

Sector Classification Review for Sukuk in FTSE Fixed Income Indexes

Since the incorporation of the IdealRatings shariah screening methodology to the FTSE IdealRatings Sukuk Index in June 2020¹, FTSE Russell has performed a thorough review with IdealRatings to determine the sector classification for sukuk that are included in FTSE fixed income indexes. Effective with the September 2020 profiles, sukuk issued on behalf of central governments will be classified as Sovereign Guaranteed with Global Industry Code (GLIC) of SGTD and Corporate Bond Sector Code (COBS) of AGEN. Sukuk issued on behalf of regional governments will be classified as Regional Government Guaranteed with GLIC of RGTD and COBS of AGEN. Finally, sukuk issued on behalf of quasi-sovereign or supranational entities will be classified with a GLIC of Sovereign Government-Sponsored (SGSP) and the COBS of Agency (AGEN) and Supranational (SPRA), respectively.

As a result, 14 bonds that are currently in the corporate sector will be reclassified into the Sovereign Guaranteed, Regional Government Guaranteed or Sovereign Government-Sponsored sector effective with the September 2020 profiles. These sukuk represent 19.1% of the FTSE IdealRatings Sukuk Index on a market value weighted basis, with \$15.1 billion in market value as of June 30, 2020. Details of these changes are shown in figure 1. The changes will be reflected in other FTSE indexes including the FTSE US Broad Investment-Grade Bond Index (USBIG[®]), the FTSE World Broad Investment-Grade Bond Index (WorldBIG[®]), and FTSE Emerging Markets Broad Bond Index (EMUSDBBI).

Figure 1. Changes to the Corporate Sector for Sukuk in FTSE Fixed Income Indexes

ISIN	Current GLIC	Current COBS	New GLIC	New COBS	Market Value*	Index Weight (%)
XS1054250235	UELC	ELEC	SGSP	AGEN	1,612.8	2.04
XS2120069047	FIND	IFIN	SGSP	AGEN	1,518.4	1.92
XS1877838877	UELC	ELEC	SGSP	AGEN	1,382.6	1.75
XS0767862914	UELC	ELEC	SGSP	AGEN	1,317.2	1.67
XS1791326991	FOTH	OTHF	RGTD	AGEN	1,308.9	1.65
XS1054250318	UELC	ELEC	SGSP	AGEN	1,216.2	1.54
XS0911024635	UELC	ELEC	SGSP	AGEN	1,155.8	1.46
XS1969593356	FOTH	OTHF	RGTD	AGEN	1,063.9	1.35
XS0908512410	UELC	ELEC	SGSP	AGEN	1,050.5	1.33
XS2182820329	FOTH	OTHF	RGTD	AGEN	1,000.1	1.26

¹For further information, please see the [announcement](#).

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XS1857100090	UELC	ELEC	SGSP	AGEN	870.4	1.10
XS2067187810	FOTH	OTHF	RGTD	AGEN	759.8	0.96
XS1701875475	FOTH	OTHF	SGSP	SPRA	522.6	0.66
XS1917569243	FOTH	OTHF	SGSP	AGEN	327.9	0.41

* in USD millions. Source: FTSE Russell. Data as of June 30, 2020.

The classification of 10 bonds that are currently classified as Sovereign Government-Sponsored will also be changed to Sovereign Guaranteed or Regional Government Guaranteed, effective with the September 2020 profiles. The COBS for these bonds will remain as Agency (AGEN). These sukuk represent 25.1% of the FTSE Ideal Ratings Sukuk Index on a market value weighted basis with \$19.9 billion in market value, as of June 30, 2020. Details of these securities are shown in figure 2. The changes will be reflected in other FTSE indexes including the FTSE USBIG, FTSE WorldBIG, and FTSE EMUSDBBI.

Figure 2. Changes to Government Sponsored Classifications in FTSE Fixed Income Indexes

ISIN	Current GLIC	Current COBS	New GLIC	New COBS	Market Value*	Index Weight (%)
US48266XAB10	SGSP	AGEN	SGTD	AGEN	4,939.1	6.24
US48266XAA37	SGSP	AGEN	SGTD	AGEN	4,653.6	5.88
US48266XAD75	SGSP	AGEN	SGTD	AGEN	2,631.2	3.33
US48266XAC92	SGSP	AGEN	SGTD	AGEN	2,341.4	2.96
XS1555404786	SGSP	AGEN	RGTD	AGEN	1,114.4	1.41
US56109AAA79	SGSP	AGEN	SGTD	AGEN	1,091.9	1.38
US56108LAA44	SGSP	AGEN	SGTD	AGEN	1,072.3	1.36
XS1106137687	SGSP	AGEN	RGTD	AGEN	799.2	1.01
US56108LAB27	SGSP	AGEN	SGTD	AGEN	626.1	0.79
US56109AAB52	SGSP	AGEN	SGTD	AGEN	613.8	0.78

* in USD millions. Source: FTSE Russell. Data as of 30 June 2020.

For more information regarding the FTSE Russell fixed income sector classification methodology and Global Industry Codes (GLIC) and Corporate Bond Sector (COBS) codes, please see the FTSE Fixed Income Index Guide.

Please contact us at fi.index@ftserussell.com with any comments or questions.

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