

March 2024

Public minutes

FTSE US Fixed Income Advisory Committee

25 March 2024



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RUSSELL**

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Attendees

Members: four (4); apologies: six (6)

Observers: four (4)

FTSE Russell: eight (8) 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.

1.1.2 FTSE Russell thanked an outgoing member for their contribution to the advisory committee.

1.2 Minutes

1.2.1 The minutes of the meeting held on Thursday 14 September 2023 were approved as presented.

1.2.2 The public minutes of the meeting held on Thursday 14 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.

1.4 Action points and matters arising

1.4.1 None.

1.5 Key notices and updates

1.5.1 Methodology notices (presented for information): the published notices were duly noted.

1.5.1.1 Delivery schedule, March 2024 month-end: FTSE Russell highlighted that the notice provided clarification on the snap time used for US early market closes (such as on 28 March 2024), where a 4.00pm (New York) price is used for USD-denominated bonds.

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 allowed foreign investors to access a select list of government securities under the category of FAR, without investment ceilings. Since then, FTSE Russell had 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.

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- 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 invited the advisory committee to provide feedback on any additional enhancements required prior to considering the market for WGBI inclusion.
- 2.1.2.3 A discussion ensued and the committee members provided their comments.
- 2.1.2.4 **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 needed 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 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. There were no comments from the committee members.
- 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 met 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:
- **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.
 - **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 met the market size minimum for the WGBI. The long-term local currency debt rating for Portugal was 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. There were no comments.

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

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 added that it would be extending the provision of pricing to US treasuries in the near term. There were no comments.

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. 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. There were no comments from the committee members.

3.3.1.2 FTSE Russell invited interested committee members to contact the Committee Secretariat by email via committeesecretary@ftserussell.com to arrange a bi-lateral discussion to discuss the topic further.

3.3.1.3 **Post-meeting note:** the consultation can be found here: [FTSE Fixed Income Index Market Consultation: FTSE Climate-Risk Adjusted Government Bond Indices](#)

4. AOB

4.1 There was no further business.

5. **Meeting date** for the September 2024 meeting was included in the agenda and duly noted.

5.1 2024: 04 September (*may potentially be rescheduled to a later date in September 2024*)

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