

## FTSE Russell launches Country Classification framework for Fixed Income

- Introduces framework for calibrating ‘Market Accessibility Levels’ for local currency, fixed-rate government bond markets
- Countries tracked by our indexes will be assigned an accessibility level of 0,1 or 2, with 2 representing the highest level
- A transparent, process-orientated framework assessing market accessibility for foreign investors measured across four market criteria; 17 separate indicators
- Complements existing equity country classification process
- FTSE Russell will publish inaugural Watch List of local fixed income markets being considered for potential reclassification

FTSE Russell, the global index, analytics and data provider, has today confirmed the introduction of a country classification process for fixed income. The newly introduced fixed income framework, which will complement the firm’s existing equity country classification process, was developed in consultation with market participants. The framework will assign countries tracked by our fixed income indexes a level of 0,1 or 2, with 2 representing the highest level of accessibility for foreign investors. Minimum Market Accessibility Levels will replace the barriers-to-entry criteria for the methodology for the flagship FTSE World Government Bond Index (WGBI) and FTSE Emerging Markets Government Bond Index (EMGBI)\*, effective 30 March 2019. These levels will be reviewed annually in September and are also available for use in bespoke index construction.

This transparent, process-orientated framework will assess countries based on four market criteria dimensions using 17 separate indicators:

- Market, Macroeconomic and Regulatory Environment
  - Investment restrictions; Sustainable issuance and debt management practices; Sound regulatory environment; Foreign exchange policy and communication; Taxation regime; and Registration process for foreign investors
- Foreign Exchange Market Structure
  - FX liquidity and investability; Currency convertibility; and Currency hedging
- Bond Market Structure
  - Bond liquidity; Transaction costs; Fixed income dealing and trading landscape; Bond conventions; and Bond pricing
- Global Settlement and Custody
  - Global settlement; Availability of Delivery vs Payment (DvP); and Competitive custody market

FTSE Russell will publish a Watch List of local currency, fixed-rate government bond markets being considered for potential reclassification of their Market Accessibility Level for either failing to meet the accessibility thresholds of their existing level or are close to meeting the thresholds for a higher level. Inclusion of a market on the Watch



# Press Release



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List indicates our intention to engage with governments, central banks and regulators to address specific feedback from investors on the fulfilment of the criteria for the proposed accessibility level. Importantly, it also provides transparency for index users into future evolution of our benchmarks. The inaugural watch list of fixed income markets being considered for potential reclassification will be published following completion of the initial review of markets in March 2019.

**Chris Woods, Managing Director Governance and Index Policy, FTSE Russell, said:**

“The introduction of minimum Market Accessibility Levels provides an evidence-driven, robust framework, which can be applied across both flagship and bespoke benchmarks and draws on our FTSE Russell index governance capabilities and heritage in equities. We developed the framework in consultation with market participants and look forward to further engagement as we roll it out.”

More information on the new framework can be found on our [website](#)

– Ends –

\*including indexes that derive their membership from them

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## Notes to editors:

### About FTSE Russell:

FTSE Russell is a leading global index provider creating and managing a wide range of indexes, data and analytic solutions to meet client needs across asset classes, style and strategies. Covering 98% of the investable market, FTSE Russell indexes 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. Approximately \$16 trillion is currently benchmarked to FTSE Russell indexes. For over 30 years, leading asset owners, asset managers, ETF providers and investment banks have chosen FTSE Russell indexes to benchmark their investment performance and create investment funds, ETFs, structured products and index-based derivatives. FTSE Russell indexes also provide clients with tools for asset allocation, investment strategy analysis and risk management.

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