

FTSE Global Equity Index Series Country Classification



SEPTEMBER 2008 UPDATE

1. Classification of Markets 2008 Results

FTSE Group ("FTSE") has confirmed the results of its annual country classification review, the process by which stock markets are classified as either Developed, Emerging or Frontier status within the FTSE Global Equity Index Series. FTSE's advisory group of market practitioners approved the promotion of South Korea to Developed status, and moved China Red Chips from Hong Kong (Developed) to China (Secondary Emerging) status. These changes will be implemented as follows:

- South Korea will be included in Developed indices from September 2009;
- China Red Chips will be included in Secondary Emerging indices from September 2009.

2. FTSE Watch List 2008

In order to ensure that the potential movement of markets is transparent to investors, FTSE operates a Watch List of countries that may be subject to a change in their classification if a number of conditions are met. Addition to the FTSE Watch List is the first step in a change of designation status.

The following markets have been added to the Watch List at this review:

- Argentina, Colombia, Iceland, Kuwait, UAE, Kazakhstan, Malta & Ukraine.

The following markets will be retained in the Watch List for a further twelve months:

- Taiwan, Greece, and China "A" Shares.

These Watch List countries will be assessed again at the next country classification review in September 2009. Watch List markets will remain on the Watch List for a minimum of twelve months before any change is made to their status. FTSE will give investors a minimum of six-months notice prior to any changes being implemented in its indices as a result of a country classification review. A further update will be published in March 2009.

The Watch List Classification now comprises:

Watch List Country	Details
China "A" Shares:	possible inclusion in FTSE Global Equity Index Series as Secondary Emerging
Greece:	possible change to Advanced Emerging status from Developed
Taiwan:	possible change to Developed status from Advanced Emerging
Iceland:	possible inclusion in FTSE GEIS as Advanced Emerging
Argentina:	possible change to Frontier status from Secondary Emerging
Colombia:	possible change to Frontier status from Secondary Emerging
Kuwait:	possible inclusion in FTSE GEIS as Secondary Emerging
UAE:	possible inclusion in FTSE GEIS as Secondary Emerging
Kazakhstan:	possible inclusion in FTSE GEIS as Frontier
Ukraine:	possible inclusion in FTSE GEIS as Frontier
Malta:	possible inclusion in FTSE GEIS as Frontier

FTSE GLOBAL EQUITY INDEX SERIES

Developed	Advanced Emerging	Secondary Emerging	Frontier
Australia	Brazil	Argentina	Bahrain
Austria	Hungary	Chile	Bangladesh
Belgium/Luxembourg	Mexico	China	Botswana
Canada	Poland	Colombia	Bulgaria
Denmark	South Africa	Czech Republic	Côte d'Ivoire
Finland	Taiwan	Egypt	Croatia
France		India	Cyprus
Germany		Indonesia	Estonia
Greece		Malaysia	Jordan
Hong Kong		Morocco	Kenya
Ireland		Pakistan	Lithuania
Israel		Peru	Macedonia
Italy		Philippines	Mauritius
Japan		Russia	Nigeria
Netherlands		Thailand	Oman
New Zealand		Turkey	Qatar
Norway			Romania
Portugal			Serbia
Singapore			Slovakia
South Korea (September 2009)			Slovenia
Spain			Sri Lanka
Sweden			Tunisia
Switzerland			Vietnam
UK			
USA			

QUALITY OF MARKETS CRITERIA

Markets are assessed against the criteria outlined below. Inclusion as Developed status requires that all criteria are met, Advanced Emerging requires that the specified 14 criteria are met, inclusion as Secondary Emerging requires that the specified 8 criteria are met, while inclusion as Frontier requires that the specified 5 criteria are met. Assessment of markets included in FTSE GEIS against these criteria can be found at www.ftse.com/country

	DEV	ADV EMG	SEC EMG	FRONTIER
Market and Regulatory Environment				
Formal stock market regulatory authorities actively monitor market (e.g., SEC, FSA, SFC)	X	X	X	X
Fair and non-prejudicial treatment of minority shareholders	X	X		
Non or selective incidence of foreign ownership restrictions	X	X		
No objections or significant restrictions or penalties applied on the repatriation of capital	X	X	X	X
Free and well-developed equity market	X	X		
Free and well-developed foreign exchange market	X	X		
Non or simple registration process for foreign investors	X	X		
Custody and Settlement				
Settlement - Rare incidence of failed trades	X	X	X	X
Custody-Sufficient competition to ensure high quality custodian services	X	X	X	
Clearing & settlement - T +3 or shorter, T+7 or shorter for Frontier	X	X	X	X
Stock Lending is permitted	X			
Settlement - Free delivery available	X			
Custody - Omnibus account facilities available to international investors	X	X		
Dealing Landscape				
Brokerage - Sufficient competition to ensure high quality broker services	X	X	X	
Liquidity - Sufficient broad market liquidity to support sizeable global investment	X	X	X	
Transaction costs - implicit and explicit costs to be reasonable and competitive	X	X	X	
Short sales permitted	X			
Off-exchange transactions permitted	X			
Efficient trading mechanism	X			
Transparency - market depth information / visibility and timely trade reporting process	X	X	X	X
Derivatives				
Developed derivatives market	X			

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The FTSE Country Classification criteria have been provisionally agreed by the FTSE Equity Indices Committee which consists of independent market practitioners. In the event that you have any comments or questions relating to the FTSE Country Classification, then please contact Client Services who will be happy to assist you in your query. "FTSE" is a trade mark of London Stock Exchange Plc and The Financial Times Limited and is used by FTSE under licence.

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