Kuwait to Secondary Emerging Market Status

Index Review Process

Semi-Annual Index Review - September 2018

Quarterly Index Review - December 2018

v2.0



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FTSE Global Equity Index Series Review Schedule 2018

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FTSE Global Equity Index Series Review Schedule 2018

	Semi-Annual Review September 2018	Quarterly Review December 2018
Index Rebalance Market Cap data cut-off ^{1,2}	29 June 2018	n/a
ICB Review Cut-off Date	10 August 2018	09 November 2018
Quarterly Free float and Share changes cut-off (only updates captured up to this date will be processed at the index review)	17 August 2018	16 November 2018
Liquidity Testing Period ⁴	02 July 2017 to 29 June 2018	n/a
IPO/Spin-off Review Period ⁸	12 February 2018 to 29 June 2018	01 April 2018 to 09 November 2018
IPO/Spin-off Market cap cut-off ⁹	29 June 2018	09 November 2018
IPO/Spin-off cut-off in order to meet three month minimum trading requirement ⁸	1 April 2018	13 August 2018
FTSE Notice of the Middle East & Africa (MEA) review (circulated after the regional market close) ¹²	24 August 2018	23 November 2018
Review Products circulated	24 August 2018	23 November 2018
Release of Indicative Files (Free Float and Share updates)	24 August 2018	23 November 2018
Release of Final Files (Free Float and Share updates) - incorporates any revisions to indicative file	07 September 2018	07 December 2018
Review Effective Date ^{1,13}	24 September 2018	24 December 2018

FAQ

1.0 Transition of Kuwait from Unclassified to Secondary Emerging market status

The transition of Kuwait to Secondary Emerging market status within FTSE Global Equity Index Series (GEIS) will be implemented in two 50% tranches.

The first tranche implemented in conjunction with the September 2018 FTSE GEIS semi-annual review (i.e. effective from the open on Monday, 24 September 2018).

The second tranche implemented in conjunction with the December 2018 FTSE GEIS quarterly review (i.e. effective from the open on Monday, 24 December 2018).

2.0 Data Cut-off Date for Semi-Annual Review in September 2018

September 2018 semi-annual review

Data cut-off was the last business day in June (Friday, 29 June 2018).

3.0 Quarterly Review in December 2018

IPOs which failed to qualify as fast entrants and the Large/Mid/Small/Micro status of the resultant companies from a spin-off will continue to be processed in December 2018. Resultant companies from a spin-off below the exit threshold will be deleted.

For the December 2018 review the data cut-off date for assessing IPOs and spin-offs is 9 November 2018.

4.0 Liquidity Testing Period

A full 12 month liquidity test is conducted at the September 2018 semi-annual review. A liquidity test at the December 2018 quarterly review is only conducted for IPOs and spin-offs (see Question 8)

Testing period:

Review Month	Liquidity testing period
September	First business day of July of the previous year to last business day of June of the current year

For illustration purposes: Liquidity testing period for the September 2018 review was from Sunday, 02 July 2017 to Friday, 29 June 2018.

As Kuwait is reclassified from Unclassified to Secondary Emerging, all stocks were considered as non-constituents. The liquidity screen for non-constituent's usually requires the median daily trading volume per month to turnover at least 0.05% of the shares in issue (after the application of any free float weightings**) for at least ten of the twelve months prior to a full market review.

However in order to better reflect the investable market of the region, in accordance with rule 6.3.2 B, the liquidity threshold for non-constituents was lowered from 0.05% to 0.04% for the September 2018 MEA semi-annual regional review only. From March 2019 the liquidity threshold for MEA non-constituents reverts back to 0.05%.

The liquidity threshold for constituents remains unchanged at 0.04%.

(**) For clarification purposes, when testing liquidity, 100% of the investability weight will be used for the calculation. For example, if a stock has an investability weight of 49%, as at the last date in the testing period, it will be tested for liquidity at 49% investability weight.

5.0 Regional Universe

In September 2018, the full Kuwaiti universe was considered for inclusion in the MEA review.

6.0 GEIS Constituent Index Membership Status

For the September 2018 semi-annual review Kuwaiti stocks in the universe were treated as non-constituents in the MEA review and were subject to inclusion based on the cut-off / basis points entry / exit levels calculated for the MEA review. In recognition of the potential liquidity demands, all Kuwaiti additions to MEA in September 2018 were added at 50% weight and the remaining 50% added in December 2018*.

***For illustration purposes:** If a stock has an investability weight of 49%, it was added to the Emerging index at a weight of 24.5%, reducing the investable market capitalisation of the stock by 50%. The remaining 50% weight of the stock will be added in December 2018, reflected by increasing the investability weight back to 49%.

7.0 Inclusion/Exclusion Percentage Levels by Investable Market Capitalisation

The percentage levels by investable market capitalisation for the MEA region were determined based on the respective regional FTSE Small Cap Index as of the cut-off date.

For illustration purposes: For the September 2018 semi-annual MEA review, the investable market capitalisation buffers were calculated based on the Small Cap Index as of 29 June 2018 which excluded Kuwait.

8.0 IPO / Spin-off Review – cut-off date & liquidity requirement

For the September 2018 and December 2018 reviews, only those IPOs and spin-offs with 3 months liquidity as at the cut-off date will be considered for index inclusion.

Cut off date for IPOs / Spin-Offs in order to meet minimum 3 Month trading requirement

Review Month	Must be listed by...
September 2018	01 April 2018
December 2018	13 August 2018

Liquidity testing period

Review Month	Liquidity period assessed
September 2018	12 February 2018 – 29 June 2018
December 2018	1 April 2018 – 9 November 2018

For illustration purposes:

For the September 2018 review the cut-off date for index data was 29 June 2018. However, only those IPOs and spin-offs with 3 months liquidity as at 29 June 2018 were considered for index inclusion. Therefore in order to meet the minimum 3 month trading requirement an IPO or spin-off needed to have listed by 01 April 2018.

For the December 2018 review the cut-off date for assessing IPOs and spin-offs is 9 November 2018. Therefore in order to meet the minimum 3 month trading requirement an IPO or spin-off would need to have listed by 13 August 2018.

PLEASE NOTE: Following the initial addition of Kuwait at the September 2018 review any IPOs or new additions entering the index at a subsequent index review (i.e. December 2018) will be included at their full investability weighting. Spin-offs included in the index subsequent to September 2018 and before the implementation of the second tranche in December 2018 will be added at 50% of their investability weighting.

9.0 Market Capitalisation Cut-off used to Determine IPO / Spin- off Eligibility in December 2018

Index membership of eligible IPOs and the companies resulting from a spin-off will be determined by referencing the full company market capitalisation at close on 09 November 2018, against the entry levels for Large, Mid, Small and Micro as set in the September 2018 review, index adjusted to reflect the subsequent change in performance of the appropriate regional index.

For illustration purposes: Kuwaiti stocks which are added to the index in December 2018 as part of the quarterly review process will be added to the index at their full investable market cap weight and not in tranches

10.0 Headroom

Kuwaiti securities will be screened for headroom as part of the GEIS MEA review.

11.0 Indicative List

The table lists the Kuwaiti securities which will be added to the FTSE Global All Cap index at the September 2018 semi-annual review at 50% of their investability weight.

Company Name	Sedol	Size
National Bank of Kuwait	6889526	Large
Kuwait Finance House	6503138	Large
Mobile Telecommunications Company	6600084	Large
Agility Public Warehousing	6890302	Large
Boubyan Bank	B15DYL9	Large
Boubyan Petrochemicals Co	6000208	Mid
Human Soft	B13BYX7	Mid
Warba Bank	BDD2531	Small
Kuwait International Bank	6503213	Small
National Industries Group	6890294	Small
Mezzan Holdings Co	BZ0PGY5	Small
Alimtiiaz Investment Group	B50N7B3	Small

12.0 Projected Weight of Kuwait in FTSE Global All Cap and FTSE Emerging All Cap Indexes

The table illustrates the number of Kuwaiti securities which will be added to the FTSE GEIS index at the September 2018 semi-annual review (effective from the open on Monday 24 September 2018) and their projected weight in FTSE Global All Cap and FTSE Emerging All Cap indexes.

	Number of Securities	Projected weight in Global All Cap	Projected weight in Emerging All Cap
Kuwait	12	0.048%	0.51%

13.0 Rebalance Effective Date

September 2018 semi-annual review

The first tranche of the reclassification of Kuwait to Secondary Emerging will be implemented in conjunction with the September 2018 semi-annual review (i.e. from the open on Monday, 24 September) using official closing prices as of Thursday, 20 September 2018.

December 2018 quarterly review

The second tranche of the reclassification of Kuwait to Secondary Emerging is scheduled to be effective in line with the December 2018 quarterly review (i.e. from the open on Monday, 24 December 2018) using official closing prices as of Thursday, 20 December 2018.

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