

FTSE Russell announces results of semi-annual country classification review for fixed income and equities

- Chinese Government Bonds to be included in the FTSE World Government Bond Index (WGBI)
- China's WGBI inclusion to occur over a period of 36 months commencing with an effective date of 29 October 2021
- Malaysia will be removed from the Watch List and will retain its membership in the WGBI
- India and Saudi Arabia added to the Watch List for potential inclusion in the FTSE Emerging Government Bond Index (EMGBI)
- FTSE Fixed Income Country Classification Process extended to inflation-linked markets
- Russia & Vietnam remain on the Watch List for global equity market reclassification

FTSE Russell, a leading global multi-asset index, analytics and data provider, today published the results of its semi-annual Country Classification Review for countries monitored by its global equity and fixed income indexes. Results reflect notable recent developments in global equity and fixed income markets while reinforcing the importance of a high quality, robust global index governance framework.

FTSE Russell is pleased to confirm that Chinese Government Bonds will be included in the WGBI and its derived indexes beginning at the end of October 2021. This confirmation is based on affirmation with members of the FTSE Russell advisory committees and other index users that ongoing reforms to the Chinese government bond market warrant inclusion in the WGBI. The phased inclusion will occur over a period of 36 months to ensure an orderly transition for markets and investors.

Since its September 2020 Fixed Income Country Classification Results Announcement, FTSE Russell has engaged closely with Chinese authorities and market stakeholders to monitor previously implemented market enhancements and recent reforms to facilitate easier participation by international investors. These include simplification of the account opening process, the option to transact foreign exchange with third parties and the freedom to lengthen the settlement cycle beyond T+3.

Waqas Samad, CEO, FTSE Russell, said:

“FTSE Russell is pleased to confirm that China will enter the widely followed FTSE World Government Bond Index beginning at the end of October of this year. The decision to add the second largest bond market in the world to our flagship global government bond index reflects our robust index governance

process and regular engagement with global investors, regulators and other key market participants. We congratulate the Chinese market authorities on reaching this important milestone.”

Mr. Pan Gongsheng, Deputy Governor of the People’s Bank of China and Director of State Administration of Foreign Exchange, said:

“China’s economy has good growth prospects. And with the steady progress of financial reforms and the opening of the market, RMB assets are showing strong resilience and certain hedging characteristics and their attractiveness continues to rise. As of the end of February 2021, foreign investors’ holdings of Chinese bonds reached RMB 3.7 trillion. The People’s Bank of China welcomes FTSE Russell’s inclusion of Chinese bonds into the WGBI. Going forward, we will continue to work to actively improve relevant regulations and policy arrangements and promote the further opening of China’s bond market to international investors.”

Chris Woods, Head of Policy and Governance, FTSE Russell, said:

“We commend China on the great progress it has made in market reforms and look forward to the phased addition of Chinese Government Bonds to the WGBI. FTSE Russell’s approach to country classification follows a comprehensive and transparent process and is informed by feedback from a broad set of independent market participants and index users. We will revisit progress on a regular basis and continue to work with the People’s Bank of China to ensure that its reforms continue to yield tangible improvements to market structure.”

In other notable fixed income updates, FTSE Russell is pleased to announce that based on recent market enhancements Malaysia’s sovereign debt market will be removed from the Watch List and retain its membership in the WGBI. Indian and Saudi Arabian government bond markets will be placed on the Watch List for potential future inclusion in the FTSE Emerging Government Bond Index (EMGBI).

FTSE Russell announced that effective from 31 March 2021, the objective and transparent FTSE Fixed Income Country Classification Process will be expanded to assign market accessibility levels to inflation-linked government bond markets tracked by FTSE Russell. In extending the framework, the accessibility levels of each nominal, fixed-rate government market tracked by FTSE Russell will be applied to the corresponding inflation-linked local currency government bond market. This has been welcomed by index users as a positive enhancement to the approach taken by FTSE Russell to track inflation-linked government bond markets given the recent increase in attention to this asset class by global investors.

A link to the full FTSE fixed income technical notice can be found [here](#).

For its Equity country classification process, FTSE Russell has announced that Russia and Vietnam will remain on the Watch List. Russia was added in September 2020 for possible reclassification from Secondary Emerging to Advanced Emerging market status while Vietnam was added to the Watch List in September 2018 for possible reclassification from Frontier to Secondary Emerging market status. A link to the full technical notice for the FTSE Equity Country Classification March 2021 Interim Update is available [here](#).

More information on the [Equity Country Classification Framework](#) and the [Fixed Income Country Classification Framework](#) can be found on the FTSE Russell website.

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For further information:

Global Media

Oliver Mann (EMEA)	+44 (0)20 7797 1222 Oliver.Mann@lse.com
Jelena Nedelka (Americas)	+1 (929) 228-6987 Jelena.Nedelka@lse.com
Sophie Mou (APAC)	+852 9301 1723 Sophie.Mou@lse.com

Notes to editors:

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