

SEPTEMBER 2013 UPDATE

FTSE Global Equity Index Series

Country Classification

1. Classification of Markets 2013 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 the FTSE Global Equity Index Series.

The FTSE Policy Group has not changed the designation of any countries within the FTSE Global Equity Index Series at this review.

2. FTSE Watch List 2013

To ensure the potential movement of markets between categories is transparent for market participants, FTSE maintains Watch List of countries that are being considered for promotion or demotion between the various market classifications.

The following markets have been confirmed as Watch List countries at this Review:

- **Argentina** – Possible demotion from Frontier
- **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
- **Mongolia** – Possible inclusion as Frontier
- **Morocco** – Possible demotion from Secondary Emerging to 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

Morocco has been placed on the Watch List for possible demotion 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.

Qatar will join the Watch List for possible promotion from Frontier to Secondary Emerging market status based on improvements in the settlement processes. Further improvements are required in increasing foreign ownership limits and improving broad market liquidity to meet Secondary Emerging eligibility requirements in full.

Ukraine will be removed from the Watch List for possible promotion to Frontier market status due to continuing delays in market developments and no timelines as to when the market developments regarding regulatory oversight, capital controls, treatment of minority shareholders and settlement (move from T+0) will be implemented. FTSE will continue to engage with the Ukraine Stock Exchange market and review the market status at a future date.

Argentina, China 'A' Shares, Greece, Kazakhstan, Kuwait, Mongolia, Poland, and Taiwan will remain on the Watch List.

All countries on the Watch List will be reviewed again in September 2014. FTSE will give investors a minimum of six months notice prior to changes being implemented in its indices as a result of a country classification review.

A further update on FTSE's assessment of each of these Watch List markets against its Quality of Markets criteria will be published in March 2014.

FTSE Global Equity Index Series

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

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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 15 criteria are met, inclusion as Secondary Emerging requires that the specified 9 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

Market and Regulatory Environment	DEV	ADV EMG	SEC EMG	FRONTIER
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 objection to or significant restrictions or penalties applied to the investment of capital or the repatriation of capital and income	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 short, T+5 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			

Data definitions available from www.ftse.com

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