

# FTSE Russell promotes China A Shares to Emerging market status

- Reflects ongoing progress by China toward market reforms and increased access for global investors
- China A Shares to be included in phased timeline, starting from June 2019
- Eligible large, mid and small cap designated stocks from the FTSE China A Stock Connect All Cap Index
- China A Shares will represent c. 5.5%\* of FTSE Emerging Index once fully implemented in Phase 1
- FTSE Russell has consulted on a new country classification framework for global fixed income benchmarks; China government bonds to be added to the Watch List

FTSE Russell, the global index, data and analytics provider, has confirmed that the China A Shares market will be promoted to Secondary Emerging market status following the September 2018 annual country classification review. FTSE Russell formally reviews country classifications within its FTSE Global Equity Index Series (FTSE GEIS) using a comprehensive, transparent and consistent methodology. The review incorporates ongoing country classification research against FTSE Russell's Quality of Markets criteria and feedback from FTSE Russell's independent external advisory committees to designate markets as Developed, Advanced Emerging, Secondary Emerging or Frontier.

Since the addition of China A Shares to the FTSE Watch List, FTSE Russell has evaluated the ongoing initiatives of Chinese authorities to improve global investor access through market reforms such as the Qualified Foreign Institutional Investor (QFII) and Renminbi Qualified Foreign Institutional Investor (RQFII) initiatives. Through these improvements and recent enhancements to Stock Connect, China A Shares now meet the requirements for classification within the FTSE Emerging Index.

**Mark Makepeace, CEO, FTSE Russell, said:**

“FTSE Russell is pleased to announce that the China A Shares market will be promoted to Emerging Markets status and included in FTSE's global equity benchmarks from June 2019. China will also be added to our Watch List for possible inclusion in FTSE's global bond indexes. The Chinese authorities have continued to introduce reforms designed to open their market to international investors and have transformed their economy into the second largest in the world. FTSE Russell was the first international index provider of mainland China benchmarks 20 years ago and we will continue to work with our global clients to provide benchmark and analytic solutions to facilitate their equity and fixed income investments in the region.”



**Dr. Xinghai Fang, Vice Chairman, China Securities Regulatory Commission said:**

“We are delighted to mark the inclusion of China A Shares in FTSE Russell’s global benchmarks. The promotion of China A Shares to Emerging market status within FTSE GEIS is an important next step in the development of our capital markets and reflects the long-term reforms that have been implemented over the past few years. We will work closely with FTSE Russell over the coming months to effect a smooth transition of this market into the global indexes.”

FTSE Russell will begin including China A Shares securities into FTSE GEIS from June 2019. To assist index trackers in their ability to efficiently replicate the underlying benchmark change, FTSE Russell intends to implement the inclusion over three separate tranches through to March 2020. After each tranche, FTSE Russell will seek market feedback to evaluate the ability of the market to absorb the additional assets. Stock inclusion will be calculated using 25% of investable market capitalization of the eligible large, mid and small cap designated securities from the FTSE China A Stock Connect All Cap Index (currently around 1250 stocks). Upon completion of the first phase, China A Shares are expected to constitute c. 5.5%\* of the total FTSE Emerging Index, representing initial net passive inflows of \$10 billion of assets under management. Within the FTSE Global All Cap Index, China A Shares are projected to have a weight of c. 0.57%\*. Details of the timetable for China A Shares’ inclusion can be found in the technical notice. Further details on the selection of eligible stocks can also be found via the [website](#).

Separately, FTSE Russell has consulted with market participants to establish a transparent and evidence-driven country classification framework for its global fixed income benchmarks. The recently agreed process identifies objective criteria to calibrate “Market Accessibility Levels”, which will be incorporated into the methodology of flagship FTSE government benchmarks including the investment grade FTSE World Government Bond Index (WGBI). As within the equity framework, a Watch List of countries on the cusp of reclassification will be published and maintained with status updates provided each March and September. Inclusion of a market on the Watch List signals FTSE Russell’s intent 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. China government bonds will be added to this Watch List and assessed against the stated criteria of the framework for possible inclusion in FTSE WGBI. The full FTSE Fixed Income Country Classification framework and a complete Watch List will be published later this year, following meetings of our regional fixed income advisory committees in November.

**Chris Woods, Managing Director Governance, Risk & Compliance, FTSE Russell, said:**

“Establishing a thorough process for classification of local bond markets in this way brings a much-needed level of transparency to the decisions affecting major global bond indices. Now that we have added China to the Watch List, we look forward to engaging with investors and regulators in the coming months in applying this process.”

In addition to China A Shares, FTSE Russell also announced that Kuwait has begun the transition to FTSE GEIS as a Secondary Emerging market with 50% of its respective investable shares added this September and 50% in December. Poland has officially achieved Developed market status and Iceland is being reclassified to Frontier market status. Romania remains on the Watch List for possible reclassification to Secondary Emerging market status.

To view the full technical notice, please click [here](#).

*\* based on data as at 31 August 2018*

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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.

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