

Public Minutes

FTSE Russell Europe, Middle East & Africa Regional Equity Advisory Committee

11 December 2024



**FTSE
RUSSELL**

An LSEG Business

Attendees

Members: thirteen (13); apologies: five (5)

FTSE Russell: eleven (11) 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 a new member to the advisory committee.

1.2 Minutes

1.2.1 The minutes of the meeting held on Wednesday 11 September 2024 were approved as presented.

1.2.2 The public minutes of the meeting held on Wednesday 11 September 2024 were approved as presented.

1.3 Governance

1.3.1 None.

1.4 Action points and matters arising

1.4.1 Enhancements to the free float restrictions methodology and research process: FTSE Russell to provide historical index turnover analysis. *Covered under item 2.1*

1.4.2 Treatment of securities with extreme price movements: FTSE Russell to provide the results of the analysis and next steps at the December 2024 meeting. The advisory committee duly noted that internal analysis and discussions were continuing within FTSE Russell on this topic to find a rule-based approach that is objective and does not require discretionary judgement; an update will be provided at a future committee meeting. There were no comments from the committee members.

1.5 Key notices and updates

1.5.1 The methodology notices published since the last meeting were included in the meeting materials. There were no requests for clarification.

1.5.1.1 FTSE Russell highlighted the [notice](#) published on 01 November 2024 regarding the results of the market consultation on capping the Russell US Style Indexes. Starting from the March 2025 index review, the capping methodology will be applied to the standard Russell US Style Indexes at the effective date of each quarterly and annual review.

2. Equity methodology and policy

2.1 Published [market consultation](#) on enhancements to the FTSE Russell free float methodology (presented for discussion): the committee members were strongly encouraged to respond to the consultation by 13 December 2024 if they had not already done so. The objective of the proposed enhancements was to leverage LSEG ownership data to improve transparency, timeliness, frequency, and precision of the free float calculations.

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- 2.2 Taxation on stock bonuses for Indian companies (presented for discussion): the advisory committee noted that in India, shares distributed by way of a stock bonus were liable for capital gains tax (CGT) on the full value of the distribution i.e., assumed a zero-acquisition cost. FTSE Russell asked the committee members whether there was any appetite for FTSE Russell to conduct further investigation on the application of taxation for Indian stock bonuses to the net total return indices. A discussion took place, and the committee members provided their comments.
- 2.3 Russell US Indexes
- 2.3.1 Russell US reconstitution market consultation – next steps: FTSE Russell provided a verbal update noting that a decision had been made internally, and an announcement would be published in the coming weeks. FTSE Russell clarified that any change in rebalance frequency would not be implemented for the 2025 reconstitution.
- Post-meeting note:* [Results of the Russell US Indexes Consultation – Published 16 January 2025](#).
- 2.3.2 Russell US Indexes T+2 corporate action alignment (presented for discussion): historically, the Russell US Indexes provided a same-day notification for the following corporate actions: stock merger, cash merger, tender offer, delisting, and bankruptcy.
- 2.3.2.1 FTSE Russell invited the committee members for their views on a T+2 notice period for all tradeable actions within the Russell US Indexes, and whether there were any exceptional scenarios where less than two days' notice should be given. FTSE Russell said that it intended to conduct a market consultation in early 2025 for feedback from index users on this topic. A discussion took place, and committee members provided their comments.
- Post-meeting note:* [Index Market Consultations | LSEG – Consultation on Aligning Russell US Indexes Corporate Action Notice Requirement – Published March 2025](#)
- 2.4 FTSE UK Index Series
- 2.4.1 Treatment of special dividends (presented for discussion): historically, the treatment of applying the fourth consecutive special distribution as a regular dividend had been applied across FTSE Russell indices, although for the FTSE UK Index Series, if a UK company had specifically called out a distribution as a special dividend, it had continued to be applied as a capital repayment.
- 2.4.1.1 FTSE Russell intended to clarify the treatment for UK companies, whereby going forward, these special payment types (occurring in a regular cycle) may be treated as regular payments going forward as per the published FTSE Russell methodology. FTSE Russell asked the advisory committee if they had any objections to this approach; no objections were raised by the committee members.
- Post-meeting note:* [FTSE UK Index Series - Treatment of Special Dividends – Published 16 January 2025](#)
- 2.4.2 Fast entry thresholds and Sterling-denominated price requirement (presented for discussion): an overview of the fast entry thresholds and sterling denominated price requirement for additions to the FTSE UK Index Series was provided in the meeting materials.
- 2.4.2.1 Fast entry thresholds – the current fast entry thresholds were intended to capture significant Initial Public Offerings (IPOs), and to ensure material opportunities were captured expediently by passive index trackers. It was noted that despite the lower thresholds introduced in 2021, it had resulted in no new fast entry additions. Cognizant to the feedback received from external stakeholders that the fast entry thresholds remained too high, FTSE Russell intended to further lower the fast entry thresholds while still capturing significant IPOs on the London Stock Exchange. A discussion took place, and the committee members shared their comments.
- 2.4.2.2 Sterling-denominated price requirement the current criteria (rule 4.1.1) specified that only securities trading in GBP were eligible for inclusion to the FTSE UK Index Series. FTSE Russell had received feedback that the

GBP criterion was increasingly becoming a deterrent for companies considering a listing on the London Stock Exchange.

- 2.4.2.2.1 FTSE Russell invited the committee members to share their views on the proposal to implementing the currency trading eligibility criteria to include Euro or USD. A discussion ensued, and the committee members shared their comments.

Post-meeting note: [FTSE UK Index Series: Fast Entry and Trading Currency - Ground Rule Updates – Published 03 March 2025](#)

3. Equity country classification – 2024 annual announcement

- 3.1 [October 2024 Annual Announcement](#): FTSE Russell invited the committee members to provide their comments on the following September 2024 Watch List markets, and other markets.
- 3.1.1 **Egypt** – removed from the Watch List and retained as a Secondary Emerging market as the previously reported foreign exchange queues had been cleared since March 2024. There were no comments.
- 3.1.2 **Vietnam** – retained on the Watch List for possible reclassification from Frontier to Secondary Emerging market status. The market had recently implemented reforms, such as the ‘Non-Prefunding’ (NPF) settlement model that was intended to remove the pre-funding requirement for international investors. There were no comments.
- 3.1.3 **Bangladesh** – FTSE Russell will continue to monitor the market due to the ongoing imposition of a floor price. There were no comments.
- 3.1.4 **Greece** – added to the Watch List for possible reclassification from Advanced Emerging to Developed market status as the market meets the twenty-two FTSE Quality of Markets (QoM) criteria required to attain Developed market status. In addition to the QoM criteria, a market must also meet: i) minimum size and securities count requirement for a Developed market; and ii) Developed market requirement for a GNI rating of ‘High’. The credit rating requirement remained outstanding as Greece was still rated as ‘Speculative’ by one credit rating agency. There were no comments.
- 3.1.5 **South Korea** – the extended ban on short selling has been seen to reduce the efficiency of the stock borrowing mechanism and impacts general market liquidity and price discovery. The ban was scheduled to be lifted from 30 March 2025. There were no comments.
- 3.1.6 **Pakistan** – was reclassified from Secondary Emerging to Frontier, effective from 23 September 2024. There were no comments

4. AOB

- 4.1 Two items of business were raised relating to the duration of meetings and announcements pertaining to the results of market consultations.

5. Meeting dates for 2025 were included in the agenda and duly noted.

- 5.1 [2025](#): 12 March / 11 June / 10 September / 10 December

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