

## S&P Dow Jones Indices' 2021 Country Classification Consultation

**NEW YORK, AUGUST 3, 2021:** S&P Dow Jones Indices ("S&P DJI") is conducting its annual country classification consultation with market participants. S&P DJI's global equity indices are divided into three major country classifications – developed, emerging, and frontier. Certain countries do not fall into one of these three categories and are considered "stand-alone" countries for index construction purposes. A number of factors are used in determining each country's classification, both quantitative and qualitative in nature.

Additionally, the opinions and experiences of institutional investors are critically important in determining whether a market should be classified as developed, emerging, or frontier. In that regard, S&P DJI is seeking feedback on the countries and markets covered by this consultation.

Your participation in this consultation is important as we gather information from various market participants in order to properly evaluate your views and preferences. Please respond to this survey by **September 3, 2021**. After this date, S&P DJI will no longer accept survey responses. Prior to the Index Committee's final review, S&P DJI may request clarifications from respondents as part of that review.

To participate in this consultation, please visit the online survey available [here](#).

For further information about this consultation, please contact S&P Dow Jones Indices at [SPDJI\\_Index\\_Governance@spglobal.com](mailto:SPDJI_Index_Governance@spglobal.com).

*Please be advised that all comments from this consultation will be reviewed and considered before a final decision is made; however, S&P DJI makes no guarantees or is under any obligation to comply with any of the responses. The survey may result in no changes or outcome of any kind. If S&P DJI decides to change the index methodology, an announcement will be posted on our website.*

Thank you for taking the time to complete this survey.

For more information about S&P Dow Jones Indices, please visit [www.spdji.com](http://www.spdji.com).

### **Process**

S&P DJI uses quantitative data to initially assess market eligibility for the developed, emerging and frontier country classifications. Countries must meet certain initial criteria to be considered for S&P DJI's developed, emerging, or frontier indices; they must meet a certain number of additional criteria to be considered specifically for the developed and emerging classifications, and must withstand a final measure of country economic status to be classified as developed. The country classification requirements are summarized in the following table.

## Country Classification Requirements

Please review Appendix A at the end of this document for a detailed explanation of the criteria listed below.

| S&P DJI's Country Classification Criteria          | Frontier           | Emerging | Developed |
|--|--------------------|----------|-----------|
| <b>Initial Eligibility Criteria</b>                |                    |          |           |
| Full domestic market capitalization over US\$ 2.5B | Minimum of two ✓   | ✓        | ✓         |
| Domestic annual turnover value over US\$ 1B        |                    | ✓        | ✓         |
| Exchange development ratio over 5%                 |                    | ✓        | ✓         |
| <b>Additional Criteria</b>                         |                    |          |           |
| Full domestic market capitalization over US\$ 15B  | Minimum of three ✓ | ✓        | ✓         |
| Settlement period of T+3 or better                 |                    | ✓        | ✓         |
| Sovereign debt rating of BB+ or above              |                    | ✓        | ✓         |
| Non-occurrence of hyperinflation                   |                    | ✓        | ✓         |
| No significant foreign ownership restrictions      |                    | ✓        | ✓         |
| Freely traded foreign currency                     |                    | ✓        | ✓         |
| <b>GDP Criteria</b>                                |                    |          |           |
| GDP (PPP) per capita greater than US\$ 15K         |                    |          | ✓         |

✓ - Required criterion

For further information, please refer to S&P DJI's Country Classification Methodology available [here](#).

### Frontier Markets

Unless there is significant data availability or accuracy issues, existing S&P DJI frontier market indices will continue to be calculated even if they fail to meet the requirements detailed above.

### Consultation

S&P DJI is seeking market feedback on potentially reclassifying **Nigeria** from a frontier market to a stand-alone one and removing it from frontier market indices. No other countries or markets are being considered for a possible change in classification at this time. General information about Nigeria is included on the following page. Any feedback is appreciated; please include any additional information in your response that may not have been considered.

## **Nigeria**

**Overview.** Nigeria is currently classified as a frontier market in S&P DJI's global equity indices. Since May 12, 2020, due to issues with liquidity in the foreign exchange market, S&P DJI has halted the implementation of certain types of events for stocks listed in Nigeria, namely:

- Quarterly Share and Investable Weight Factor (IWF) changes
- Non-Mandatory Share and Investable Weight Factor (IWF) changes
- Rights offerings

This is not the first time that S&P DJI has applied such measures. In 2017, when repatriation of foreign currencies from Nigeria started to create liquidity issues, the risk-containing actions indicated above were also put in place from March through September, in addition to halting additions and deletions due to index rebalancing.

As a result of the prolonged issues with repatriation of foreign currencies, S&P DJI is seeking market feedback on potentially reclassifying Nigeria as a standalone country and removing it from the S&P Frontier BMI and resulting downstream indices.<sup>1</sup>

**Key Developments.** The situation in the country has not improved since early 2020 and repatriation of investments in Nigerian equities remains difficult for foreign investors. Nigeria continues to face external liquidity pressures and the challenges of the COVID-19 pandemic have only intensified the economy's underlying issues. Despite gradual and moderate exchange-rate depreciation over the last year, the Naira remains overvalued. Nigeria's economic recovery is expected to be feeble and slow, with GDP not expected to return to its pre-pandemic level until 2022.

| <b>Year</b> | <b>Full Domestic Market Capitalization (US\$ B)</b> | <b>Domestic Turnover Value (US\$ B)</b> |
|-------------|---|---|
| 2020        | 45.61   | 3.27                                    |

### **Weight in S&P DJI's Global Benchmark Indices<sup>2</sup>**

| <b>Benchmark Index</b> | <b>Current Weight</b> |
|------------------------|-----------------------|
| S&P Frontier BMI       | 4.67%                 |

<sup>1</sup> See Appendix C for a list of downstream S&P DJI indices and indices with Nigerian listed constituents that use the S&P Frontier BMI as an Index Universe.

<sup>2</sup> Information as of June 21, 2021.

## Estimated Composition of the S&P Frontier BMI<sup>3</sup>

| Country             | # Constituents | Weight         |
|---------------------|----------------|----------------|
| Argentina           | 18             | 29.62%         |
| Vietnam             | 50             | 16.89%         |
| Morocco             | 22             | 8.36%          |
| Iceland             | 17             | 5.22%          |
| Bangladesh          | 49             | 4.11%          |
| Romania             | 9              | 3.62%          |
| Panama              | 5              | 3.35%          |
| Bahrain             | 7              | 3.24%          |
| Kenya               | 9              | 3.05%          |
| Slovenia            | 13             | 2.49%          |
| Jordan              | 12             | 2.47%          |
| Kazakhstan          | 7              | 2.10%          |
| Oman                | 15             | 2.09%          |
| Croatia             | 15             | 1.81%          |
| Mauritius           | 43             | 1.77%          |
| Trinidad and Tobago | 9              | 1.73%          |
| Sri Lanka           | 66             | 1.67%          |
| Jamaica             | 30             | 1.48%          |
| Tunisia             | 40             | 0.98%          |
| Cote d'Ivoire       | 28             | 0.80%          |
| Estonia             | 13             | 0.66%          |
| Cyprus              | 14             | 0.53%          |
| Bulgaria            | 33             | 0.53%          |
| Ghana               | 11             | 0.40%          |
| Botswana            | 7              | 0.37%          |
| Lithuania           | 14             | 0.33%          |
| Namibia             | 4              | 0.23%          |
| Slovakia            | 1              | 0.04%          |
| Zambia              | 4              | 0.03%          |
| Latvia              | 1              | 0.03%          |
| <b>Total</b>        | <b>566</b>     | <b>100.00%</b> |

## Consultation Questions

Please answer the following questions and provide S&P DJI with the reasoning behind your answers:

1. **What is the most appropriate action to take with regard to Nigeria in S&P DJI's global equity indices?**
  - **Reclassify to stand-alone market in March 2022**
  - **Reclassify to stand-alone market in September 2022**
  - **Reclassify to stand-alone market in March 2023**
  - **Keep frontier market classification**
2. **If Nigeria remains classified as a frontier market, should Nigerian listed companies remain in any S&P DJI indices that do not use the S&P Frontier BMI as an Index Universe?<sup>4</sup>**
3. **If Nigeria remains classified as a frontier market, do you have any comments or feedback regarding the index treatment of Nigerian stocks in place since May 12, 2020?**
4. **Do you have any other comments or feedback regarding the classification of Nigeria?**

<sup>3</sup> Information as of June 21, 2021. This includes Iceland, which will be reclassified to frontier market status in March 2022.

<sup>4</sup> See Appendix C for a list of indices.

## Appendix A

### Initial Eligibility Criteria for S&P DJI's Global Equity Indices

Countries must meet a minimum of two of the following three criteria to be considered for inclusion in S&P DJI's country indices:

- **Full domestic market capitalization over US\$ 2.5 billion.** Market size is important. S&P DJI uses the full market capitalization of an exchange's primary market as its measure. Float-adjusted capitalization is not used, as the availability of float information for smaller markets is not of the required standard. Thus, we do not have consistency of float information across all markets.
- **Annual turnover value over US\$ 1 billion.** An exchange must have significant turnover so that trading is unlikely to be characterized by a particular difficulty in trading. S&P DJI ascertains the total value of trading in a market's domestic companies over the calendar year prior to the review.
- **A market development ratio over 5%.** Many countries have very small markets that do not provide a sufficiently robust representation of the domestic market economy. To ensure only markets that have developed sufficiently are used, S&P DJI calculates a "market development ratio" by dividing the full domestic market capitalization of the exchange by the country's GDP at purchasing power parity, sourced from the IMF. To be considered for S&P DJI's Country Indices, this figure must be over 5%.

### Additional Requirements for S&P DJI's Emerging Market Status

Countries must meet all three of the baseline criteria as well as have a full market capitalization over US\$ 15 billion, and must meet a minimum of three of the following five criteria to be considered for emerging market status:

- **Settlement period of T+3 or better.** Efficient, rapid settlement of trades is necessary for investors to be able to trade with confidence. S&P DJI requires markets to settle trades on a T+3 timescale or sooner.
- **Major ratings agencies rate the sovereign debt at investment grade.** A company's ability to operate is directly affected by its home country's financial situation. S&P Global Ratings has a team devoted to the analysis of country risk, and its rating of each country's sovereign debt is used to ensure an appropriate level of risk.
- **Non-occurrence of hyperinflation.** Hyperinflation is defined here as an annual average consumer price index rate of over 15% at the time of the review.
- **No significant foreign ownership restrictions.** Foreign ownership restrictions cause issues achieving the required exposure to stocks in a given market. While S&P DJI recognizes that stocks in industries such as defense are commonly restricted, it uses the State Street Global Market Information Database to assess whether additional restrictions might cause investing issues.
- **The country's currency should be freely traded.** Difficulties buying or selling a domestic currency, or repatriating capital from a market, greatly complicates the process of investing in a given market. S&P DJI uses the State Street Global Market Information Database to assess whether there any currency restrictions in place in each market.

## Further Requirements for S&P DJI's Developed Market Status

To be considered for developed market status, countries must meet all eight of the initial and additional criteria and have a Gross Domestic Product per capita, at Purchasing Power Parity, greater than US\$ 15,000.

**Deviations from Baseline.** Where this assessment indicates a possible change of classification, a more in-depth study is undertaken which covers both the primary and additional criteria, as well as the following quantitative and qualitative areas:

- **Economic & Political**
  - Further macroeconomic measures, such as the rate and variability of real GDP growth and the overall size of the economy
  - Political factors including war, civil disruption, and disturbance, as well as the risk of war or civil unrest
  - Restrictions on investments imposed by other governments
- **Related Investment Conditions**
  - Settlement procedures
  - Foreign exchange (FX) access and procedures
  - Rules on short sales, availability of futures contracts, etc.
  - Availability of alternative means of investment in the country's stocks, such as DRs or a large number of listings on other markets in other countries
  - The number of domestic listings
- **Market Consensus**
  - Desire for change
    - There must be a market consensus desiring the change of the country's classification.
  - The actions of other market participants
    - S&P DJI staff is in constant contact with market participants, and regularly canvases opinions concerning new countries of interest and issues of concern regarding existing countries in S&P DJI's Global Equity Indices.
    - The actions of other index providers are relevant. All index providers attempt to incorporate the views of market participants when assessing markets for country classification purposes. Changes to country classifications reflect changes in the sentiment of both that provider's customers and the broader market.

Sources:

*S&P Sovereign Debt Ratings*

*IMF website*

*World Bank website*

*Stock Exchange websites*

**CONSULTATION**

## **Appendix B**

Country weights in S&P DJI's global benchmark indices as of June 21, 2021:

| <b>S&amp;P Developed BMI<br/>Country</b> | <b>Weight</b> |
|--|---------------|
| Australia                                | 2.26%         |
| Austria                                  | 0.11%         |
| Belgium                                  | 0.32%         |
| Canada                                   | 3.35%         |
| Denmark                                  | 0.71%         |
| Finland                                  | 0.42%         |
| France                                   | 3.02%         |
| Germany                                  | 2.67%         |
| Hong Kong                                | 0.96%         |
| Ireland                                  | 0.26%         |
| Israel                                   | 0.28%         |
| Italy                                    | 0.81%         |
| Japan                                    | 7.74%         |
| Luxembourg                               | 0.07%         |
| Netherlands                              | 1.22%         |
| New Zealand                              | 0.12%         |
| Norway                                   | 0.28%         |
| Portugal                                 | 0.06%         |
| Singapore                                | 0.53%         |
| South Korea                              | 2.10%         |
| Spain                                    | 0.73%         |
| Sweden                                   | 1.27%         |
| Switzerland                              | 2.72%         |
| UK                                       | 4.43%         |
| US                                       | 63.56%        |

| <b>S&amp;P Emerging BMI<br/>Country</b> | <b>Weight</b> |
|---|---------------|
| Brazil                                  | 6.59%         |
| Chile                                   | 0.52%         |
| China                                   | 40.38%        |
| Colombia                                | 0.23%         |
| Czech Republic                          | 0.11%         |
| Egypt                                   | 0.11%         |
| Greece                                  | 0.32%         |
| Hungary                                 | 0.24%         |
| India                                   | 13.25%        |
| Indonesia                               | 1.36%         |
| Kuwait                                  | 0.64%         |
| Malaysia                                | 1.93%         |
| Mexico                                  | 1.87%         |
| Pakistan                                | 0.09%         |
| Peru                                    | 0.19%         |
| Philippines                             | 0.81%         |
| Poland                                  | 0.85%         |
| Qatar                                   | 0.73%         |
| Russia                                  | 3.64%         |
| Saudi Arabia                            | 3.04%         |
| South Africa                            | 4.06%         |
| Taiwan                                  | 15.73%        |
| Thailand                                | 2.07%         |
| Turkey                                  | 0.49%         |
| UAE                                     | 0.71%         |

| <b>S&amp;P Frontier BMI<br/>Country</b> | <b>Weight</b> |
|---|---------------|
| Argentina                               | 29.80%        |
| Bahrain                                 | 3.26%         |
| Bangladesh                              | 4.14%         |
| Botswana                                | 0.37%         |
| Bulgaria                                | 0.53%         |
| Cote d'Ivoire                           | 0.80%         |
| Croatia                                 | 1.82%         |
| Cyprus                                  | 0.53%         |
| Estonia                                 | 0.66%         |
| Ghana                                   | 0.40%         |
| Jamaica                                 | 1.48%         |
| Jordan                                  | 2.49%         |
| Kazakhstan                              | 2.11%         |
| Kenya                                   | 3.06%         |
| Latvia                                  | 0.03%         |
| Lithuania                               | 0.33%         |
| Mauritius                               | 1.78%         |
| Morocco                                 | 8.41%         |
| Namibia                                 | 0.23%         |
| Nigeria                                 | 4.67%         |
| Oman                                    | 2.11%         |
| Panama                                  | 3.37%         |
| Romania                                 | 3.64%         |
| Slovakia                                | 0.04%         |
| Slovenia                                | 2.50%         |
| Sri Lanka                               | 1.68%         |
| Trinidad & Tobago                       | 1.74%         |
| Tunisia                                 | 0.98%         |
| Vietnam                                 | 16.99%        |
| Zambia                                  | 0.03%         |

Source: S&P Dow Jones Indices

**CONSULTATION**

| <b>S&amp;P/IFCI Composite Index</b> |               |
|-------------------------------------|---------------|
| <b>Country</b>                      | <b>Weight</b> |
| Brazil                              | 5.73%         |
| Chile                               | 0.45%         |
| China                               | 35.25%        |
| Colombia                            | 0.20%         |
| Czech Republic                      | 0.10%         |
| Egypt                               | 0.09%         |
| Greece                              | 0.27%         |
| Hungary                             | 0.21%         |
| India                               | 11.43%        |
| Indonesia                           | 1.16%         |
| Kuwait                              | 0.55%         |
| Malaysia                            | 1.64%         |
| Mexico                              | 1.63%         |
| Pakistan                            | 0.06%         |
| Peru                                | 0.17%         |
| Philippines                         | 0.70%         |
| Poland                              | 0.73%         |
| Qatar                               | 0.64%         |
| Russia                              | 3.18%         |
| Saudi Arabia                        | 2.59%         |
| South Africa                        | 3.53%         |
| South Korea                         | 13.66%        |
| Taiwan                              | 13.28%        |
| Thailand                            | 1.74%         |
| Turkey                              | 0.38%         |
| UAE                                 | 0.62%         |

| <b>Dow Jones Developed Markets Index</b> |               |
|--|---------------|
| <b>Country</b>                           | <b>Weight</b> |
| Australia                                | 2.25%         |
| Austria                                  | 0.10%         |
| Belgium                                  | 0.31%         |
| Canada                                   | 3.35%         |
| Denmark                                  | 0.72%         |
| Finland                                  | 0.41%         |
| France                                   | 3.14%         |
| Germany                                  | 2.71%         |
| Hong Kong                                | 0.98%         |
| Ireland                                  | 0.26%         |
| Israel                                   | 0.18%         |
| Italy                                    | 0.81%         |
| Japan                                    | 7.90%         |
| Luxembourg                               | 0.07%         |
| Netherlands                              | 1.26%         |
| New Zealand                              | 0.12%         |
| Norway                                   | 0.22%         |
| Portugal                                 | 0.05%         |
| Singapore                                | 0.55%         |
| South Korea                              | 2.21%         |
| Spain                                    | 0.74%         |
| Sweden                                   | 1.17%         |
| Switzerland                              | 2.82%         |
| UK                                       | 4.44%         |
| US                                       | 63.22%        |

| <b>Dow Jones Emerging Markets Index</b> |               |
|---|---------------|
| <b>Country</b>                          | <b>Weight</b> |
| Brazil                                  | 6.30%         |
| Chile                                   | 0.51%         |
| China                                   | 41.09%        |
| Colombia                                | 0.23%         |
| Czech Republic                          | 0.11%         |
| Egypt                                   | 0.12%         |
| Greece                                  | 0.32%         |
| Hungary                                 | 0.23%         |
| India                                   | 13.08%        |
| Indonesia                               | 1.36%         |
| Kuwait                                  | 0.63%         |
| Malaysia                                | 1.94%         |
| Mexico                                  | 1.84%         |
| Pakistan                                | 0.11%         |
| Peru                                    | 0.17%         |
| Philippines                             | 0.79%         |
| Poland                                  | 0.83%         |
| Qatar                                   | 0.71%         |
| Russia                                  | 3.59%         |
| Saudi Arabia                            | 3.02%         |
| South Africa                            | 3.95%         |
| Taiwan                                  | 15.72%        |
| Thailand                                | 2.08%         |
| Turkey                                  | 0.53%         |
| UAE                                     | 0.72%         |

Source: S&P Dow Jones Indices

**CONSULTATION**

## **Appendix C**

Downstream S&P DJI indices and indices with Nigerian listed constituents that use the S&P Frontier BMI as an Index Universe:

| <b>Index Name</b>  | <b>Index Code</b> |
|--|-------------------|
| S&P Africa 40 Index  | SPAFRUP           |
| S&P Africa Frontier BMI (US Dollar)                        | OLDSTEIAFDP       |
| S&P Africa Frontier BMI (USD)                              | STEIAFDP          |
| S&P Africa Frontier Ex-Zimbabwe BMI (USD)                  | SPAFXZWP          |
| S&P All Africa   | SPXAAUP           |
| S&P All Africa Capped                                      | SPXAACUP          |
| S&P All Africa ex-South Africa                             | SPXABUP           |
| S&P All Africa ex-South Africa Capped                      | SPXABCUP          |
| S&P All Africa ex-South Africa Select                      | SPXABSUP          |
| S&P All Africa Select                                      | SPXAASUP          |
| S&P All Sub-Saharan Africa ex-South Africa Capped Index    | SPSSXACU          |
| S&P All Sub-Saharan Africa ex-South Africa Index           | SPSSXAU           |
| S&P Emerging and Frontier ME and Africa BMI Index (Custom) | SPEFMEAXI         |
| S&P Emerging Frontier Super Composite BMI (US Dollar)      | SPCBMIRFSUSD      |
| S&P Extended Frontier 150                                  | SPIFCXF           |
| S&P Frontier BMI ex-GCC Shariah (US Dollar)                | SPSHFXGC          |
| S&P Frontier BMI Shariah (US Dollar)                       | SPSHFRONT         |
| S&P Frontier Ex-GCC BMI (USD)                              | SPFCMD            |
| S&P ME and Africa BMI Index (Custom)                       | CPTAXD            |
| S&P Pan Africa BMI (USD)                                   | STEIPADP          |
| S&P Pan Africa Ex South Africa Capped Index                | SPPAXSCP          |
| S&P Pan Africa Ex-South Africa & Zimbabwe BMI (USD)        | SPPAXZAZWP        |
| S&P Pan Africa Ex-South Africa BMI (USD)                   | SPPAXSA           |
| S&P Pan Africa ex-South Africa Select                      | SPPAXSS           |
| S&P Pan Africa Ex-Zimbabwe BMI (USD)                       | SPPAXZWP          |
| S&P Select Frontier Index                                  | SPSFP             |
| S&P Sub-Saharan Africa ex-South Africa Select              | SPSAXSUP          |
| S&P West Africa  | SPXWAUP           |
| S&P West Africa 25   | SPXWA25UP         |
| S&P/OIC COMCEC 50 Shariah                                  | SPOIC50P          |
| S&P/BNY Mellon New Frontier Index (USD)                    | BKNFR             |

S&P DJI indices with Nigerian listed constituents that do not use the S&P Frontier BMI as an Index Universe:

| <b>Index Name</b>                | <b>Index Code</b> |
|----------------------------------|-------------------|
| Dow Jones Africa Titans 50 Index | DJAFK             |

## ABOUT S&P DOW JONES INDICES

S&P Dow Jones Indices is the largest global resource for essential index-based concepts, data and research, and home to iconic financial market indicators, such as the S&P 500<sup>®</sup> and the Dow Jones Industrial Average<sup>®</sup>. More assets are invested in products based on our indices than products based on indices from any other provider in the world. Since Charles Dow invented the first index in 1884, S&P DJI has been innovating and developing indices across the spectrum of asset classes helping to define the way investors measure and trade the markets.

S&P Dow Jones Indices is a division of S&P Global (NYSE: SPGI), which provides essential intelligence for individuals, companies and governments to make decisions with confidence. For more information, visit [www.spdji.com](http://www.spdji.com).

### **FOR MORE INFORMATION:**

S&P Dow Jones Indices  
[index\\_services@spglobal.com](mailto:index_services@spglobal.com)