

Public Minutes

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

24 September 2024



**FTSE
RUSSELL**

An LSEG Business

Attendees

APAC members: nine (9); apologies: eight (8)

EMEA members: twelve (12); apologies: seven (7)

Observers: two (2)

FTSE Russell: twelve (12) including the Chair and Committee Secretary

Minutes

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 a new member to the advisory committee.

1.1.2 FTSE Russell thanked two outgoing members for their contribution to the advisory committee:

1.2 Minutes

1.2.1 The advisory committee noted the clarifications made to the minutes of the meeting held on Tuesday 12 March 2024 which were subsequently approved.

1.2.2 The public minutes of the meeting held on Tuesday 12 March 2024 were approved as presented.

1.3 Governance

1.3.1 Annual review of the [Statement of Principles for FTSE Fixed Income Indices](#) (presented for endorsement): the advisory committee raised no objections for the minutes to state that the Statement of Principles continue to meet the purpose for which it was designed. There were no changes to the document apart from an update to the disclaimer date.

1.3.2 Annual review of the [FTSE Actuaries UK Gilts Index Series Ground Rules](#) (presented for endorsement): a summary of the ground rule changes made over the past year and a hyperlink to the methodology page of the website were included in the agenda. The advisory committee was comfortable for the minutes to state that the rules were maintained assiduously and continue to meet the purpose for which they were designed.

1.3.3 Updates to the advisory committee Terms of Reference (presented for endorsement): the documents accompanied the agenda and included reference to the committee oversight of the Tradeweb FTSE benchmark administered prices. The advisory committee endorsed the updated Terms of Reference.

1.4 Action points and matters arising

1.4.1 None.

1.5 Key notices and updates

1.5.1 The methodology notices published since the last meeting were included in the agenda for the advisory committee's information. There were no requests for clarification.

2. Tradeweb FTSE Benchmark administered prices

2.1 Tradeweb price data reports for UK Gilts and European Government Bonds for the period 01 January 2024 to 30 June 2024 (presented for information): there were no comments from the committee members.

See item 4.2 on topic related to Tradeweb FTSE bond pricing for UK Gilts, European Government Bonds and US Treasuries.

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- 2.1.1 FTSE Russell highlighted the following published notices: [Enhancements to the Tradeweb FTSE Closing Price Methodology – Published 17 July 2024](#) and [FTSE Russell and Tradeweb extend benchmark closing prices to US Treasury markets – Published 10 June 2024](#). There were no requests for clarification.
- 3. Fixed Income Country Classification**
- 3.1 September 2024 Announcement
- 3.1.1 **South Korea** – proposal to reclassify from Market Accessibility level 1 to 2, and future inclusion in the FTSE World Government Bond Index (WGBI) (presented for support): an overview of the progress of market reforms implemented over the last two years to enhance market accessibility for international investors were provided in the meeting materials.
- 3.1.1.1 In light of the South Korean market authorities' implementation of the market infrastructure changes outlined above, FTSE Russell proposed to reclassify South Korea from Market Accessibility Level 1 to 2 and announce its future inclusion into the WGBI in the September 2024 review announcement. FTSE Russell invited the committee members to share their feedback on the market accessibility of South Korean government bonds, and whether they had any objections to reclassifying South Korea from Market Accessibility Level 1 to 2. The committee members were asked to also comment on the implementation considerations related to the notice period, phase-in approach, and eligibility of the 50-year tenor bonds if South Korea was included into the WGBI. A discussion took place, and the committee members provided their comments.
- 3.1.1.2 FTSE Russell thanked the committee members for their comments and said that it would consider their feedback in its final assessment and decision. Any final decisions on the Watch List markets were subject to approval by the relevant FTSE Russell internal governance forums.
- 3.1.2 **India** – proposal to 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): India was placed on the Watch List at the March 2021 FTSE Fixed Income Country Classification Review, subsequent to the launch of the Fully Accessible Route (FAR) scheme, which allowed foreign investors to access a select list of government securities under the category of FAR, without investment ceilings.
- 3.1.2.1 An overview of the evolution of the FAR scheme, and improvements made in the processes for account opening / registration, tax clearance, and margin financing for international investors were included in the meeting materials.
- 3.1.2.2 FTSE Russell said that it proposed to reclassify India from Market Accessibility Level 0 to 1, and to announce its inclusion into the EMGBI in the September 2024 review announcement.
- 3.1.2.3 FTSE Russell invited the committee members to share their feedback on other features of the market accessibility of the Indian government bond market that impacted accessibility, and whether they had any objections to reclassifying India from Market Accessibility Level 0 to 1. The committee members were asked to also comment on any impact to international investors of the recently announced changes to specified securities that qualified under the FAR scheme. A discussion took place, and the committee members provided their comments.
- 3.1.2.4 FTSE Russell thanked the committee members for their comments and said that it would consider their feedback in its final assessment and decision. Any final decisions on the Watch List markets were subject to approval by the relevant FTSE Russell internal governance forums.
- 3.1.3 *Post-meeting note:* [FTSE Fixed Income Country Classification – September 2024 Semi-Annual Review Results Announcement](#) – Published 08 October 2024 and [Exclusion of 50-year Tenor Bonds from the FTSE Korean Government Bond Index – Published 30 October 2024](#).

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- 3.2 Summary of Q2-Q3 2024 market engagement meetings (presented for information): the market engagement summary was duly noted.
- 3.3 Annual review of the local currency amount outstanding minimums by local currency market (presented for information): in September, as part of the Fixed Income Country Classification annual review, the minimum bond-level amount outstanding amounts are reviewed to ensure that the indices remain representative of the local market structures they are designed to track. These amounts are based on prevailing domestic issuance patterns and benchmark sizes for each local currency fixed-rated and inflation-linked market that is eligible for a FTSE fixed income index. Bond-level amount outstanding amounts are incorporated into respective index methodologies and at times, may require recalibration to ensure these levels are in line with contemporary market structures and debt issuance programmes. FTSE Russell proposed no changes to the current amount outstanding thresholds as part of the September 2024 annual review. There were no comments from the committee members.
- 3.4 Annual review of Emerging and Developed market designations within FTSE fixed income indices (presented for information): for the purposes of inclusion in FTSE Emerging Markets (EM) hard and local currency fixed income indices, a market is considered to be emerging if it is defined by the International Monetary Fund (IMF) to be among “emerging and developing economies” or if it is defined by the World Bank to be among “low-income economies”, “lower-middle-income economies” or “upper-middle-income economies”. Updates to the EM list are made on an annual basis each September, based on updated data from the IMF and World Bank. FTSE Russell confirmed that there were no changes to the IMF and World Bank designations that resulted in a change to the Emerging and Developed Market Designations within the FTSE Fixed Income Indices as part of the September 2024 annual review. There were no comments from the committee members.
- 4. Index methodology and policy**
- 4.1 Tradeweb FTSE Bond Pricing for UK Gilts, European Government Bonds and US Treasuries (presented for discussion): FTSE Russell, as the benchmark administrator, was responsible for the governance and oversight of the calculation of the closing bond prices by Tradeweb. The closing prices were administered in accordance with the EU and UK Benchmark Regulation and the IOSCO Principles for Financial Benchmarks.
- 4.1.1 The FTSE regional fixed income advisory committees provided external oversight to these methodologies and on occasion may be asked to provide their feedback on methodology changes. Tradeweb data pricing reports with details of price contributions of all market makers and the number of contingency plans were provided to the advisory committees. As part of this agenda item, FTSE Russell invited the committee members for their feedback on the content of these reports to ensure that the most appropriate, relevant data points were provided for continued monitoring.
- 4.1.2 Tradeweb and FTSE Russell intended to expand their bond pricing capabilities to cover additional local currency fixed-rate government bond markets eligible for the WGBI. An impact analysis of a change in price source from Refinitiv to Tradeweb FTSE administered bond prices for the UK Gilts, European government bonds, and US Treasuries, was provided in the meeting materials. FTSE Russell invited the advisory committee to comment on the methodology for Tradeweb FTSE closing prices, the appropriateness of their use in the WGBI, and whether they were supportive of use of these prices for the UK Gilts, European government bonds, and US Treasuries in the WGBI. A discussion took place, and the committee members provided their comments.
- 4.1.3 **Next steps:** a pricing report template, tailored to the enhanced pricing methodology, to be presented as a standard agenda item from the March 2025 committee meeting.
- 4.2 Three other methodology items were discussed.

5. AOB

5.1 There was no further business.

6. Meeting dates for the 2025 meetings was included in the agenda and duly noted.

6.1 2025: 18 March / 16 September

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