



FTSE Asia Pacific Regional Fixed Income Advisory Committee

Tuesday 06 September 2022

ATTENDEES

Members: nine (9); apologies: eight (8)

Observers: one (1)

FTSE Russell: ten (10)

Attendees were reminded of their obligations in relation to confidentiality of information, conflicts of interest and competition law. There were no declarations.

1.0 Statutory Governance Matters and Committee Information

1.1 Membership changes

1.1.1 FTSE Russell thanked an outgoing member for their contribution to the work of the advisory committee.

1.2 Minutes

1.2.1 The minutes of the meeting held on Tuesday 08 March 2022 were approved as presented.

1.2.2 The public minutes of the meeting held on Tuesday 08 March 2022 were approved as presented.

1.3 Governance

1.3.1 None.

1.4 Action Points and Matters Arising

1.4.1 None.

1.5 Key Notices and Updates

1.5.1 The methodology notices published since the last meeting were duly noted. There were no requests for further clarification.

2.0 Fixed Income Country Classification

2.1 Fixed Income Country Classification Process Document: the marked-up process document was included in the accompanying papers. FTSE Russell said that no fundamental changes to the process had been made – the updates reflected ‘housekeeping’ style amendments, clarifications

to the application of the process, and a series of edits to ensure that the document remained up to date. There were no comments.

2.1.1 *Post-meeting note:* the updated document was published to the following location on the FTSE Russell website: [FTSE Fixed Income Country Classification Process.pdf \(ftserussell.com\)](https://www.ftserussell.com/FTSE-Fixed-Income-Country-Classification-Process.pdf).

2.2 Local Currency Amount Outstanding Thresholds (presented for support)

2.2.1 In September, as part of the Fixed Income Country Classification annual review to ensure that the indices remain representative of the local market structures they are designed to track, minimum bond-level amount outstanding amounts are reviewed. These amounts are based on prevailing domestic issuance patterns and benchmark sizes for each local currency fixed-rated and inflation-linked market that is eligible for a FTSE fixed income index. Bond-level amount outstanding amounts are incorporated into respective index methodologies and from time-to-time, may require recalibration to ensure these levels are in line with contemporary market structures and debt issuance programmes.

2.2.2 **Summary:** no changes to the current amount outstanding thresholds were proposed. There were no comments.

2.3 Engagement with Markets: a summary of the engagement meetings held with regulators and policy makers were provided for background information and taken as read. There were no requests for further clarification.

2.4 Inclusion Roadmap (all items presented for information purposes): a summary was included in the accompanying papers.

2.4.1 **China:** an update on the phase-in inclusion of Chinese government bonds (CGBs) in the FTSE World Government Bond Index (WGBI) was provided. FTSE Russell also highlighted the recent market enhancements and initiatives. There were no comments.

2.4.2 **New Zealand:** an update on the upcoming inclusion of New Zealand in the WGBI was provided. There were no comments.

2.5 March 2022 Watch List Markets (all items presented for the committee's support):

2.5.1 **India:** a proposal was included in the accompanying papers. FTSE Russell proposed to retain India on the Watch List for possible reclassification from Market Accessibility Level 0 to 1 and potential inclusion in the FTSE Emerging Markets Global Bond Index (EMGBI).

2.5.1.1 A summary of the areas of concern highlighted by index users was provided.

2.5.1.2 A discussion ensued and the committee members provided feedback:

2.5.1.3 **Summary:** the committee members supported retaining India on the Watch list for possible reclassification from Market Accessibility Level 0 to 1. India will be reassessed again in the March 2023 Review.

2.5.2 **Switzerland:** FTSE Russell proposed to retain Switzerland on the Watch List for possible reclassification from Market Accessibility Level 1 to 2 and potential inclusion in the WGBI. The withholding tax rate (WHT) is set at 35% for all investors, with domestic investors permitted to offset withholding tax against income tax. For international investors, there is no tax relief at source. FTSE Russell will continue to monitor the progress of legal reforms to abolish WHT.

2.5.2.1 **Summary:** no concerns were voiced by the committee members on retaining Switzerland on the Watch List for possible reclassification from Market Accessibility Level 1 to 2. Switzerland will be reassessed again in the March 2023 Review.

2.6 September 2022 Watch List and Other Markets

- 2.6.1 **South Korea** (presented for support): FTSE Russell recommended the addition of South Korea to the Watch List for possible reclassification from Market Accessibility Level 1 to 2 and potential inclusion in the WGBI. The recent regulatory reforms and anticipated relaxation of certain requirements (i.e., removal of WHT from 01 January 2023 and access to third party FX) would remove the biggest obstacle(s) to index inclusion. FTSE Russell sought committee feedback on any additional market enhancements required for index inclusion purposes.
- 2.6.2 A discussion ensued and the committee members provided feedback.
- 2.6.3 **Summary:** the committee members supported the addition of South Korea to the Watch List for possible reclassification from Market Accessibility Level 1 to 2.
- 2.7 FTSE Emerging Markets Inflation-Linked Securities Index
- 2.7.1 **Uruguay** (presented for discussion): FTSE Russell highlighted its ongoing development efforts to implement tracking for Uruguay inflation-linked bonds, which was under review for potential inclusion in the FTSE Emerging Markets Inflation-Linked Securities Index (EMILSI). It was noted that the FTSE Fixed Income Country Classification Framework was extended to inflation-linked markets in 2021 and ahead of formalising the final proposal for the March 2023 Review, FTSE Russell invited the committee members to share their experience of the Uruguayan inflation-linked market landscape and inflation-linked securities. There were no comments.
- 2.7.1.1 *Post-meeting note:* [FTSE Russell Launches New Inflation-Linked Securities Indices – Published on 20 October 2022](#)
- 2.8 FTSE Frontier Emerging Markets Government Bond Index
- 2.8.1 **Uganda** (presented for support): FTSE Russell proposed the inclusion of Uganda in the FTSE Frontier Emerging Markets Government Bond Index (FRNTEMGBI). At the time of the meeting, Uganda met the Fixed Income Country Classification assessment criteria and minimum size (USD 5 billion) requirement for index inclusion.
- 2.8.2 The proposal to include Uganda would see the market assigned a Market Accessibility Level of 0 and it would no longer be deemed 'Unclassified'.
- 2.8.3 **Summary:** no concerns were voiced by the committee members on the inclusion of Uganda to the FRNTEMGBI, effective with the April 2023 index profiles.
- 2.8.4 *Post-meeting note:* [FTSE Fixed Income Country Classification Announcement September 2022](#)
- 3.0 Index Methodology and Policy**
- 3.1 Sustainable Fixed Income
- 3.1.1 FTSE Fixed Income EU Climate Benchmark and Paris Aligned benchmarks: (presented for discussion) an overview of the proposed index methodology was included in the accompanying papers. The committee members were invited to share their feedback on FTSE Russell's proposed approach to implementing EU methodologies for EU Climate Benchmarks and Paris-aligned index methodologies in fixed income.
- 3.1.2 A discussion ensued and the committee members provided feedback.
- 4.0 Product Update**
- 4.1 Russell Fixed Income indices (presented for information): presentation slides outlining the launch of Russell fixed income, which would parallel equity index membership and reflect the marrying of the FTSE and Russell franchises, were provided for background information and taken as read. There were no comments.

5.0 Actions

5.1 FTSE Russell to present a final proposal for the inclusion of Uruguay in the FTSE Emerging Markets Inflation-Linked Securities Index (EMILSI).

6.0 AOB

6.1 One item was raised by FTSE Russell.

7.0 Meeting Dates

7.1 The meeting dates for 2023 were duly noted.

7.1.1 2023: 14 March / 12 September

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