

FTSE Russell promotes Saudi Arabia to Emerging Market status

- Reflects pace of change by Saudi Arabian authorities to implement market reforms
- Saudi Arabia stocks to be included in phased timeline, starting from March 2019
- Saudi Arabia to be largest market within Middle East – c.2.7% of FTSE Emerging Index
- Weighting would rise to 4.6% in the event of Saudi Aramco IPO on Tadawul Exchange
- Global institutional investors support decision to promote Saudi Arabia

FTSE Russell, the global index, data and analytics provider, has confirmed that Saudi Arabia will be promoted to Secondary Emerging market status following the March 2018 interim 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 and feedback from FTSE Russell's independent external advisory committees to designate markets as Developed, Advanced Emerging, Secondary Emerging or Frontier.

The market authorities in Saudi Arabia have taken the required steps to implement market reforms and now meet the formal requirements to be included in FTSE GEIS. Changes include the introduction of enhancements to the Independent Custody Model (ICM) and the further opening of the Saudi Arabia capital market to Qualified Foreign Investors (QFI), which was initiated in 2015 and enhanced in 2018.

Mark Makepeace, CEO, FTSE Russell, said:

"FTSE Russell is delighted to confirm that Saudi Arabia now meets the criteria for inclusion as a Secondary Emerging market in FTSE GEIS. Saudi Arabia is to be congratulated on the pace of the recent market reforms which are widely acknowledged as being positive for the country and capital markets development in the region. The demand from international investors for benchmark and analytic solutions to facilitate their investments into the Middle East region continues to grow. FTSE Russell is committed to remaining at the forefront of such requirements and providing innovative solutions for our global clients."

His Excellency Mohammed El-Kuwaiz, Chairman, Capital Markets Authority, CMA, said:

"As part of Saudi Arabia's Vision 2030, we are delighted to mark the country's inclusion in the FTSE Russell global benchmarks. We have worked closely with index providers and the global investment community to ensure that our capital market reform programme sets the highest regulatory standards to meet the needs of both current and prospective investors. Saudi Arabia's inclusion in global benchmarks will further strengthen our position as the largest market in the Middle East region and we will work closely with the market during the transition period."



Khalid Al Hussan, Chief Executive Officer of Tadawul, said:

“Saudi Arabia’s promotion to Secondary Emerging market status in FTSE GEIS marks a significant moment in the development of our capital markets. We are proud of the achievements we have made to date to implement reforms and open our markets to international investors. We look forward to working with FTSE Russell to complete a smooth transition of our stocks into the global indexes over the coming months.”

FTSE Russell will begin including Saudi Arabian domestic stocks into FTSE GEIS from March 2019. Saudi Arabia will be the largest Middle East market in the FTSE Emerging Index with an overall weighting of c. 2.7%. Within the FTSE Global All Cap Index, Saudi Arabia is projected to have an index weight of c. 0.25%. Due to this large projected size within the FTSE Emerging Index, FTSE Russell proposes to implement the inclusion of Saudi Arabia in several tranches to assist index trackers in their ability to efficiently replicate the underlying benchmark change. The inclusion is expected to be fully completed by December 2019. Details of the timetable for Saudi Arabia’s inclusion can be found in the technical notice.

Although the proposed initial public offering (IPO) of Saudi Aramco has yet to be confirmed by the authorities, FTSE Russell has modelled the potential impact of a Saudi Aramco IPO on FTSE GEIS at the request of global institutional investors. Based on a proposed initial 5% listing of Saudi Aramco on Tadawul, the projected weighting of Saudi Arabia within the FTSE Emerging Index would increase to 4.6%. The final weightings will be confirmed in the event of a listing of the company. Depending on the timing of the IPO, FTSE Russell will implement a phased introduction of the stock consistent with Saudi Arabia’s country inclusion timetable. As previously announced, the company would not be eligible for the FTSE UK Index Series.

The Middle East region continues to attract the interest of international investors as market reforms are implemented. In the annual country classification review in September 2017, Kuwait met the requirements to be included as a Secondary Emerging market and will begin the transition in September 2018. Details of the timetable for Kuwait’s inclusion have now been confirmed and further details can be found [here](#).

FTSE Russell is fully committed to the Middle East and intends to further expand its product offering and solutions across equities, fixed income and multi-asset solutions.

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

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Notes to editors:

About FTSE Russell:

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