



29 September 2016

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Dear Mr. Sobolewski,

### **FTSE Country Classification – Annual Review 2016**

I am writing to provide you with an assessment of the equity market in Romania with regard to FTSE global indexes following completion of the FTSE Country Classification Annual Review.

The FTSE Country Classification process involves the assessment of global markets against a range of technical criteria and takes account of the perceptions of institutional investors. The process aims to ensure that FTSE's global benchmarks reflect the most relevant and accurate information about market structures, offering investors risk management insight into the regulatory and trading practices of the markets included in the global indexes. To ensure its objectivity, the process is supported by FTSE Russell external advisory committees. This includes the FTSE Country Classification Advisory Committee, which draws its membership from experts in trading, custody and investment management, and the FTSE Russell Policy Advisory Board, which represents the views of leading global investors.

At recent meetings with its independent committee of market practitioners, FTSE Russell presented an update on the assessment of markets against each of the Quality of Markets criteria. Following the recommendations received from the FTSE Country Classification Advisory Committee and the FTSE Russell Policy Advisory Board, the FTSE Russell Governance Board approved the **inclusion of Romania on the FTSE Watch List for possible reclassification from Frontier to Secondary Emerging market status**. The inclusion of Romania on the Watch List is in recognition of the efforts made by the Bucharest Stock Exchange (BVB) to develop a capital market infrastructure which meets the needs of international portfolio investors.

Markets that are subject to possible reclassification are placed on the Watch List for a minimum of one year. The addition of a market to the Watch List is the first signal to the international investment community that a change of status for a market is being considered, and is a significant step for both countries and investors.

In order to attain Secondary Emerging market status within the FTSE Country Classification scheme the following Quality of Markets criteria are required to be met:

- Formal stock market regulatory authorities actively monitor market – currently rated as “Pass”;
- No objection to or significant restrictions or penalties applied to the investment of capital or the repatriation of capital or income – currently rated as “Pass”;
- Settlement – Rare incidence of failed trades – currently rated as “Pass”;
- Custody – Sufficient competition to ensure high quality custodian services – currently rated as “Pass”;
- Clearing and Settlement – T+2 / T+3 – currently rated as “Pass”;
- Liquidity – Sufficient broad market liquidity to support sizeable global investment – currently rated as “Not Met”;
- Transaction costs – implicit and explicit costs to be reasonable and competitive – currently rated as “Pass”; and
- Transparency – market depth information / visibility and timely trade reporting process – currently rated as “Pass”.

The possible reclassification of Romania as a Secondary Emerging market will be considered at the Annual Review in September 2017.

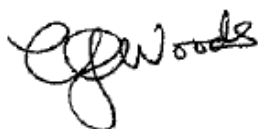
FTSE Russell would like to congratulate BVB on their efforts and looks forward to continuing the engagement process as BVB works towards increasing broad market liquidity. We kindly request that BVB keep FTSE Russell abreast of any further market development plans.

The results of the 2016 FTSE Country Classification Annual Review will be published later today on the FTSE Russell website and distributed to the media in key markets worldwide.

Herewith, for your information, I attach an extract from the country classification matrix which will be published on the country classification area of the FTSE Russell website: [www.ftserussell.com](http://www.ftserussell.com). It shows the complete analysis of the Romanian market against the FTSE Quality of Markets criteria.

In the meantime, should you have questions on any aspect of the FTSE Country Classification assessment process, please do not hesitate to contact [committeesecretary@ftserussell.com](mailto:committeesecretary@ftserussell.com)

Yours sincerely



Christopher Woods

Managing Director, Governance & Policy