

FTSE Annual Country Classification Review

1. Classification of Markets 2014 Results

FTSE Group has confirmed the results of its annual country classification review, the process by which stock markets are classified as either Developed, Advanced Emerging, Secondary Emerging or Frontier within FTSE's global indices.

FTSE confirms the following Country Classification changes for September 2014:

- **Argentina** will be demoted from Frontier to unclassified market status due to continuing stringent capital controls imposed on international investors.
- **Morocco** will be demoted from Secondary Emerging to Frontier market status due to the continued decline in broad market liquidity, below the level sufficient to support sizeable global investment.

The demotion of Argentina from Frontier to unclassified market status and the demotion of Morocco from Secondary Emerging to Frontier market status will be implemented in conjunction with the June 2015 FTSE Global Equity Index Series quarterly review and the 2015 FTSE Frontier Index Series annual review.

2. FTSE Watch List 2014

In order to ensure that the potential, as well as confirmed, movement of markets between categories is completely transparent for investors, FTSE maintains a Watch List of markets that are being considered for promotion or demotion between the various market classifications.

The following changes to the Watch List have been confirmed at this review:

- **Latvia** will be added to the Watch List for possible addition to Frontier
- **Palestine** will be added to the Watch List for possible addition to Frontier

Latvia and Palestine will join the Watch List for possible addition to Frontier market status based on the markets meeting the five FTSE Quality of Markets criteria required for attaining Frontier status and will be considered for possible addition to Frontier market status at the next annual review in September 2015.

The markets on the Watch List as of September 2015 are therefore as follows:

- **China 'A' Share** – Possible inclusion as Secondary Emerging
- **Greece** – Possible demotion from Developed to Advanced Emerging
- **Kazakhstan** – Possible inclusion as Frontier
- **Kuwait** – Possible inclusion as Secondary Emerging
- **Latvia** – Possible inclusion as Frontier
- **Mongolia** – Possible inclusion as Frontier
- **Palestine** – Possible inclusion as Frontier
- **Poland** – Possible promotion from Advanced Emerging to Developed
- **Qatar** – Possible promotion from Frontier to Secondary Emerging
- **Taiwan** – Possible promotion from Advanced Emerging to Developed

3. Progress of Watch List markets since September 2013

Developed Watch List

Greece

FTSE has made no changes to its assessment of Greece's market against the criteria in the Quality of Markets matrix. FTSE's assessment of the Greek market remains unchanged at this time. Greece remains on the FTSE Watch List as a developed market, to be reviewed for possible demotion from Developed to Advanced Emerging status at the next annual review in September 2015.

Advanced Emerging Watch List

Poland

FTSE has made no changes to its assessment of Poland's market against the criteria in the Quality of Markets matrix. Poland remains on the FTSE Watch List as an Advanced Emerging market, to be reviewed for possible promotion to Developed status at the next annual review in September 2015.

Taiwan

FTSE has made no changes to its assessment of Taiwan's market against the criteria in the Quality of Markets matrix. Taiwan remains on the FTSE Watch List as an Advanced Emerging market, to be reviewed for possible promotion to Developed status at the next annual review in September 2015.

Secondary Emerging Watch List

China A

FTSE has upgraded the 'Formal stock market regulatory authority actively monitors the market' criterion from 'Restricted' to 'Pass' as an acknowledgement of the progress being made in the area of regulation by the CSRC. FTSE also acknowledges the efforts of the Chinese authorities to expand the R/QFII quotas and foreign investor access to the China A market via the 'Shanghai-Hong Kong Stock Connect' program.

China A remains on the FTSE Watch List, to be reviewed for possible addition to the FTSE Global Equity Index Series as a Secondary Emerging market, at the next annual review in September 2015.

Kuwait

FTSE acknowledges the progress being made in the area of regulation and awaits the signing of the Memorandum of Understanding between the Capital Markets Authority and the Ministry of Commerce and Industry. FTSE continues to have constructive engagement with officials at the Capital Markets Authority. Kuwait remains on the FTSE Watch List to be reviewed for possible addition to the FTSE Global Equity Index Series as a Secondary Emerging market at the next annual review in September 2015 pending enactment of the Memorandum of Understanding.

Qatar

FTSE has updated the 'Custody – Sufficient competition to ensure high level custodian services' criterion from 'Restricted' to 'Pass'. Further improvements are required in increasing foreign ownership limits and improving broad market liquidity to meet Secondary Emerging eligibility requirements in full. Qatar remains on the FTSE Watch List as a Frontier market, to be reviewed for possible promotion to Secondary Emerging status at the next annual review in September 2015.

Frontier Watch List

Mongolia

FTSE has made no changes to its assessment of Mongolia's market against the criteria in the Quality of Markets matrix. Mongolia is retained on the FTSE Watch List, to be reviewed for possible addition to Frontier status at the next annual review in September 2015.

Kazakhstan

FTSE has made no changes to its assessment of Kazakhstan's market against the criteria in the Quality of Markets matrix. Kazakhstan is retained on the FTSE Watch List, to be reviewed for possible addition to Frontier status at the next annual review in September 2015.

FTSE, supported by the Country Classification Advisory Committee, will continue to closely monitor the progress of the FTSE Watch List.

FTSE will provide the market with a formal interim update in March 2015, and the next review of the FTSE Watch List markets will take place in September 2015. FTSE will provide a minimum of six months' notice prior to changes being implemented in its indices, as a result of a country classification review.

For full information about the FTSE Country Classification process, including details of all criteria for Developed, Emerging and Frontier status and an assessment of each of the markets classified in FTSE equity indices, please visit www.ftse.com/country

FTSE Global Equity Index Series

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

***Note:** The demotion of Argentina from Frontier to unclassified market status and the demotion of Morocco from Secondary Emerging to Frontier market status will be implemented in conjunction with the June 2015 FTSE Global Equity Index Series quarterly review.

