

September 2023

# Public minutes

## FTSE US Regional Fixed Income Advisory Committee

14 September 2023



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## Attendees

**Members:** five (5); apologies: six (6)

Observers: three (3)

**FTSE Russell:** six (6) including the Chair and Committee Secretary

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

### 1. Statutory governance matters and committee information

#### 1.1 Membership changes

1.1.1 None.

#### 1.2 Minutes

1.2.1 The minutes of the meeting held on Tuesday 16 March 2023 were approved as presented.

1.2.2 The public minutes of the meeting held on Tuesday 16 March 2023 were approved as presented.

#### 1.3 Governance

1.3.1 Annual review of the [Statement of Principles for FTSE Fixed Income Indices](#) (presented for endorsement): the advisory committee raised no objections for the minutes to state that the Statement of Principles continue to meet the purpose for which they were designed. There were no changes to the document apart from an update to the disclaimer date.

#### 1.4 Action points and matters arising

1.4.1 None.

#### 1.5 Key notices and updates

1.5.1 Methodology notices (presented for information): the published notices were duly noted. There were no requests for further clarification.

### 2. Fixed Income Country Classification

2.1 September 2023 Fixed Income Country Classification Announcement: recommended treatment of the Watch List markets – India, South Korea, and Switzerland (presented for support).

2.1.1 India: proposal to retain India on the Watch List for EMGBI index consideration, noting that it will be reassessed at the March 2024 review. A committee member provided their comments.

2.1.2 South Korea: proposal to retain South Korea on the Watch List for potential WGBI inclusion, noting that it will be reassessed at the March 2024 review. A committee member provided their comments.

2.1.3 Switzerland: proposal to retain Switzerland on the Watch List for potential WGBI inclusion, noting that it will be reassessed at the March 2024 review. A committee member provided their comments.

2.1.4 **Summary:** the committee members supported retaining India, South Korea, and Switzerland on the Watch List; the markets will be reassessed at the March 2024 review.

2.1.5 *Post-meeting note:* [FTSE Fixed Income Country Classification September 2023 Announcement – Published 28 September 2023](#).

2.2 Summary of Q2-Q3 2023 market engagement meetings (presented for information): a summary of the engagement meetings held with regulators and policy makers in Q2-Q3 2023 was provided for background information and taken as read. There were no requests for further clarification.

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### 3. Index methodology and policy

- 3.1 Emerging Markets Sovereign Defaults and Restructurings (presented for discussion): in August 2022, FTSE Russell [announced](#) a change to the default rules for foreign currency government bonds in the FTSE USD Emerging Market Indices.
- 3.1.1 Since the above-mentioned rule change, there have been several defaulted sovereign markets that have continued to be included in the FTSE Emerging Markets US Dollar Broad Bond Index. FTSE Russell invited the committee members to provide feedback on its approach to tracking these markets and securities issued as part of a restructuring.
- 3.1.2 A discussion took place, and the committee members provided their comments.
- 3.1.3 **Summary:** FTSE Russell thanked the committee members for their comments; feedback received would be considered to determine whether any changes were required to the existing index methodology.
- 3.2 Tradeweb-FTSE Benchmark Administered Prices (presented for information): in October 2016, Tradeweb and FTSE Russell were selected by the UK Treasury to be joint providers for end-of-day prices for UK Gilts and Treasury Bills, following the UK Debt Management Office (DMO) announcement that they intended to withdraw from the provision of reference prices. Tradeweb calculates the prices based on data from its dealer-to-client trading platform. FTSE Russell as the Benchmark Administrator is responsible for governance and oversight of the calculation process. The closing prices are calculated and administered as Benchmarks, by FTSE Russell, in accordance with IOSCO Principles for Financial Benchmarks. From July 2017, these prices were used in the calculation of the FTSE Actuaries UK Gilts Index Series.
- 3.2.1 FTSE Russell's aim is to improve pricing quality and trust, providing clients with credible reference pricing underpinned by a robust and transparent methodology. Given the evolving nature and use case for third-party bond prices within the financial markets' ecosystem, FTSE Russell invited the committee members to provide feedback on the different approaches to deriving such prices and utility for bond prices administered as benchmarks.
- 3.2.2 A discussion took place, and the committee members provided their comments.
- 3.2.3 FTSE Russell thanked the committee members for their comments.
- 3.3 Annual review of the local currency amount outstanding minimums by local currency market (presented for support): no changes were made to the current amount outstanding thresholds. There were no objections from the committee members.
- 3.4 Annual review of Emerging and Developed Market Designations within FTSE Fixed Income Indices (presented for information): updates to the Emerging and Developed markets list are made on an annual basis each September and based on updated data from the International Monetary Fund (IMF) and World Bank. For the purposes of inclusion in FTSE Emerging Markets hard and local currency fixed income indices, a market is considered to be emerging if it was defined by the IMF to be among 'emerging and developing economies' or if it is defined by the World Bank to be among 'low-income economies', 'lower-middle-income economies' or 'upper-middle-income economies'.
- 3.4.1 Croatia was classified as 'high-income' by the World Bank since July 2018. As of the April 2023 IMF report, the status of Croatia changed from 'emerging and developing economy' to 'advanced economy'. As a result, based on the FTSE fixed income index definition, the designation for Croatia changed from Emerging Market to Developed Market. As of July 2023, Croatia was not an eligible market for the FTSE Emerging Markets local currency indices, and no bonds with a Croatia country of risk were eligible for the FTSE Emerging Markets USD Broad Bond Index (EMUSDBBI). There were no comments from the committee members.

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#### **4. Sustainable Fixed Income**

4.1 Cash flow assumptions for Sustainability-Linked Bonds (SLBs) (presented for discussion): SLBs are bonds where the structure and returns (i.e., coupon, redemption value) were linked to the achievement of predefined sustainability objectives. SLBs committed explicitly to future improvements in sustainability outcome(s) within a pre-defined timeline, as measured through Key Performance Indicators (KPIs) and assessed against Sustainability Performance Targets (SPTs).

4.1.1 The [FTSE Sustainability-Linked Bond Index](#) was designed to measure the performance of global SLBs which were aligned with International Capital Markets Association (ICMA) Sustainability-Linked Bonds Principles (SLBP). FTSE Russell invited the committee members to provide feedback on the future cash flow for SLB analytic purposes.

4.1.2 A discussion took place, and the committee members provided their comments.

#### **5. AOB**

5.1 There was no further business.

#### **6. Meeting dates**

6.1 2024: 14 March / 04 September

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