

Update on the Market Classification of Saudi Arabia

New York – January 25, 2017 – MSCI Inc. (NYSE: MSCI), a leading provider of research-based indexes and analytics, announced today that it welcomes the recent positive market reforms undertaken by the Saudi Arabian Capital Market Authority (CMA) and the Saudi Stock Exchange (the Tadawul). These reforms should make a significant contribution toward bringing the Saudi equity market closer to Emerging Market accessibility standards.

MSCI specifically recognizes the extent and the pace of change undertaken by the Saudi Arabian authorities to open the local equity market to international institutional investors. MSCI will continue to monitor these positive developments.

As a reminder, in May 2016, the CMA and the Tadawul announced that a number of enhancements to the rules pertaining to Qualified Foreign Investors and to the equity market operational framework were planned to be implemented by mid-2017. These included changes to the settlement cycle of listed securities, the elimination of the cash prefunding requirement and the introduction of a proper delivery versus payment settlement provision.

In September 2016, the CMA implemented a new version of “Rules for Qualified Foreign Financial Institutions Investment in Listed Securities”. Major enhancements in this version included the increase of foreign ownership limit levels applicable to listed Saudi Arabian companies, the lowering of the minimum asset under management requirements applicable to Qualified Foreign Investors and the amendments to the list of Qualified Foreign Investors eligible investor types. These changes in rules have resulted in an increase in the number of Qualified Foreign Investors having entered the Saudi Arabian equity market as reported by the CMA and the Tadawul.

Effective January 1, 2017, the Tadawul spun off its central securities depository (CSD) activities and introduced the Securities Depository Center (SDC) as an independent wholly owned subsidiary. SDC performs securities settlement and cash netting, safekeeping and registry functions and operates end beneficial accounts.

On January 9, 2017, as part of a public consultation, the Tadawul disclosed its proposed new market operating model. The proposed model includes (among other noted improvements) the expansion of the settlement cycle from T+0 to T+2, the introduction of a proper delivery versus payment (DvP) settlement provision, proper fail trade management, and the introduction of short selling and securities borrowing and lending facilities. The release of this consultation on the proposed new market operating model has also been complemented by the disclosure of updated underlying rules and regulations. The Tadawul announced that this public consultation was open until February 8, 2017 and that the new model would be implemented by mid-2017 at the latest.

As a reminder, there is at present no proposal for the inclusion of the MSCI Saudi Arabia Index in the MSCI Emerging Markets Index as part of the current MSCI Market Classification cycle. Such a proposal could be considered for inclusion in the review list as part of the upcoming cycle that will be launched in June 2017. The inclusion in the review list would be conditional on positive early feedback received from market participants on their effective experience of investing in Saudi Arabian equities.

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Our line of products and services includes indexes, analytical models, data, real estate benchmarks and ESG research.

MSCI serves 97 of the top 100 largest money managers, according to the most recent P&I ranking.

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