MSCI 2021 Market Classification Review

- Reclassifies the MSCI Argentina Index from Emerging to Standalone Markets status
- Launches a consultation on the potential reclassification of the MSCI Pakistan Index from Emerging to Frontier Markets status
- Warns on the potential negative implications of further restrictions on the Availability of Investment Instruments in a few Emerging Markets
- Continues to monitor the Market Accessibility of the Nigerian equity market

New York – June 24, 2021 – MSCI Inc. (NYSE: MSCI), a leading provider of critical decision support tools and services for the global investment community, announced today the results of the MSCI 2021 Market Classification Review.

“It is positive to see that most of the markets which imposed temporary accessibility restrictions to mitigate the impact of the COVID-19 pandemic have returned to normal operations,” said Dr. Dimitris Melas, Global Head of Index Research and Product Development and Chairman of the MSCI Index Policy Committee. “For the markets that continue to maintain some measure of restrictions due to COVID-19, with no explicit guidelines on when such restrictions will be lifted, their Market Accessibility assessment may be affected negatively.”

MSCI Argentina Index reclassification to Standalone Markets status

MSCI announced today that it will reclassify the MSCI Argentina Index from Emerging Markets to Standalone Markets status in one step coinciding with the November 2021 Semi-Annual Index Review. “Since September 2019, international institutional investors have been subject to the imposition of capital controls in the Argentina equity market,” said Craig Feldman, Global Head of Index Management Research and member of the MSCI Index Policy Committee. “Despite the fact that the MSCI Argentina Index remains replicable given that only foreign listings are eligible for inclusion to the index, the prolonged severity of capital controls with no resolution is not in line with the Market Accessibility criteria of the MSCI Emerging Markets Index. This has led to the reclassification of the MSCI Argentina Index from Emerging Markets to Standalone Markets status.” The accessibility report for Argentina is now reflected in the MSCI 2021 Global Market Accessibility Review report available at https://www.msci.com/market-classification.

Consultation on potential reclassification of the MSCI Pakistan Index to Frontier Markets status

MSCI announced today the launch of a consultation on a proposal for potential reclassification of the MSCI Pakistan Index from Emerging Markets to Frontier Markets status in one step coinciding with the November 2021 Semi-Annual Index Review.

Although the Pakistani equity market meets the requirements for Market Accessibility under the classification framework for Emerging Markets, it no longer meets the standards for Size and Liquidity. More specifically, index continuity rules, as described in section 2.4 of the MSCI Global Investable Market Indexes Methodology, have been applied since the November 2018 Semi-Annual Index Review to artificially maintain the required three constituents in the MSCI Pakistan Index. Additionally, since the November 2019 Semi-Annual Index Review, there have been no securities in the
MSCI Pakistan equity universe that meet Emerging Markets Size and Liquidity criteria within the MSCI Market Classification Framework.

MSCI welcomes feedback from market participants on this reclassification proposal until August 31, 2021 and will announce the results of the consultation on or before September 7, 2021.

Implications of Further Deterioration in the Availability of Investment Instruments

Low ratings continue to persist for the Availability of Investment Instruments in the Market Accessibility criteria for Brazil, China (A shares), India, Korea and Turkey. Global market participants expect that stock exchanges should not directly or indirectly restrict the Availability of Investment Instruments domestically or globally. However, some exchanges restrict use of their data to create certain derivative works such as indexes and investment instruments based on such indexes (including ETFs, futures and options contracts listed on any exchange in the world, and other types of funds and derivative instruments). As a reminder, any anti-competitive policy put forth by any exchange in any market in the world that restricts the Availability of Investment Instruments and results in deterioration of the accessibility of an equity market could potentially lead to a downgrade in market classification. Exchanges and regulators should note that anti-competitive policies or practices that restrict the availability of indexed investment instruments have become increasingly problematic to global investors.

Market Accessibility in Nigeria

Market Accessibility issues continue to be significantly problematic within the Nigerian equity market. The repatriation of funds from investments in Nigerian equities remains extremely difficult for foreign investors due to low liquidity in the Nigerian foreign exchange market.

While MSCI will continue to apply the special treatment that has been in place since May 2020 to reduce the number of potential changes in relevant indexes, the absence of significant and timely improvement in this market may result in the reclassification of the MSCI Nigeria Index to Standalone Markets status.

MSCI continues to welcome feedback on the level of Market Accessibility of the Nigerian equity market and would consult with market participants about the details and timing of the implementation of any reclassification.

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