This consultation may or may not lead to any changes in MSCI’s indexes. Consultation feedback will remain confidential unless a participant requests that its feedback be disclosed. In that case, the relevant feedback would be published at the same time as the final results of the consultation.
Background

• The Argentinian authorities announced on September 1st the imposition of capital controls

• As previously announced by MSCI, the imposition of capital controls could lead to the removal of the MSCI Argentina Indexes from the MSCI Emerging Markets Indexes in accordance with the MSCI Market Classification Framework

• MSCI opens a consultation with market participants on the replicability of the current MSCI Argentina Index and the appropriateness of its market classification in Emerging Markets

• MSCI will consult with market participants until December 13, 2019 and announce the results on or before December 31, 2019

• Further tightening of the capital controls introduced on September 1, 2019 or the introduction of new accessibility constraints by the Argentinian authorities might impact the timeline and/or content of this consultation
## Relevant Capital Controls and Index Impact

### Relevant Restrictions

- Non-residents may purchase up to USD1,000 per month and will not be able to make dollar account transfers abroad.
- Argentine companies must request permission to distribute dividends abroad or to buy dollars in the foreign exchange market.

### Potential Index Replicability Impact

- Index constituents remain accessible for international institutional investors as only foreign listings and Depositary Receipts are currently eligible for inclusion in the MSCI Argentina Index.
- Cash distributions such as dividends may be restricted for holders of Depositary Receipts.
## Composition of the MSCI Argentina Index

### MSCI ARGENTINA INDEX

Data as of September 11, 2019

<table>
<thead>
<tr>
<th>Index Market Capitalization</th>
<th>USD 9,744 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Count of securities</td>
<td>8 (7 ADRs, 1 US-listed Non-ADR)</td>
</tr>
<tr>
<td>Weight in EM</td>
<td>0.18%</td>
</tr>
</tbody>
</table>

- None of the index constituents are locally listed securities

<table>
<thead>
<tr>
<th>MSCI Security Code</th>
<th>Security Name</th>
<th>Weights in the MSCI Emerging Markets Index</th>
<th>Weights in the MSCI Argentina Index</th>
<th>Primary Exchange</th>
</tr>
</thead>
<tbody>
<tr>
<td>76643.01</td>
<td>GLOBANT</td>
<td>0.06%</td>
<td>31.0%</td>
<td>NEW YORK SE</td>
</tr>
<tr>
<td>63452.02</td>
<td>YPF D ADR</td>
<td>0.03%</td>
<td>16.1%</td>
<td>NEW YORK SE</td>
</tr>
<tr>
<td>23761.04</td>
<td>GRUPO FIN GALICIA B ADR</td>
<td>0.02%</td>
<td>12.7%</td>
<td>NASDAQ CAPITAL MARKET</td>
</tr>
<tr>
<td>17560.03</td>
<td>BANCO MACRO B ADR</td>
<td>0.02%</td>
<td>11.7%</td>
<td>NEW YORK SE</td>
</tr>
<tr>
<td>35968.02</td>
<td>PAMPA ENERGIA ADR</td>
<td>0.02%</td>
<td>9.9%</td>
<td>NEW YORK SE</td>
</tr>
<tr>
<td>15812.02</td>
<td>TELECOM ARGENTINA B ADR</td>
<td>0.02%</td>
<td>8.8%</td>
<td>NEW YORK SE</td>
</tr>
<tr>
<td>17562.02</td>
<td>TRANSPORTADORA GAS B ADR</td>
<td>0.01%</td>
<td>6.5%</td>
<td>NEW YORK SE</td>
</tr>
<tr>
<td>15009.02</td>
<td>BBVA BANCO FRANCES ADR</td>
<td>0.01%</td>
<td>3.3%</td>
<td>NEW YORK SE</td>
</tr>
</tbody>
</table>
Discussion Points

• Given that only foreign listings and depositary receipts are eligible for inclusion to the MSCI Argentina Indexes, do the current capital controls pose replicability issues for international institutional investors?

• Considering the capital controls imposed by the authorities, is the MSCI Argentina Index appropriately classified as part of Emerging Markets?
  – Should MSCI consider reclassifying the MSCI Argentina Index to Standalone market status?
  – Should MSCI consider reclassifying the MSCI Argentina Index to Frontier Markets?

• Should MSCI wait until the political uncertainty subsides before considering any potential reclassification for the MSCI Argentina Index?
Appendix
MSCI Market Classification Framework

- Emerging Markets require a **significant** level of ease of capital inflows/ outflows

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Frontier</th>
<th>Emerging</th>
<th>Developed</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Economic Development</td>
<td>No requirement</td>
<td>No requirement</td>
<td>Country GNI per capita 25% above the World Bank high income threshold* for 3 consecutive years</td>
</tr>
<tr>
<td>A.1 Sustainability of economic development</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B. Size and Liquidity Requirements</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.1 Number of companies meeting the following Standard Index criteria</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company size (full market cap)**</td>
<td>2 USD 776 mm</td>
<td>3 USD 1,551 mm</td>
<td>5 USD 3,102 mm</td>
</tr>
<tr>
<td>Security size (float market cap)**</td>
<td>USD 61 mm</td>
<td>USD 776 mm</td>
<td>USD 1,551 mm</td>
</tr>
<tr>
<td>Security liquidity</td>
<td>2.5% ATVR</td>
<td>15% ATVR</td>
<td>20% ATVR</td>
</tr>
<tr>
<td>C. Market Accessibility Criteria</td>
<td>at least some</td>
<td>significant</td>
<td>very high</td>
</tr>
<tr>
<td>C.1 Openness to foreign ownership</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C.2 Ease of capital inflows / outflows</td>
<td>at least partial</td>
<td>significant</td>
<td>very high</td>
</tr>
<tr>
<td>C.3 Availability of Investment Instruments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C.4 Competitive landscape</td>
<td>modest</td>
<td>good and tested</td>
<td>very high</td>
</tr>
<tr>
<td>C.5 Stability of the institutional framework</td>
<td>high</td>
<td>high</td>
<td>unrestricted</td>
</tr>
</tbody>
</table>

* High income threshold for 2018: GNI per capita of USD 12,056 (World Bank, Atlas method)

** Minimum in use for the May 2019 Semi-Annual Index Review, updated on a semi-annual basis
Recent History of Argentina in the MSCI Indexes

Jan 2009
• MSCI consulted on potentially reclassifying Argentina from EM to FM
• Only Depositary Receipts were made eligible to the index

Feb 2009
• MSCI announced reclassification of Argentina from EM to FM in May 2009

May 2009
• MSCI implemented the reclassification of Argentina from EM to FM

June 2017
• MSCI consulted on potentially reclassifying Argentina from FM to EM

June 2018
• MSCI announced the reclassification of Argentina from FM to EM

June 2019
• MSCI implemented the reclassification of Argentina from FM to EM
Premium/ Discount for ADRs in Argentina

- During the time when capital controls were enacted (2011 to 2015), ADRs were priced at a discount versus the local listing.
- On Aug 13, following the market drop, ADRs were priced at a discount (-5.6%).
- Following the announcement of capital controls, the ADR discount has further widened (-15.8% as of Sep 11).

Note: Data based on the American Depositary Receipts (ADRs) included in the MSCI Argentina Index.
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