

March 2024

Public minutes

Joint meeting of the **FTSE Asia Pacific and Europe, Middle East & Africa Regional Fixed Income Advisory Committees**

12 March 2024



**FTSE
RUSSELL**

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Attendees

APAC members: eleven (11); apologies: five (5)

EMEA members: twelve (12); apologies: six (6)

Observers: two (2)

FTSE Russell: seven (7) including the Chair and Committee Secretary

Attendees were reminded of their obligations in relation to confidentiality of information, conflicts of interest and competition law. There were no declarations.

1. **Statutory governance matters and committee information**

1.1 Membership changes

1.1.1 FTSE Russell welcomed three new members to the advisory committee.

1.1.2 FTSE Russell thanked four outgoing members for their contribution to the advisory committee.

1.2 Minutes

1.2.1 The minutes of the joint meeting held on Tuesday 12 September 2023 were approved as presented.

1.2.2 The public minutes of the joint meeting held on Tuesday 12 September 2023 were approved as presented.

1.3 Governance

1.3.1 Updates to the advisory committee Terms of Reference (presented for endorsement): the documents accompanied the agenda and included reference to third-party or any other kind of recording of committee meetings no longer being permitted. The advisory committees endorsed the updated Terms of Reference.

1.3.2 Annual review of ground rules for the FTSE Eurozone Bond Index Series (formerly FTSE MTS Indices) (presented for endorsement): the advisory committee attested that the rules have been maintained and continue to meet the purpose for which they were designed.

1.3.3 Tradeweb FTSE Gilt closing prices – price data report and challenges for the period 01 July 2023 to 31 December 2023 (presented for information): there were no comments from the committee members.

1.3.4 Tradeweb FTSE European Government Bonds closing prices – price data report and challenges for the period 01 July 2023 to 31 December 2023 (presented for information): there were no comments from the committee members.

1.4 Action points and matters arising

1.4.1 None.

1.5 Key notices and updates

1.5.1 FTSE Fixed Income Index Delivery for March 2024 month-end (presented for information): the document accompanied the agenda. There were no comments from the committee members.

2. **Fixed Income Country Classification**

2.1 March 2024 Fixed Income Country Classification

2.1.1 **India** – retain on the Watch List for possible reclassification from Market Accessibility Level 0 to 1, and potential inclusion in the FTSE Emerging Markets Government Bond Index (EMGBI) (presented for support).

2.1.1.1 India was placed on the Watch List at the March 2021 review, primarily prompted by the launch of the Fully Accessible Route (FAR) scheme, which allows foreign investors to access a select list of government

securities under the category of FAR, without investment ceilings. Since then, FTSE Russell has engaged with local regulators and index users to review the accessibility of Indian FAR bonds.

- 2.1.1.2 FTSE Russell invited the committee members to provide feedback on any other features of the Indian fixed income market that impacted accessibility.
- 2.1.1.3 A discussion ensued and the committee members provided their comments.
- 2.1.1.4 **Summary:** the advisory committee supported retaining India on the Watch List; the market will be reassessed at the September 2024 review.
- 2.1.2 **South Korea** – retain on the Watch List for possible reclassification from Market Accessibility Level 1 to 2, and potential inclusion in the FTSE World Government Bond Index (WGBI) (presented for support).
 - 2.1.2.1 South Korea was added to the Watch List at the September 2022 review following the announcement by the South Korean Ministry of Economy and Finance (MOEF) and the Financial Services Commission (FSC) on a series of market reforms to enhance market accessibility for international investors. A summary of the latest updates to the market reforms was provided in the meeting materials.
 - 2.1.2.2 FTSE Russell said that it would continue to closely monitor the implementation of the planned enhancements and seek feedback from market participants to assess whether investors have observed and experienced the intended benefits of the market reforms.
 - 2.1.2.3 FTSE Russell invited the advisory committee to provide feedback on any additional enhancements required prior to considering the market for WGBI inclusion.
 - 2.1.2.4 A discussion ensued and the committee members provided their comments.
 - 2.1.2.5 **Summary:** the advisory committee supported retaining South Korea on the Watch List; the market will be reassessed at the September 2024 review.
- 2.1.3 **Switzerland** – remove from the Watch List for possible reclassification from Market Accessibility Level 1 to 2, and potential inclusion in the WGBI (presented for support).
 - 2.1.3.1 At the September 2021 review, Switzerland was added to the Watch List for a potential upgrade of its Market Accessibility Level from 1 to 2. A Level 2 is required for inclusion in the WGBI. For a market to be assigned a Level 2 and achieve inclusion in the WGBI, the market structure must be such that investors could access the market with relative ease hence the tax regime needs to be easily navigable. Although Switzerland was initially removed for failing the market size requirement, the withholding tax (WHT) regime was seen as prohibitive when viewed through the prism of the Fixed Income Country Classification framework.
 - 2.1.3.2 Although proposed reforms to the WHT regime legislation gained momentum in 2021 and were voted on by the Swiss population in late 2022; 52% of the electorate voted against the changes to the withholding tax, meaning the reform plans were withdrawn. FTSE Russell had since engaged with the Swiss Federal Tax Authority to understand if any further reforms to abolish the WHT or initiatives to improve the WHT reclamation process were being undertaken. Local Swiss policy makers had indicated to FTSE Russell that there were no such reforms either in progress or under consideration at this time. Consequently, FTSE Russell proposed to remove Switzerland from the Watch List for potential WGBI inclusion due to lack of progress towards meeting the taxation regime requirement for Market Accessibility Level 2.
 - 2.1.3.3 **Summary:** the advisory committee supported removing Switzerland from the Watch List.
- 2.2 **Portugal** – proposed inclusion in the WGBI (presented for support).
 - 2.2.1 As part of the FTSE Fixed Income Country Classification Process, inclusion of markets that newly meet minimum market size and credit rating thresholds would be considered at the March and September reviews – a minimum of six months' notice would be provided for markets that were confirmed to meet these

objective inclusion criteria. To be eligible for entry in the WGBI, markets must meet the following objective inclusion criteria:

- i) Market size: the outstanding amount of a market's eligible issues must total at least USD 50 billion/EUR 40 billion/JPY 5 trillion of index eligible debt.
- ii) Credit rating: a market must have a minimum credit quality of A- by S&P and A3 by Moody's.

2.2.2 As of the February 2024 index profiles, Portugal has met the market size minimum for the WGBI. The long-term local currency debt rating for Portugal is A3 by Moody's and A- by S&P, reflecting upgrades by Moody's in November 2023 and most recently by S&P on 01 March 2024. Consequently, FTSE Russell proposed to add Portugal to the WGBI effective for the November 2024 profiles in one tranche.

2.2.3 **Summary:** the advisory committee supported the inclusion of Portugal in the WGBI effective for the November 2024 profiles in one tranche.

2.2.4 Other markets:

2.2.4.1 One item was discussed relating to European Union bonds. A discussion ensued and the committee members provided their comments.

2.3 *Post-meeting note:* [FTSE Fixed Income Country Classification – March 2024 Announcement – Published 27 March 2024](#)

3. Index methodology and policy

3.1 One item was discussed relating to European Union bonds.

3.2 Update on FTSE Tradeweb Benchmark Administrated Prices (presented for discussion): the presentation accompanied the agenda.

3.2.1 In October 2016, FTSE Russell and Tradeweb were selected by the UK Treasury to be joint providers of end-of-day prices for UK Gilts and Treasury Bills. FTSE Russell as the benchmark administrator was responsible for governance and oversight of the calculation process, and Tradeweb determined prices based on data from its dealer-to-client trading platform. This process to administer prices was extended to EUR-denominated government bonds in May 2023. [In October 2023, a strategic partnership between FTSE Russell and Tradeweb was announced.](#)

3.2.2 FTSE Russell invited the advisory committee to provide feedback on the pricing methodology described in the accompanying presentation, and the potential incorporation of those prices in FTSE fixed income indices.

3.2.3 There were no comments from the committee members.

3.3 Sustainable Fixed Income

3.3.1 Forthcoming market consultation on the evolution of the FTSE Climate-Risk Adjusted Government Bond Indices (presented for information).

3.3.1.1 FTSE Russell said that they intended to open a market consultation to understand the views amongst market participants regarding the potential evolution of the methodology for the FTSE Climate-Risk Adjusted Government Bond Indices with respect to the underlying sustainable finance metrics that were used in index construction.

3.3.1.2 The FTSE Climate Risk-Adjusted Government Bond Index Series was designed to measure the performance of fixed-rate, local currency government bonds that were eligible for flagship FTSE indices, such as the WGBI, incorporating a tilting methodology that adjusted index weights according to each countries' relative climate risk performance. The data underpinning this methodology was sourced from Beyond Ratings.

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- 3.3.1.3 There were no comments from the committee members.
 - 3.3.1.4 FTSE Russell invited interested committee members to contact the Committee Secretariat by email (committeesecretary@ftserussell.com) to arrange a bi-lateral discussion to discuss the topic further.
 - 3.3.1.5 *Post-meeting note:* [Index Market Consultations | LSEG](#)
 - 4. AOB**
 - 4.1 One topic was raised by a committee member.
 - 5. Meeting date** for the September 2024 meeting was included in the agenda and duly noted.
 - 5.1 2024: 03 September (*may potentially be rescheduled to a later date in September 2024*)

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