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# **FTSE Fixed Income Country Classification Announcement September 2022**

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The inclusion of nominal and inflation-linked local currency government bond markets in FTSE fixed income indices is managed in accordance with the FTSE Fixed Income Country Classification Framework.

A core feature of this framework is the assignment of a Market Accessibility Level, which is reviewed on a semi-annual basis. The transparent nature of the assignment of Market Accessibility levels facilitates engagement between FTSE Russell and central banks and regulators in countries where the market is under review for potential reclassification. Similarly, this provides portfolio managers and asset allocators with a view of the future evolution of the index.

The results of the September 2022 semi-annual FTSE Fixed Income Country Classification Review can be found in the remainder of this announcement.

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# 1. Additions to the Watch List

## South Korea

During the course of 2022, South Korean market authorities proposed several new initiatives intended to improve the structure and accessibility of its capital markets for both domestic and international investors. These include:

- The proposed exemption of the withholding tax levied on investors in Korean Treasury Bonds (KTBs) by the South Korean Ministry of Economy and Finance (MOEF), which is currently subject to approval by the National Assembly<sup>1</sup>.
- Ongoing engagement between South Korean market authorities and International Central Securities Depositories (ICSD) to expedite the resumption of KTB trading, subject to the implementation of the withholding tax exemption<sup>2</sup>.
- The proposed reforms by the MOEF to allow foreign financial institutions to participate directly in the onshore South Korean Won foreign exchange market and to extend the market's trading hours in line with global markets.

As a result of the developments outlined above, **FTSE Russell announces that South Korea will be added to the FTSE Fixed Income Country Classification Watch List for the potential reclassification of its Market Accessibility Level from 1 to 2 and consideration for inclusion in the FTSE World Government Bond Index (WGBI).**

The inclusion of a market on the Watch List signals a focus on specific markets that are under consideration for a Market Accessibility Level change. It is intended to facilitate a constructive dialogue between FTSE Russell, market participants and local regulators, resulting in a clear assessment of the degree to which a market meets specific Market Accessibility Level criteria. As part of the assessment, FTSE Russell will gather feedback from investors on the practicalities of investing in a given market and determine the degree to which a market is accessible. Any reclassification decisions are assessed against the practical experience of international investors, rather than the enactment of new regulation. Consequently, the timing of any classification change will be based on the period of time required for regulatory enhancements to be fully operational and the anticipated process benefits to be realised by investors.

FTSE Russell welcomes the recent developments and looks forward to continuing its engagement with South Korean regulators and market participants. The next update will be provided at the semi-annual review in March 2023.

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<sup>1</sup> Korean Monetary Stabilization Bonds are not eligible for the FTSE Korean Government Bond Index.

<sup>2</sup> See: <https://english.moef.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=5389>, <https://english.moef.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=5366> and <https://english.moef.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=5402>.

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## 2. Status of Current Watch List Markets

### Switzerland

In September 2021, Switzerland was assigned a Market Accessibility Level of 1 and placed on the FTSE Fixed Income Country Classification Watch List for a potential upgrade to a Market Accessibility Level of 2, and consideration for inclusion in the FTSE World Government Bond Index.

**FTSE Russell confirms that Switzerland's place on the Watch List will remain unchanged at the September 2022 semi-annual review. Switzerland will be re-assessed in March 2023.**

Based on feedback from international investors, FTSE Russell understands that the reclamation process for the withholding tax that is applied to Swiss government bonds does not satisfy the taxation regime requirements for assignment of a Market Accessibility Level of 2, as specified in the [FTSE Fixed Income Country Classification Framework](#).

FTSE Russell continues to monitor ongoing reforms to Switzerland's taxation regime.

### India

In March 2021, India was added to the FTSE Fixed Income Country Classification Watch List for the potential reclassification of its Market Accessibility Level from 0 to 1 and for consideration for inclusion in the FTSE Emerging Markets Government Bond Index (EMGBI).

**FTSE Russell confirms that India's place on the Watch List will remain unchanged at the September 2022 semi-annual review. India will be reassessed in March 2023.**

Feedback from global index users continues to demonstrate an interest in Indian government securities issued through the Fully Accessible Route (FAR), which was introduced in 2020. The FAR originally removed foreign ownership restrictions for new issuance of Indian local currency fixed-rate government securities at the 5-, 10-, and 30-year tenors. On 06 July 2022, the Reserve Bank of India (RBI) announced the expansion of the FAR scheme to include all new issuance of 7- and 14-year tenors. Based on the October 2022 index profile, there are 21 index eligible FAR bonds with USD 284 billion in par amount outstanding representing 29.5% of the FTSE Indian Government Bond Index.

FTSE Russell will continue its constructive dialogue with the Reserve Bank of India (RBI) and acknowledges the ongoing commitment to the evolution of the market by local policy makers. FTSE Russell will continue to seek additional feedback from market participants on their practical experiences of the ongoing reform efforts.

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### 3. Change to the FTSE Frontier Emerging Markets Government Bond Index (FRNTEMGBI)

#### Uganda

**FTSE Russell announces that Ugandan local currency fixed-rate government bonds will be included in the FTSE Frontier Emerging Markets Government Bond Index (FRNTEMGBI) Series, effective with April 2023 index profiles.**

The FTSE Frontier Emerging Markets Government Bond Index Series is designed to measure the performance of fixed-rate local currency government bonds issued by countries classified as Frontier emerging markets. The objective of the FTSE Frontier Emerging Markets Government Bond Index Series is to create a transparent universe of emerging local currency bond markets that may not yet be considered mainstream emerging markets but are deemed to be investable.

Following the application of the FTSE Fixed Income Country Classification Framework to Ugandan government bonds, the market was deemed to meet the inclusion criteria (including minimum market size) for the FRNTEMGBI. As of the September 2022 index profiles, 20 UGX-denominated bonds with UGD 20.8 trillion in par amount outstanding (USD 5.5 billion) are projected to be included in the FRNTEMGBI.

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## 4. Annual Review of Local Currency Amount Outstanding Minimums

On an annual basis, as part of the FTSE Fixed Income Country Classification Process, FTSE Russell reviews the local currency amount outstanding minimums used to determine index eligibility.

This review occurs in September and incorporates feedback from market participants; a recalibration of local thresholds based on issuance trends can occur as a result.

**FTSE Russell confirms that no changes will be made to the minimum bond level amount outstanding amounts for local currency fixed-rate and inflation-linked markets eligible for FTSE fixed income indices as part of the September 2022 review.**

## For more information about our indices, please visit [ftserussell.com](https://ftserussell.com).

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FTSE Russell is a leading global index provider creating and managing a wide range of indices, data and analytic solutions to meet client needs across asset classes, style and strategies. Covering 98% of the investable market, FTSE Russell indices offer a true picture of global markets, combined with the specialist knowledge gained from developing local benchmarks around the world.

FTSE Russell index expertise and products are used extensively by institutional and retail investors globally. For over 30 years, leading asset owners, asset managers, ETF providers and investment banks have chosen FTSE Russell indices to benchmark their investment performance and create investment funds, ETFs, structured products and index-based derivatives. FTSE Russell indices also provide clients with tools for asset allocation, investment strategy analysis and risk management.

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