

MSCI GLOBAL MARKET ACCESSIBILITY REVIEW

June 2020

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1 Introduction

The MSCI 2020 Global Market Accessibility Review includes updated market accessibility assessments for all markets included in the MSCI indexes as well as comparisons to the 2019 review. This permits analysis of the evolution of Developed, Emerging, Frontier and Standalone Markets in terms of market accessibility.

The MSCI Global Market Accessibility Review aims to serve as a tool for international institutional investors to better track the evolution of market accessibility in individual countries as well as for regulators to be informed of the areas perceived as not meeting international standards and for which improvement would be welcomed by international institutional investors.

Consistent with prior years, the MSCI 2020 Global Market Accessibility Review provides a detailed assessment of market accessibility for each country market included in the MSCI Indexes. In particular, it provides an evaluation of the five market accessibility criteria, which are:

- Openness to foreign ownership
- Ease of capital inflows / outflows
- Efficiency of the operational framework
- Availability of investment instruments
- Stability of the institutional framework

These five criteria are reflective of the views of international institutional investors who generally put a strong emphasis on equal treatment of investors, free flow of capital, cost of investment, unrestrictive use of stock market data and country specific risk.

MSCI uses 18 distinct accessibility measures for the assessment of these five criteria. The evaluation of the accessibility measures is mainly based on investor experience. MSCI sought feedback from multiple participants in all markets including active and passive asset managers, asset owners, brokers, custodians, stock exchanges and regulators.

The individual measures are absolute in the sense that the analysis and the assessment were performed in the same way across all countries regardless of their current market classification. The aggregate assessment of where a market stands with respect to the five criteria allows MSCI to determine if a country's market accessibility level meets Developed, Emerging or Frontier Market standards. MSCI welcomes feedback from the investment community to ensure that its market

accessibility assessment continues to reflect international institutional investors' experience of investing in a given market. The MSCI Global Market Accessibility Review is updated annually in June with interim updates released as necessary.

2 Assessing Accessibility

This section describes the rationale underlying each of the accessibility criteria and related measures and the principles used in their assessment. In some cases, the existence (or the lack of) certain practices systematically defaults to a negative assessment in the relevant category.

2.1 Openness to Foreign Investors

In general, one of the most desirable features that international investors would like to see in a market is that no distinction is made between local and international investors. In order to assess this level of openness the following characteristics need to be analyzed and measured.

2.1.1 Investor Qualification Requirement

The international standard for Developed Markets is the absence of any investor qualification requirement. Near the other end of the spectrum, a qualified foreign institutional investor (QFII) license system is highly problematic as it discriminates not only between domestic and foreign investors, but also among different international investors. The requirement of a QFII license would lead to a low assessment.

2.1.2 Foreign Ownership Limit Level

Ideally, international investors would like to see no difference in the opportunity set available to them and to local investors. Foreign ownership restrictions tend to be placed on specific industries which may result in an important sector bias in the opportunity set for foreign investors. MSCI has also considered the proportion of a market that is restricted to assess the materiality of the restrictions. In its assessment, more than ten percent of a market being closed to foreign investors has resulted in a negative rating, between ten and three percent has been considered as a matter of some concern while less than three percent has been considered as not being a material issue. In general, changes in criteria's rating driven solely by price movement will be reflected if the market consistently breaches the relevant thresholds for 3 consecutive years. These levels were set after analyzing the

different market impacts resulting from the foreign ownership limits across all countries.

2.1.3 Foreign Room Level

When the foreign ownership limit is reached, investors are faced with a serious problem. In some cases, the most recent buyers may be forced to sell, but more generally the crossing of the limit leads to unfair treatment between existing investors and new investors as managers may not be able to offer the same amount of shares across funds. This can be mitigated by the presence of a foreign board or by the listing of depositary receipts in another market where foreign investors could trade with each other, but these solutions may introduce another layer of problems as transactions tend to take place at a premium over the official listing. To assess the materiality of the problem, MSCI has considered the impact on the respective country Investable Market Index resulting from the exclusion or partial exclusion of securities from such index due to low foreign room. More than one percent impact on the MSCI country IMI Index has resulted in a negative rating, between one and 0.3 percent impact has been considered as a matter of some concern while less than 0.3 percent impact has been considered as not being a material issue. In general, changes in criteria's rating driven solely by price movement will be reflected if the market consistently breaches the relevant thresholds for 3 consecutive years. These levels were set after analyzing the different impacts of low foreign room across all markets.

2.1.4 Equal Rights to Foreign Investors

Restrictions on foreign investors can take the form of separate share classes with those with reduced voting rights being the only ones available to foreign investors. International investors seek equal treatment in terms of economic and voting rights. As a practical matter, the exercise of equal economic rights requires, among other things, equal treatment in the case of corporate actions which implies proper access to information in English. Equality of voting rights is impacted not only by voting restrictions specific to foreign investors, but also by other limitations imposed on minority shareholders in general. Low foreign ownership limits, generalized use of share classes with different voting rights to facilitate the control of companies, other forms of discrimination against foreign and minority shareholders, as well as major corporate governance problems, generally would lead to lower ratings in this measure.

2.2 Ease of Capital Inflows and Outflows

International investors want to be in a position to move capital in and out of a market without disruption, delay and cost inefficiency. This is measured by the following:

2.2.1 Capital Flows Restriction Levels

Countries that currently impose or have a record of recent imposition of capital controls to restrict inflows or outflows of capital into or from their equity markets are rated negatively.

2.2.2 Foreign Exchange Market Liberalization Level

In Developed Markets, the standard is the existence of a fully convertible currency, which includes an active offshore deliverable currency market. Developed Markets investors are used to the simultaneous execution of all their FX trades with the counterparty of their choice, based on best execution. The absence of an offshore currency market leads to a negative assessment, as it forces parties to transact onshore at a higher cost, very often through a limited choice of intermediaries, and therefore often not on the basis of best execution. Currency shortages are also problematic.

2.3 Efficiency of the Operational Framework

This category reflects the features an international investor views as necessary to ensure that its holdings are well identified and well protected, that operational risks are mitigated as much as possible, and that the various aspects of trading, clearing, settlement and custody work appropriately and on a cost effective basis. In particular, in the context of Developed Markets, the levels of efficiency achieved have made possible the provision of equity funds managed on an extremely cost effective basis, with the natural corollary that preserving this efficiency, rather than diluting it with the addition of less cost effective markets, has become a very strong requirement of an important part of the investment management industry.

2.3.1 Investor Registration & Account Set Up

The number and the type of required documents as well as the time to complete the full process are the key considerations for this measure. The time to complete the process includes the preparation of the documents. These requirements can be extremely onerous for asset owners with multiple mandates and for asset managers with multiple funds.

2.3.2 Market Regulations

In addition to the level of advancement of the legal and regulatory framework governing the financial market, the stock exchange and the various other entities involved in the financial markets, an important weight is assigned to: ease of access (including in English), lack of ambiguity in and prompt enforcement of laws and regulations. Lack of consistency and unexpected changes in policy, in particular targeting foreign investors, are rated negatively.

2.3.3 Information Flow

Good information flow is a key ingredient in respect of shareholder rights, in sound investment decisions and more generally in overall market efficiency. Quality, timeliness, availability in English and affordability play a role in this assessment. In addition, the quality of local accounting standards, as assessed, for example, by the adoption of International Financial Reporting Standard (IFRS), is also important for international investors.

2.3.4 Clearing and Settlement

A well-functioning clearing and settlement system based on the broad framework published by the Bank for International Settlements including Delivery Versus Payment (DVP), the absence of pre-funding requirements/practices, the possibility of using overdrafts and the availability of real omnibus structures are considered in this category.

2.3.5 Custody

An important requirement is an efficient mechanism that prevents brokers from having unlimited access to the investor's accounts and that guarantees the safekeeping of the investor's assets. The level of competition among custodian banks within each market is measured by the number of active custodian banks as well as the presence of global custodian banks.

2.3.6 Registry / Depository

The existence of a well-functioning central registry or of independent registrars and a central depository are important characteristics. A central depository acting as a central registry is also considered as a standard feature. Registration at the issuer level or instances where a custodian (or some other financial institution) acts as a central registry are not desirable.

2.3.7 Trading

An important desired feature is the ability to execute grouped trades at the same price for the various accounts of a fund manager. The level of competition amongst brokers is also measured by the number of active brokers, the presence of global brokers ensuring high quality services and competitive fees.

2.3.8 Transferability

There are significant cost savings and efficiency gains associated with the possibility of off-exchange transactions and "in-kind" transfers. These are important in case of manager transitions, mergers of funds and in the creation and redemptions of ETF shares, an increasingly important segment of the investment management industry.

2.3.9 Stock Lending/Short Selling

The existence of active stock lending and short selling practices has become a clear standard in Developed Markets in support of direct hedging practices and quantitative asset management. More broadly, they have become a recognized ingredient in the efficiency of markets, by allowing arbitrage between different instruments (futures, ETFs, etc.).

The existence of rules and regulations governing these activities is not a sufficient condition to meet international standards. Stock lending and short selling activities also need to be efficient and well tested.

2.4 Availability of Investment Instruments

Investors increasingly use a variety of investment instruments, such as exchange traded funds, futures, options, swaps and structured products, onshore and offshore, as a complement to direct equity investment to the point that these have become an integral part of their investment processes. Today, the availability of such instruments has become critical to international investors for a number of their investment activities such as gaining exposure to markets, hedging of investments, equitization of cash positions or overlay strategies. Hence, it is expected that stock exchanges, which often have legal or natural monopolies, would not impose clauses in their provision of stock market data, such as securities' prices, that could lead directly or indirectly to restricting the availability of investment instruments globally. These clauses typically restrict investors' access to derived stock exchange information, data and products, including, for example, the provision of independently calculated indexes or the creation of investment instruments based on such indexes.

In addition, the imposition of these types of clauses can result in global or regional investment instruments breaching local market rules, regulations or other restrictions. The existence of these types of practices will lead to a negative assessment.

2.5 Stability of Institutional Framework

Long term investors make long term commitments to the market of a country and hence stability is very important to them. The track record of government interventions and the current level of foreign investment restrictions are used as indicators of the stability of the “free-market” economic system. This assessment is not a forward-looking statement but rather, it considers a country’s history as an indicator of a potential risk that foreign investors may be impacted by discriminatory measures in times of crisis.

3 Review Summary

The MSCI Global Market Accessibility Review provides an assessment of each individual market as well as a summary of changes in market accessibility across markets. The methodology applied by MSCI for this review is consistent with the prior year review.

Overall, there were more upgrades than downgrades, across all the markets covered in the report.

Although in general, Developed Markets continued to register good market accessibility levels, exceptions were found under openness to foreign ownership, market organization and some on market infrastructure level, as shown in Exhibit 1.

Emerging and Frontier Markets continued to follow a similar distribution for levels of openness to foreign ownership, ease of capital inflows/outflows, market entry and market organization. The market infrastructure criterion in Frontier Markets continued to exhibit the most shortcomings.

While many markets introduced measures to mitigate the impact of the COVID-19 pandemic, these did not result in any ratings changes due to the temporary nature of these measures.

Some common measures included short selling restrictions and reduced operations, such as shorter trading hours. Many markets also relaxed company disclosure timelines and Annual General Meetings protocols, considering the pandemic.

Also, the recent market conditions from the COVID-19 pandemic resulted in a number of unexpected market closures, some of which were determined by “circuit breakers”, while others by unexpected holidays imposed by the relevant authorities. For example, markets, including in the U.S., Canada, Indonesia, Thailand and Pakistan, have had several trading halts due to triggered circuit breakers. The stock exchanges in Bangladesh, Jordan, Sri Lanka and Palestine remained closed through a longer period, even resulting in the cancellation of the May 2020 Semi-Annual Index Review for the relevant MSCI Indexes.

Exhibit 1: Summary Assessment Table (number of countries)

	Developed Markets			Emerging Markets			Frontier Markets			Standalone Markets		
	++	+	-/?	++	+	-/?	++	+	-/?	++	+	-/?
Openness to foreign ownership												
Investor qualification requirement	23	-	-	23	3	1	21	2	-	12	-	-
Foreign ownership limit (FOL) level	21	2	-	14	4	9	21	-	2	11	-	1
Foreign room level	20	1	2	20	2	5	22	-	1	12	-	-
Equal rights to foreign investors	22	1	-	3	20	4	11	11	1	7	5	-
Ease of capital inflows / outflows												
Capital flow restriction level	23	-	-	22	3	2	17	4	2	9	2	1
Foreign exchange market liberalization level	23	-	-	11	7	9	9	6	8	3	4	5
Efficiency of the operational framework												
Market entry												
Investor registration & account set up	23	-	-	9	11	7	9	9	5	5	4	3
Market organization												
Market regulations	23	-	-	12	15	-	13	10	-	4	5	3
Information flow	21	2	-	10	15	2	9	6	8	3	4	5
Market infrastructure												
Clearing and Settlement	22	1	-	5	14	8	4	9	10	3	2	7
Custody	23	-	-	24	3	-	17	3	3	5	1	6
Registry / Depository	23	-	-	24	3	-	19	3	1	6	5	1
Trading	23	-	-	22	5	-	8	6	9	3	2	7
Transferability	23	-	-	9	9	9	4	4	15	3	2	7
Stock lending	22	1	-	7	8	12	-	-	23	-	-	12
Short selling	21	2	-	4	10	13	-	-	23	-	-	12
Availability of Investment Instrument	23	-	-	21	-	6	10	-	-	2	-	-
Stability of institutional framework	23	-	-	5	16	6	-	17	6	2	7	3

++: no issues; +: no major issues, improvements possible; -/? : improvements needed / extent to be assessed

Availability of Investment Instrument for some Frontier and Standalone Market countries is still being assessed.

3.1 Developed Markets

In the case of Developed Markets, there have been no developments in the past year resulting in any rating changes.

One of the key highlights was Brexit, which became effective at the close of January 31, 2020. The transition period for developing custom and trade deals is currently expected to end on December 31, 2020.

3.2 Emerging Markets

Several Emerging Markets have been introducing a number of market accessibility enhancements, some of which resulted in rating changes. Overall, across all Emerging Markets, there were more upgrades than downgrades.

For example, in Saudi Arabia, the Capital Market Authority announced on June 26, 2019 that foreign investors in publicly listed companies deemed as strategic will no longer be subject to ownership limits. This change resulted in reduction of Saudi companies with “low foreign room”, leading to an upgrade of the relevant criteria for Saudi Arabia. Also, in Russia, additional enhancements were implemented on DVP settlement using central bank money, which is now available in RUB, leading to an upgrade on the clearing and settlement measure.

In China, the People’s Bank of China (PBoC) and the State Administration of Foreign Exchange (SAFE) issued the Regulations on Funds of Securities and Futures Investment by Foreign Institutional Investors which was made effective on June 6, 2020. One of the key highlights of these new regulations include, abolishment of the investment quota for Qualified Foreign Institutional Investors (QFII) and RMB Qualified Foreign Institutional Investors (RQFII), which is replaced with a registration with the SAFE. Additionally, this regulation also allows more flexibility for inward remittance, simplifies capital repatriation, as well as removes the need for monthly adjustments of FX derivative positions. As these regulations are recent, more time is needed to assess their potential impact on the investment processes of foreign institutional investors.

In India, on October 2019, the Ministry of Finance published a circular raising the statutory Foreign Portfolio Investor (FPI) limit of Indian companies to the sectoral foreign investment limit, effective April 1, 2020. More time is needed to assess the impact on the relevant market accessibility criteria.

Additionally, in September 2019, the Securities and Exchange Board of India (SEBI) released new FPI Regulations with the objective to simplify investments made into India by international institutional investors. These include introduction of Common Application Form (CAF) for FPI registrations, effective January 2020 and clarifications on the Know Your Customer (KYC) requirements. As these regulations

are recent, more time is needed to assess their potential impact on the investment processes of foreign institutional investors.

In the last 12 months, Argentina and Turkey suffered substantial deterioration in market accessibility.

In Argentina, international investors have not been able to access the domestic equity market since the government imposed stringent capital controls in September 2019. These restrictions on capital mobility have led to repatriation concerns among international investors and constitute an anomaly within the Emerging Markets. This has led to a downgrade on the accessibility measures pertaining to ease of capital inflows and outflows.

In October 2019, Turkey implemented a short selling restriction on the largest local banks. In February 2020, short selling and stock lending restrictions covering the entire equity market were introduced. This development led to a downgrade of stock lending and short selling facilities in Turkey.

3.3 Frontier Markets

Romania was the only market with a rating upgrade within Frontier Markets. The rating change reflects the continuous improvement in providing relevant company information in English.

Certain accessibility issues have been recently observed in three Frontier Markets. The accessibility of the Nigerian equity market has been impacted by the significant deterioration of liquidity in the Nigerian FX market.

Since October 2019, restrictions were implemented on the repatriation of funds outside Lebanon. This has impacted the ability of foreign investors to repatriate funds from investments on the local equity market, leading to a downgrade on the capital flow restriction level measure.

On March 19, 2020, the Bangladesh Securities and Exchange Commission (BSEC), issued a directive stipulating that the opening prices of stocks shall be set at the average of the closing price of the immediately preceding five trading days and will also serve as a floor price. This has adversely impacted liquidity of the market following its re-opening on May 31, 2020.

3.4 Standalone Markets

In Iceland, the capital controls, including the Special Reserve Ratio, were removed on March 6, 2019. This improvement in accessibility led to an upgrade in the ratings for capital flow restriction level.

In February 2019, Ukraine introduced new foreign exchange regulations, aiming at liberalizing the foreign exchange market. Following this, the limits on the repatriation of funds received from the payment of dividends and from the sale of securities were lifted in July 2019 and September 2019, respectively. These developments led to an upgrade for the capital flow restriction level.

3.5 Summary of the rating changes

Exhibit 2 shows the market assessment evolution from last year to date by summarizing the total number of upgrades and downgrades in various assessment categories for the analyzed markets. The number of changes is lower compared to last year with nine upgrades and seven downgrades. Most of the changes were due to the changes in capital flow restriction levels followed by the ratings changes related to clearing and settlement and foreign room level.

Exhibit 2: Summary of Upgrades/Downgrades Table (number of countries)

	Developed Markets		Emerging Markets		Frontier Markets		Standalone Markets	
	Upgrades	Downgrades	Upgrades	Downgrades	Upgrades	Downgrades	Upgrades	Downgrades
Openness to foreign ownership								
Investor qualification requirement	-	-	-	-	-	-	-	-
Foreign ownership limit (FOL) level	-	-	1	-	-	-	-	-
Foreign room level	-	-	2	-	-	-	-	-
Equal rights to foreign investors	-	-	-	-	1	-	-	-
Ease of capital inflows / outflows								
Capital flow restriction level	-	-	-	1	-	1	2	-
Foreign exchange market liberalization level	-	-	-	1	-	-	-	-
Efficiency of the operational framework								
Market entry								
Investor registration & account set up	-	-	-	-	-	-	-	-
Market organization								
Market regulations	-	-	-	-	-	-	-	-
Information flow	-	-	-	-	-	-	-	-
Market infrastructure								
Clearing and Settlement	-	-	1	1	-	1	-	-
Custody	-	-	1	-	-	-	-	-
Registry / Depository	-	-	-	-	-	-	1	-
Trading	-	-	-	-	-	-	-	-
Transferability	-	-	-	-	-	-	-	-
Stock lending	-	-	-	1	-	-	-	-
Short selling	-	-	-	1	-	-	-	-
Availability of Investment Instrument	-	-	-	-	-	-	-	-
Stability of institutional framework	-	-	-	-	-	-	-	-
Total	-	-	5	5	1	2	3	-

There were no changes in the Developed Markets, while there were five upgrades and five downgrades in the Emerging Markets. In the Frontier Markets, there was one upgrade and two downgrades. There were three upgrades in the Standalone Markets.

Exhibits 3, 4, 5 and 6 details the upgrades and downgrades observed across measurement levels for Developed, Emerging, Frontier and Standalone Market countries, respectively. A total of thirteen countries exhibited changes in one or more measures.

Exhibit 3: Summary of Upgrades/Downgrades Table for Developed Market Countries

There are no Upgrades/Downgrades within the Developed Market Countries

Exhibit 4: Summary of Upgrades/Downgrades Table for Emerging Market Countries

	Argentina	Colombia	Korea	Pakistan
Openness to foreign ownership				
Foreign ownership limit (FOL) level	-	-	U	-
Foreign room level	-	-	U	-
Ease of capital inflows / outflows				
Capital flow restriction level	D	-	-	-
Foreign exchange market liberalization level	D	-	-	-
Market infrastructure				
Clearing and Settlement	-	-	-	D
Custody	-	U	-	-

:- No change; U: Upgrade; D: Downgrade

	Russia	Saudi Arabia	Turkey
Openness to foreign ownership			
Foreign room level	-	U	-
Market infrastructure			
Clearing and Settlement	U	-	-
Stock lending	-	-	D
Short selling	-	-	D

:- No change; U: Upgrade; D: Downgrade

Exhibit 5: Summary of Upgrades/Downgrades Table for Frontier Market Countries

	Romania	Jordan	Lebanon
Openness to foreign ownership			
Equal rights to foreign investors	U	-	-
Ease of capital inflows / outflows			
Capital flow restriction level	-	-	D
Market infrastructure			
Clearing and Settlement	-	D	-

-: No change; U: Upgrade; D: Downgrade

Exhibit 6: Summary of Upgrades/Downgrades Table for Standalone Market Countries

	Panama	Iceland	Ukraine
Ease of capital inflows / outflows			
Capital flow restriction level	-	U	U
Foreign exchange market liberalization level	-	-	-
Market infrastructure			
Registry / Depository	U	-	-

-: No change; U: Upgrade; D: Downgrade

4 Developed Markets

The following comments should be read in conjunction with the country-by-country assessment results that can be found in Appendix II of this document

4.1 Americas

4.1.1 Canada

Foreign Ownership Limits: Canada exhibits relatively stringent foreign ownership limitations compared to most Developed Markets. The broadcasting, telecommunication and transportation industries are subject to foreign ownership limits ranging from 25 percent to 49 percent. In addition, income trusts are generally also subject to a foreign ownership limit of 49 percent. Currently, these limitations affect more than three percent of the Canadian equity market.

Foreign Room Level: More than 0.3 percent of the MSCI Canada IMI is impacted by low foreign room.

4.1.2 USA

Foreign Ownership Limits: Airline companies are subject to a 25 percent foreign ownership limit. However, this did not result in a negative assessment due to the very limited impact of these ownership limits on the US market.

4.2 Europe, Middle East and Africa

European airline companies are in general subject to a 50 percent foreign ownership limit for non-European investors but the impact on the different markets is very limited, with the exception of Ireland. Consequently, the presence of these ownership limits did not result in any negative assessments for most of the individual countries.

4.2.1 Ireland

Foreign Ownership Limits: Ryanair Holdings is subject to the 50 percent foreign ownership limit for EU investors on European airline companies. Currently, this affects more than three percent of the Irish equity market.

Foreign Room Level: More than one percent of the MSCI Ireland IMI is impacted by low foreign room due to the adjustment factor applied to Ryanair Holdings.

4.2.2 Israel

Information Flow: Corporate actions information is occasionally incomplete or not always disclosed in a timely manner.

Clearing and Settlement: The settlement cycle is set at T+1 and the DVP mechanism is different from international standards.

4.2.3 Portugal

Stock Lending: Is restricted to certain securities.

Short Selling: Is allowed but is restricted to certain securities.

4.2.4 Spain

Foreign Room Level: The MSCI Spain IMI is impacted by low foreign room due to the adjustment factor applied to International Airlines Group.

Short Selling: Is allowed but is not an established market practice.

4.3 Asia Pacific

4.3.1 Japan

Foreign Ownership Limits: The airlines, media and telecommunications industries are impacted by foreign ownership limits. These limitations represent less than three percent of the Japanese equity market.

Equal Rights to Foreign Investors: Company related information is not always readily available in English. In addition, Japan is the only Developed Market where companies' corporate governance standards have often been questioned by international institutional investors.

Information Flow: Detailed stock market information is in general disclosed in a timely manner but not always in English. This type of information is either translated with a significant time lag or not translated at all. In addition, Japanese dividends are usually declared in advance by companies but the effective dividend amount may be announced after the ex-date of the dividend which is uncharacteristic of Developed Markets.

5 Emerging Markets

The following comments should be read in conjunction with the country-by-country assessment results that can be found in Appendix II of this document.

5.1 Americas

5.1.1 Argentina

Equal Rights to Foreign Investors: Company related information is not always readily available in English.

Investor Registration & Account Setup: All documents must be filed in Spanish.

Market Regulations: Not all regulations can be found in English.

Information Flow: Detailed stock market information is not always disclosed in English.

Clearing and Settlement: There is no nominee status in the market. Overdraft facilities remain prohibited.

Trading: Limited level of competition among brokers which can lead to relatively higher trading costs.

Transferability: In-kind transfers and off-exchange transactions are restricted to domestic investors.

Availability of Investment Instruments: Restrictions imposed on the use of stock market data have led to limited availability of investment instruments.

Stability of Institutional Framework: There have been instances of government interventions that challenged the stability of the “free-market” economy, including with respect to investment activities of foreign investors.

Downgrades

Capital Flow Restriction Level: “++” to “-/?”. International investors have not been able to access the domestic equity market since the government imposed capital controls in September 2019. These restrictions on capital mobility have led to repatriation concerns among international investors.

Foreign Exchange Market Liberalization Level: “+” to “-/?”. There is an absence of an efficient offshore currency market. Additionally, constraints were placed on the onshore currency market following imposition of the capital controls in September 2019.

5.1.2 Brazil

Foreign Ownership Limits: Restrictions apply to foreign investors in certain sectors of the Brazilian economy. These limitations affect more than three percent of the Brazilian equity market.

Equal Rights to Foreign Investors: Foreign investors are in general limited to the non-voting shares of Brazilian banks and, hence, do not have equal voting rights compared with domestic investors. The general segregation between voting and non-voting shares also negatively impacts the voting rights of minority shareholders due to their limited access to the voting shares. Company related information is not always readily available in English.

Foreign Exchange Market Liberalization Level: There is no offshore currency market and there are constraints on the onshore currency market (e.g., foreign exchange transactions must be linked to security transactions).

Investor Registration & Account Setup: Registration is mandatory and all foreign investors need to appoint a legal and tax representative as well as obtain approval from the Securities and Exchange Commission of Brazil (CVM) prior to entering the market.

Market Regulations: Not all regulations can be found in English.

Clearing and Settlement: There is an absence of true omnibus structures in the market. Overdraft facilities are prohibited.

Information Flow: Detailed stock market information is not always disclosed in English.

Transferability: In-kind transfers are prohibited.

Availability of Investment Instruments: Restrictions imposed on the use of stock market data have led to limited availability of investment instruments.

5.1.3 Chile

Equal Rights to Foreign Investors: Company related information is not always readily available in English.

Capital Flow Restriction Level: Due to some administrative requirements, repatriation of funds can take up to two weeks after a minimum period of investment.

Foreign Exchange Market Liberalization Level: There is no offshore deliverable currency market.

Investor Registration & Account Setup: Registration is mandatory and foreign investors need to obtain a tax ID and provide additional documents to set up local accounts (e.g., power of attorney and letter of good standing from investor's local

authority) depending on the registration mechanism chosen by the foreign investor. The process to set up accounts may take up to 15 days.

Market Regulations: Not all regulations can be found in English.

Information Flow: Detailed stock market information is not always disclosed in English.

Transferability: In-kind transfers and off-exchange transactions are allowed but are difficult to execute as they are not an established market practice.

Stock Lending: Is allowed but is not an established market practice due to collateral requirements (e.g., 125 percent of the value of the lending amount must be pledged).

Short Selling: Is allowed but is not an established market practice due to the limited capacity of the stock lending market and the complex tax system in Chile.

5.1.4 Colombia

Equal Rights to Foreign Investors: Company related information is not always readily available in English.

Capital Flow Restriction Level: Due to some administrative requirements, repatriation of funds can take up some time to be cleared.

Foreign Exchange Market Liberalization Level: The offshore market is restricted and there are constraints on the onshore currency market (e.g., foreign exchange transactions must be linked to security transactions and registered with the Central Bank).

Investor Registration & Account Setup: Registration is mandatory and all documents must be filed in Spanish. The registration process can take up to one week.

Market Regulations: Not all regulations can be found in English.

Information Flow: Detailed stock market information is not always disclosed in English.

Clearing and Settlement: There is no nominee concept as well as a lack of a clear legal basis for omnibus accounts.

Trading: Limited level of competition among brokers which can lead to relatively higher trading costs.

Transferability: Off-exchange transactions are prohibited. In-kind transfers are possible with certain restrictions.

Stock Lending: Is allowed but with some restrictions.

Short Selling: Is allowed and appears to be a common practice, but price restrictions in place.

Stability of Institutional Framework: In the recent past, the government intervened and imposed restrictions that significantly distorted capital inflows and outflows.

Upgrade

Custody: “+” to “++”. There are now multiple custodians in the market including a global custodian.

5.1.5 Mexico

Foreign Ownership Limits: Restrictions on foreign investment affect a significant proportion of the Mexican equity market. Foreign ownership in a number of companies is only possible through Participation Certificates (CPOs), which, in general, do not provide voting rights.

Equal Rights to Foreign Investors: Holders of CPOs have, in general, no voting rights and, hence, are not at par compared with domestic investors. In addition, the general segregation between voting and non-voting shares also negatively impacts the voting rights of minority shareholders due to their limited access to the voting shares.

Investor Registration & Account Setup: Registration is mandatory and foreign investors must have a contract with local agents.

Information Flow: Detailed stock market information is not always disclosed in English.

Short Selling: Is allowed, however, a stock lending trade must be in place in Valpre (electronic securities lending system managed by the Central Securities Depository) before a short selling transaction can be executed.

5.1.6 Peru

Equal Rights to Foreign Investors: Company related information is not always readily available in English.

Investor Registration & Account Setup: Registration is mandatory, but the process is efficient. All documents, however, must be filed in Spanish.

Market Regulations: Not all regulations can be found in English.

Information Flow: Detailed stock market information is not always disclosed in English.

Clearing and Settlement: Omnibus structures and nominee concept are not available. In addition, there is an absence of a real DVP system on the Lima Stock Exchange.

Trading: Limited level of competition among brokers which can lead to relatively higher trading costs.

Transferability: In-kind transfers are allowed but with some restrictions.

Stock Lending: Stock lending through the Lima Stock Exchange (BVL) is only available for highly liquid stocks included in the TVR (Tabla de Valores de Referencia) table. This lending service is not widely used.

Short Selling: Is allowed but is not an established market practice due to the limited capacity.

5.2 Europe, Middle East and Africa

5.2.1 Czech Republic

Equal Rights to Foreign Investors: Company related information is not always readily available in English.

Investor Registration & Account Setup: Registration is not required, but the account setup process can take a significant amount of time.

Market Regulations: Not all regulations can be found in English.

Information Flow: Detailed stock market information is not always disclosed in English and there is no central source for this type of information.

Clearing and Settlement: Omnibus structures and nominee status are available but are not widely used.

Stock Lending: Is allowed but is not an established market practice due to the limited capacity.

Short Selling: Is allowed but is not an established market practice due to the limited capacity.

5.2.2 Egypt

Foreign Ownership Limit Level: Telecom Egypt applies a 20 percent foreign ownership limit while a few companies are fully closed to foreign investors. Overall, the limitations affect more than three percent but less than ten percent of the Egyptian market.

Equal rights to foreign investors: Company related information is not always available in English.

Capital Flow Restriction Level: Repatriation costs via the repatriation mechanism are relatively high.

Foreign Exchange Market Liberalization Level: There is a lack of efficiency on the offshore currency market. Liquidity on the onshore currency market has improved following floating of the FX rate for the Egyptian Pound in November 2016 but has remained relatively low.

Investor Registration & Account Setup: The existence of a restricted investors list may delay the registration process. Also, the process of setting up accounts may be lengthy.

Market Regulations: There is an absence of clarity in certain areas of market regulation (e.g., formally there are no foreign ownership limits but companies can impose limits in their by-laws).

Information Flow: Lack of robustness and enforcement of local accounting standards.

Clearing and settlement: There is no functioning nominee status and omnibus structures are not available. Overdraft facilities are prohibited.

Trading: Limited level of competition among brokers which can lead to relatively higher trading costs.

Transferability: In-kind and off-exchange transfers are prohibited.

Stock Lending: Is allowed but is not an established market practice due to the limited capacity.

Short Selling: Is allowed but is not an established market practice due to the limited capacity.

Stability of institutional framework: There have been instances of government interventions that challenged the stability of the “free - market” economy as illustrated by frequently changing market regulations. Country is in prolonged state of emergency since April 2017, but operations of financial institutions remain normal.

5.2.3 Greece

Clearing and Settlement: There is no nominee status and omnibus structures are not available.

Transferability: In-kind transfers and off-exchange transactions are restricted.

Stock Lending: Stock lending is not an established market practice due to the limited capacity, and it is not available as part of the false trade mechanism.

Short Selling: Extremely difficult and onerous short selling practices exist.

5.2.4 Hungary

Equal Rights to Foreign Investors: Company related information is not always readily available in English.

Market Regulations: Not all regulations, particularly recent ones, can be found in English.

Information Flow: Detailed stock market information is not always disclosed in English.

Registry / Depository: There is an absence of a central registry, with some registration done by financial institutions.

Stock Lending: Is allowed but is not an established market practice due to the limited capacity.

Short Selling: Is allowed but is not an established market practice due to the limited capacity.

5.2.5 Poland

Equal Rights to Foreign Investors: Company related information is not always readily available in English.

Market Regulations: Not all regulations can be found in English.

Information Flow: Detailed stock market information is not always disclosed in English.

Clearing and Settlement: There is no nominee status. The use of omnibus accounts may be restricted to certain foreign entities.

Registry / Depository: There is an absence of a central registry, with some registration done by financial institutions.

Transferability: Off-exchange transactions are allowed but may be subject to a tax.

Stock Lending: Stock lending has become a more established market practice. A large proportion of transactions take place offshore.

Short Selling: Short selling has become a more established market practice, however, it may not be available for all listed securities.

5.2.6 Qatar

Foreign Ownership Limits: Listed companies are in general subject to a foreign ownership limit of 49 percent. This affects more than ten percent of the Qatari market.

Equal Rights to Foreign Investors: The presence of large strategic shareholders in many Qatari companies may limit the level of transparency and governance in the market.

Investor Registration & Account Setup: Registration is mandatory but the process is efficient.

Clearing and settlement: There is no functioning nominee status and omnibus structures are not available. Overdraft facilities are prohibited.

Custody: The operational efficiency of the DVP model has been enhanced through the introduction in May 2012 of a proper false trade mechanism (a buyer cash compensation mechanism) that includes securities lending and borrowing facilities. This has mostly eliminated the need for segregated custody and trading accounts which were previously required in order to mitigate the risk deriving from local brokers having unlimited access to trading accounts.

Transferability: In-kind transfers and off-exchange transactions are prohibited.

Stock Lending: Securities lending and borrowing facilities are currently only available for use by liquidity providers and as a mechanism to prevent settlement failures.

5.2.7 Russia

Equal Rights to Foreign Investors: Company related information is not always readily available in English.

Foreign Exchange Market Liberalization Level: There is an undeveloped offshore currency market for the ruble and most foreign exchange transactions settle onshore.

Investor Registration & Account Setup: Registration with tax authorities is mandatory for opening a cash account. Foreign institutional investors must provide a certificate of incorporation/extract from the trade register, charter/articles of association, a list of authorized signatories, a certificate of appointment of the directors and a certificate of legal address. The full registration and account setup process may be lengthy.

Market Regulations: Legislation updates and related press releases are not always available in English.

Information Flow: Stock market information, including information related to certain corporate events, is occasionally not disclosed in a timely manner. In addition, information disclosure in English has improved but is not always readily available for all companies.

Registry / Depository: There is an absence of a central registry, with some registration at issuer level.

Trading: Limited level of competition among brokers which can lead to relatively high trading costs.

Stock Lending: Is allowed but is not an established market practice.

Short Selling: Is allowed but with some restrictions and is not yet a common practice.

Stability of institutional framework: The geopolitical tensions may call into question the stability of the country's institutional framework.

Upgrade

Clearing and Settlement: “-/?” to “+”. DVP using central bank money in USD and other foreign currencies has been available since 2015. Since January 2020 it is also available in RUB. Partial cash pre-funding of trades is required.

5.2.8 Saudi Arabia

Investor Qualification Requirement: In general, only banks, brokerage and securities firms, fund managers, insurance companies and governments and government-related entities, each of appropriate size with sufficient track records, are eligible to apply for a Qualified Foreign Financial Institutions (QFFI) license. Investors from GCC countries are not subject to any qualification requirements.

Foreign Ownership Limits: Listed companies are generally subject to a foreign ownership limit of 49 percent, while a few companies are fully closed to foreign investors. This affects more than ten percent of the Saudi market.

Equal Rights to Foreign Investors: The rights of foreign investors are limited as a result of the stringent foreign ownership limits.

Investor Registration & Account Setup: Registration is mandatory, but the process was simplified and requirements reduced in January 2018.

Information Flow: Some information is still available only in Arabic.

Clearing and Settlement: There is no nominee status and omnibus structures are not available.

Custody: Under the “Securities Independent Custody Model”, custodians can now participate in the market settlement process and have greater control over client assets.

Transferability: In-kind transfers and off-exchange transactions are prohibited.

Stock Lending: Is allowed but is not an established market practice.

Short Selling: Is allowed but is not an established market practice.

Upgrade

Foreign Room Level: “-/?” to “++”. The Capital Market Authority announced on June 26, 2019 that foreign investors in publicly listed companies deemed as strategic will no longer be subject to ownership limits. Overall, the limitations now affect less than 0.3 percent of the Saudi market.

5.2.9 South Africa

Clearing and Settlement: Restrictions on the use of overdrafts may be applicable to non-residents.

Transferability: Off-exchange transactions and in-kind transfers are allowed but with some restrictions.

5.2.10 Turkey

Equal Rights to Foreign Investors: Company related information is not always readily available in English.

Foreign exchange market liberalization level: There have been instances of interventions by the authorities restricting the functioning of the foreign exchange market, including the delay in settlement of some foreign exchange transactions.

Investor Registration & Account Setup: Registration is mandatory but the process is efficient.

Market Regulations: Not all regulations can be found in English.

Information Flow: Stock market information is not always complete and is not always disclosed in English.

Clearing and Settlement: There is no nominee status and omnibus structures are not available.

Availability of Investment Instruments: Restrictions imposed on the use of stock market data have led to limited availability of investment instruments.

Stability of institutional framework: Recent geopolitical tension and government intervention may call into question the stability of the country's institutional framework.

Downgrades

Short selling: "+" to "-/?". In October 2019, a short selling restriction was implemented on the largest local banks. In February 2020, a complete short selling ban was implemented indefinitely.

Stock lending: "++" to "-/?". Alongside the short selling ban implemented in February 2020, all stock lending activities were suspended indefinitely.

5.2.11 United Arab Emirates

Foreign Ownership Limits: Listed companies are in general subject to a foreign ownership limit of 49 percent, but companies may choose to set a lower limit. This affects more than ten percent of the UAE market.

Foreign Room Level: The equity market is significantly impacted by foreign room issues. More than one percent of the MSCI UAE IMI is impacted by low foreign room.

Equal Rights to Foreign Investors: The rights of foreign investors are limited as a result of the stringent foreign ownership limits and some companies that do not allow foreign investors to vote.

Investor Registration & Account Setup: Registration is mandatory but the process is efficient.

Clearing and settlement: Nominee status and omnibus structures are not available.

Custody: The operational efficiency of the DVP model has been enhanced through the introduction in May 2013 of a proper false trade mechanism (a buyer cash compensation mechanism). This has mostly eliminated the need for segregated custody and trading accounts which were previously required in order to mitigate the risk deriving from local brokers having unlimited access to trading accounts.

Transferability: In-kind transfers are prohibited.

5.3 Asia Pacific

5.3.1 China (international)

The assessment of the accessibility of the China (international) market considers only the Hong Kong listed portion of the China market (e.g., H-shares, Red-Chips and P-Chips).

Foreign Ownership Limit Level: The proportion of Chinese companies' share capital freely accessible to foreign investors is in general limited. Foreign investors can acquire shares of Chinese companies listed in the Hong Kong Stock exchange, which represents a portion of the total market capitalization of Chinese companies.

Equal Rights to Foreign Investors: Foreign investors have in general limited voting power due to the limited shares available to them.

Market Regulations: There is an absence of clarity in the regulations applying the dividend withholding tax.

5.3.2 China A Market

Investor Qualification Requirement: There is no qualification requirement for international institutional investors who choose to access the China A market via Stock Connect program. Currently, eligibility for the QFII/RQFII largely depends on the institution's asset size, governance structure and compliance record etc.

Foreign Ownership Limits: A-shares held by all QFIIs and RQFIIs as well as through the Stock Connect program in a listed company should not exceed 30% of the total outstanding shares of the company.

Foreign Room Level: More than one percent of the MSCI China A International IMI is impacted by low foreign room. Also, the current threshold of disclosure of foreign holdings does not provide sufficient transparency for the upward revision of the adjustment factors.

Equal Rights to Foreign Investors: Company related information is not always readily available in English. In addition, the corporate governance standards of some Chinese companies have been questioned by some international institutional investors.

Capital Flow Restriction Level: The SAFE has issued new regulations to simplify the process to repatriate capital for Qualified Foreign Investors by replacing the current requirements for special audit report and tax filing certificates with Tax Commitment Letters. This change will be subject to further monitoring in order to assess its impact on the market.

Foreign Exchange Market Liberalization Level: In the past few years, Chinese regulators have been actively promoting the use of offshore RMB. The RMB remained as one of the top 10 most widely used currencies as an international payment and is recognized by the IMF as a reserve currency. The RMB is not fully convertible onshore but investors are able to tap into the offshore RMB market in Hong Kong (CNH) for securities settlement through Connect.

Investor Registration & Account Setup: The rating recognizes that the Shanghai- and the Shenzhen-Hong Kong Stock Connect are increasingly being utilized by investors as a preferred and effective access channel to China A shares. the number of Special Segregated Accounts (SPSAs) has grown from less than 1,700 back in June 2017 accounts to over 10,000 accounts in May 2020. The account opening process takes less than two weeks to complete and is efficiently managed. The recently announced regulations also point to the abolishment of the QFII/RQFII quota requirements which is replaced with a registration with SAFE. More time will be needed to assess the impact on the account opening process for foreign institutional investors.

Market Regulations: More information can now be found in English.

Availability of Investment Instruments: No major restriction on the use of stock market data for financial product creation, except for the creation of China A shares focused Futures and Options.

Information Flow: Detailed stock market information is not always disclosed in English.

Clearing and Settlement: There is an absence of true DVP in mainland China and the current T+0/T+1 settlement cycle continues to pose operational challenges to some institutional investors.

Transferability: Off-exchange transactions are prohibited.

5.3.3 India

Investor Qualification Requirement: Foreign investors must register as a Foreign Portfolio Investor (FPI) and obtain a Permanent Account Number (PAN). The FPI regime was introduced in June 2014. Existing Foreign Institutional Investor (FII), FII sub-account and Qualified Foreign Investor (QFI) were merged into the FPI class to unify various portfolio investment routes and simplify the monitoring of foreign investment.

Foreign Ownership Limit Level: Most listed companies are subject to foreign ownership limits that run from zero to 74 percent. These limitations affect more than ten percent of the Indian equity market. The Ministry of Finance published a circular on October 2019 which raised the statutory Foreign Portfolio Investor (FPI) limit of Indian companies to the sectoral foreign investment limit, effective April 1, 2020. It also provided an option for companies to restrict their respective FPI limits to a lower threshold, before March 31, 2020.

More time is needed to assess the impact of this change.

Foreign Room Level: The equity market is significantly impacted by foreign room issues and there is no active formal foreign board allowing foreign investors to trade among themselves. More than one percent of the MSCI India IMI is impacted by low foreign room. The Central Depository Service Limited (CDSL) and National Securities Depository Limited (NSDL) monitor foreign ownership levels and issue a warning once the levels are close to being breached.

Equal Rights to Foreign Investors: Rights of foreign investors are limited as a result of the foreign ownership limits.

Foreign Exchange Market Liberalization Level: There is no offshore currency market and there are constraints on the onshore currency market (e.g., foreign exchange transactions must be linked to security transactions).

Investor Registration & Account Setup: Registration is mandatory and subject to Securities and Exchange Board of India approval which generally takes 13 days. More time is needed to assess the impact of online Common Application Form on the ease of registration process.

Market Regulations: The regulatory framework governing foreign investments in India is complex and subject to frequent changes and clarifications.

Clearing and Settlement: There is no nominee status and omnibus structures are not available. In addition, overdraft facilities are prohibited.

Transferability: In-kind and off-exchange transfers are allowed with restrictions.

Short Selling: Is allowed but all transactions must be reported to the Securities and Exchange Board of India.

Availability of Investment Instruments: Restrictions imposed on the use of stock market data have led to limited availability of investment instruments.

5.3.4 Indonesia

Equal Rights to Foreign Investors: Company related information is not always readily available in English.

Foreign Exchange Market Liberalization Level: The published Indonesia Rupiah (IDR) is not a rate practically achievable by foreign investors due to frequent government interventions. In addition, there is no efficient offshore currency market and there are constraints on the onshore currency market (e.g., foreign exchange transactions must be linked to security transactions).

Information Flow: Detailed stock market information is not always disclosed in English.

Clearing and Settlement: Overdraft facilities for foreign investors are prohibited.

Transferability: In-kind transfers are prohibited.

Stock Lending: Is allowed but is restricted to a fixed number of stocks and to 90-day lending contracts.

Short Selling: Is allowed but is restricted to a fixed number of stocks.

5.3.5 Korea

Equal Rights to Foreign Investors: Information disclosure in English has improved but is not always readily available. Company related information is not always readily available in English. In addition, the corporate governance standards of Korean companies have often been questioned by international institutional investors.

Foreign Exchange Market Liberalization Level: There is no offshore currency market.

Investor Registration & Account Setup: Registration is mandatory and requires a significant amount of supporting paperwork (IRC system).

Information Flow: Information disclosure in English has improved but is not always readily available for all companies. In addition, Korean companies disclose dividend amounts after the ex-date of the dividends, which is different from international standards. The amendment to the “Commercial Act” to encourage companies to determine a dividend amount at a board of directors meeting could potentially help bring this more in line with the international practices. Such a change is yet to be fully assessed by international institutional investors.

Clearing and Settlement: Omnibus accounts enable consolidated trading orders but settlements are still on a per investor ID basis. Overdraft facilities remain unavailable for securities settlement purpose.

Transferability: The ability to carry out in-kind transfers and off-exchange transactions remains very limited and is impractical due to the rigidity and the approval process.

Availability of Investment Instruments: Restrictions imposed on the use of stock market data have led to limited availability of investment instruments.

Upgrades

Foreign Ownership Limits: “+” to “++”. While the aviation, broadcasting, telecommunication and utilities industries are still impacted by foreign ownership limits, these limitations have been less than one percent of the Korean equity market for three consecutive years.

Foreign Room Level: “-/?” to “+”. Prolonged low level of foreign room is found in major companies within the telecommunication industry, such as KT Corporation and SK Telecom. Following improvement in foreign room of LG Uplus, the impact on the MSCI Korea IMI is now less than 1% but still above 0.3%.

5.3.6 Malaysia

Foreign Ownership Limits: Industries that are of strategic importance, including the brokerage, insurance and telecommunication industries, are subject to foreign ownership restrictions ranging from 30 to 70 percent. These limitations still affect more than three percent but less than ten percent of the Malaysian equity market.

Equal Rights to Foreign Investors: Foreign investors holding shares that exceed the Foreign Ownership Limits are not treated equally in terms of voting rights compared with domestic investors holding the same shares in the same company.

Foreign Exchange Market Liberalization Level: There is an absence of an efficient offshore currency market and there are constraints on the onshore currency market (e.g., foreign exchange transactions must be linked to security transactions). In addition, there have been instances of interventions by the authorities restricting the functioning of the foreign exchange market.

Transferability: Off-exchange and in-kind transfers are allowed but require prior approval from the stock exchange.

Short Selling: Is allowed but is restricted to a fixed number of stocks.

5.3.7 Pakistan

Foreign Exchange Market Liberalization Level: There is no offshore currency market and there are constraints on the onshore currency market (e.g., currency can only be bought / sold through a Special Convertible Rupee Account).

Investor Registration & Account Setup: The process to set up accounts can take from four to five business days.

Market Regulations: Regulations have frequently changed over the past few years.

Stability of Institutional Framework: There have been instances of interventions that challenged the stability of the “free-market” economy as illustrated by frequently changing market regulations.

Stock Lending: Is allowed but is not an established market practice.

Short Selling: Is allowed but is not an established market practice.

Downgrade

Clearing and Settlement: “+” to “-/?”. There is no nominee status and omnibus structures are not available. Overdraft facilities remain prohibited.

5.3.8 Philippines

Foreign Ownership Limits: All industries are in general subject to a 40 percent foreign ownership limit. These limitations affect more than ten percent of the Philippine equity market.

Foreign room level: More than one percent of the MSCI Philippines IMI is impacted by low foreign room.

Equal Rights to Foreign Investors: Rights of foreign investors are limited as a result of the stringent foreign ownership limits.

Foreign Exchange Market Liberalization Level: There is no offshore currency market and there are constraints on the onshore currency market (e.g., foreign exchange transactions must be linked to security transactions).

Clearing and Settlement: Overdraft facilities for foreign investors are prohibited.

Stock Lending: Mechanism for securities borrowing and lending (SBL) facility remains to be seen.

Short Selling: Due to the lack of SBL facility, short selling in the market remained dismal and is mostly used to cover failed market trades.

5.3.9 Taiwan

Investor Qualification Requirement: Foreign investors must formally apply for a Foreign Institutional Investor (FINI) or a Foreign Individual Investor (FIDI) qualification but the process is efficient.

Foreign Ownership Limits: The media, transportation, telecommunication and utilities industries are impacted by foreign ownership limits ranging from zero to 50 percent. These limitations affect more than three percent of the Taiwanese equity market.

Equal Rights to Foreign Investors: Company related information is not always readily available in English.

Foreign Exchange Market Liberalization Level: The New Taiwan Dollar (TWD) is not freely convertible and in particular, there is no offshore currency market.

Investor Registration & Account Setup: Registration is mandatory and requires a significant amount of paperwork (ID system).

Information Flow: Detailed stock market information is not always disclosed in English.

Clearing and Settlement: Overdraft facilities are not available overnight and pre-funding practices may still be used by local brokers even though the authorities implemented a T+2 DVP settlement cycle. In addition, the ID system makes it difficult for investors and brokers to use omnibus structures.

Transferability: Off-exchange transactions and in-kind transfers are allowed but in some cases they are difficult to use.

Stock Lending: Is allowed but is restricted to FINI only.

Short Selling: Is allowed but is restricted to designated FINI only.

5.3.10 Thailand

Foreign Ownership Limits: All industries are in general subject to a 49 percent foreign ownership limit. These restrictions affect a very large proportion of the equity market. However, foreign investors can obtain access to Thai companies through Non-Voting Depository Receipts (NVDRs).

Foreign Room Level: There are companies from specific sectors that are unable to issue NVDRs or have limits on NVDR issuance. Prolonged low level of foreign room is found in Bangkok Bank, a major company within the banking industry that is subject to limits on NVDR issuance. More than one percent of the MSCI Thailand IMI is impacted by low foreign room.

Equal Rights to Foreign Investors: By definition, foreign investors holding NVDRs are not treated equally in terms of voting rights compared with domestic investors holding common stock in the same company. In addition, company related information is not always readily available in English.

Foreign Exchange Market Liberalization Level: There is an offshore currency market but there have been instances of interventions by the authorities restricting the functioning of the foreign exchange market.

Clearing and Settlement: There is no nominee status in the market.

Stock Lending: Is allowed but restricted to the stocks included in the SET 100 Index.

Short Selling: Is allowed but restricted to the stocks included in the SET 100 Index and to those that meet the criteria set by the Stock Exchange of Thailand.

6 Frontier Markets

The following comments should be read in conjunction with the country-by-country assessment results that can be found in Appendix II of this document.

Stock lending and short selling are activities that are either not developed or are completely prohibited in all Frontier Market countries and the summary does not highlight these issues on a country-by-country basis.

6.1 Europe, Middle East and Africa

6.1.1 Bahrain

Investor Registration & Account Setup: Registration is mandatory but the process is efficient.

Information Flow: Stock market information is often not complete and often is not disclosed in a timely manner.

Clearing and Settlement: There is no functioning nominee status and omnibus structures are not available.

Custody: On February 2017, Bahrain Clear became the central depository for all securities, removing the possibility for brokers to have an unlimited access to client's securities. More time is needed to assess the impact of the changes.

Registry / Depository: There is an absence of a central registry, with some registration done by financial institutions. Bahrain Clear is still working on becoming the central registrar for all securities.

Transferability: In-kind transfers and off-exchange transactions are prohibited.

6.1.2 Benin

Equal Rights to Foreign Investors: Company related information is not always readily available in English.

Foreign Exchange Market Liberalization Level: There is no offshore currency market.

Investor Registration & Account Setup: The process of setting up accounts may be lengthy.

Market Regulations: Not all regulations can be found in English.

Information Flow: Lack of robustness and enforcement of local accounting standards. In addition, detailed stock market information is not always available in English.

Clearing and Settlement: There is no nominee status in the market.

Trading: There is a very limited level of competition among brokers which can lead to high trading costs.

Transferability: Off-exchange transactions are prohibited. In-kind transfers are possible but must be approved by the stock exchange.

6.1.3 Burkina Faso

Equal Rights to Foreign Investors: Company related information is not always readily available in English.

Foreign Exchange Market Liberalization Level: There is no offshore currency market.

Investor Registration & Account Setup: The process of setting up accounts may be lengthy.

Market Regulations: Not all regulations can be found in English.

Information Flow: Lack of robustness and enforcement of local accounting standards. In addition, detailed stock market information is not always available in English.

Clearing and Settlement: There is no nominee status in the market.

Trading: There is a very limited level of competition among brokers which can lead to high trading costs.

Transferability: Off-exchange transactions are prohibited. In-kind transfers are possible but must be approved by the stock exchange.

6.1.4 Croatia

Investor Registration & Account Setup: Registration is mandatory and the process can take up to five days. Additionally, investors are required to open segregated accounts for trading (at nominee level) and for taxation (at beneficiary owner level).

Clearing and Settlement: Shares of local credit institutions cannot be held under an omnibus account. In addition, there is an absence of a real DVP system on the Zagreb Stock Exchange.

Trading: Limited level of competition among brokers which can lead to relatively higher trading costs.

6.1.5 Jordan

Equal Rights to Foreign Investors: The presence of large strategic shareholders in many Jordanian companies may limit the level of transparency and governance in the market.

Trading: There is a limited level of competition among brokers which can lead to relatively higher trading costs.

Transferability: In-kind transfers and off-exchange transactions are prohibited.

Downgrade

Clearing and Settlement: “+” to “-/?”. There is no functioning nominee status, omnibus structures are not available, and pre-funding of trades is also required.

6.1.6 Kazakhstan

Foreign Exchange Market Liberalization Level: There is no offshore currency market and the Kazakh lower house approved in 2009 a bill that could potentially lead to temporary foreign currency restrictions.

Investor Registration & Account Setup: Registration is mandatory and the process can take up to two weeks.

Information Flow: There is a lack of robustness in, and enforcement of, local accounting standards.

Clearing and Settlement: The settlement cycle for equities on the Kazakhstan Stock Exchange is set at T+0 and pre-funding of trades is required.

Trading: There is a limited level of competition among brokers which can lead to relatively higher trading costs.

Transferability: In-kind transfers with change of beneficial ownership are possible either through the central depository or the central registry. Off-exchange transactions are possible but with some restrictions.

Stability of Institutional Framework: There have been instances of government interventions that challenged the stability of the “free-market” economy.

6.1.7 Kenya

Capital Flow Restriction Level: A certificate of foreign currency inflow is required for any capital repatriation.

Foreign Exchange Market Liberalization Level: There is no offshore currency market. In addition, liquidity on the onshore currency market has been relatively low in the recent past.

Investor Registration & Account Set Up: The process to set up accounts can take up to one week.

Trading: There is a very limited level of competition among brokers which can lead to high trading costs.

Clearing and Settlement: Overdrafts are not allowed for a tenor of less than one year and pre-funding is required. In addition, there are operational concerns related to the use of omnibus accounts.

Registry / Depository: There is an absence of a central registry, with some registration done by financial institutions.

Transferability: In-kind transfers and off-exchange transactions are prohibited.

6.1.8 Kuwait

Equal Rights to Foreign Investors: The presence of large strategic shareholders in many Kuwaiti companies may limit the level of transparency and governance in the market.

Investor Registration & Account Setup: Registration is mandatory and the full process can take about two weeks.

Information Flow: Stock market information is often not complete and is often not disclosed in a timely manner.

Clearing and Settlement: In October 2019, omnibus account structures became available to foreign investors. Overdraft facilities remain prohibited.

Custody: The operational efficiency of the DVP model has been enhanced through the introduction in April 2018 of a proper false trade mechanism. This has mostly eliminated the need for segregated custody and trading accounts which were previously required in order to mitigate the risk deriving from local brokers having unlimited access to trading accounts.

Transferability: In-kind transfers and off-exchange transactions are allowed and the process is being improved by Bursa Kuwait. More time is needed to assess the efficiency of the process.

6.1.9 Lebanon

Investor Qualification Requirement: Israeli nationals are formally prohibited from investing in Lebanese companies.

Equal Rights to Foreign Investors: Company related information is not always readily available in English.

Foreign Exchange Market Liberalization Level: There is no offshore currency market and there are constraints on the onshore currency market (e.g., foreign investors are not allowed to hold Lebanese pound balances).

Investor Registration & Account Setup: Registration is mandatory and may take up to five days.

Market Regulations: Not all regulations can be found in English.

Information Flow: Detailed stock market information is not always disclosed in English.

Clearing and Settlement: There is no functioning nominee status and omnibus structures are not available. Overdraft facilities remain prohibited.

Custody: Segregated custody and trading accounts are required in order to mitigate the risk deriving from local brokers having unlimited access to trading accounts. In addition, there is an absence of global custodians in the market.

Registry / Depository: There is an absence of a central registry, with some registry at issuer level. Not all listed shares are dematerialized.

Transferability: In-kind transfers and off-exchange transactions are prohibited.

Stability of Institutional Framework: The political situation in the country may call into question the stability of its institutional framework.

Downgrade

Capital Flow Restriction Level: “++” to “-/?”. Since October 2019, restrictions were implemented on the repatriation of funds outside Lebanon. This has impacted the ability of foreign investors to repatriate funds from investments on the local equity market.

6.1.10 Mauritius

Foreign Exchange Market Liberalization Level: The onshore currency market is not liquid. No official exchange rate is published and only indicative rates are published daily by commercial banks. In addition, there is no offshore currency market.

Clearing and Settlement: There is no nominee status and omnibus structures are not available.

Trading: There is a very limited level of competition among brokers which can lead to high trading costs.

Transferability: In-kind transfers and off-exchange transactions are prohibited.

6.1.11 Morocco

Equal Rights to Foreign Investors: Company related information is not always readily available in English.

Capital Flow Restriction Level: In general, there are no capital flow restrictions but the absence of evidence of foreign currency inflows may result in restrictions on the capital outflows. Repatriation has to be performed only using convertible Moroccan

Dirham accounts. Investments funded by inward remittance are required to be reported to the Exchange Control Office.

Foreign Exchange Market Liberalization Level: There are restrictions on the offshore currency market.

Market Regulations: Not all regulations can be found in English.

Information Flow: Detailed stock market information is not always disclosed in English.

Clearing and Settlement: There is no legal recognition of nominee status. In addition, there are restrictions on overdraft facilities for foreign investors.

Trading: The limited level of competition among brokers may lead to relatively higher trading cost.

Transferability: Off-exchange transactions are prohibited.

6.1.12 Nigeria

Equal Rights to Foreign Investors: In general, the rights of minority shareholders are negatively impacted by the scarcity of relevant information.

Capital Flow Restriction Level: A certificate of foreign currency inflow is required for any capital repatriation.

Foreign Exchange Market Liberalization Level: There is no offshore currency market and there are constraints on the onshore currency market (e.g., foreign exchange transactions must be linked to security transactions and interbank foreign exchange rates are set by the authorities). In addition, challenges in the foreign exchange market worsened as the liquidity on the onshore currency market had been persistently very low. This resulted in significant delays in currency conversions. MSCI is closely monitoring this situation.

Market Regulations: Regulations may distort the free functioning of stock market activity (e.g., narrow and frequently changing trading limits). In addition, not all relevant information is readily available to foreign investors.

Information Flow: There is a lack of robustness and enforcement of local accounting standards. In addition, the availability of shareholder information for Nigerian banks is limited.

Registry / Depository: There is an absence of a central registry, with some registry at issuer level.

Trading: There is a very limited level of competition among brokers which can lead to high trading costs.

Transferability: In-kind transfers and off-exchange transactions are restricted.

Stability of Institutional Framework: There have been instances of government interventions that challenged the stability of the “free-market” economy as illustrated by frequently changing market regulations.

6.1.13 Oman

Foreign Ownership Limits: Listed companies are in general subject to a foreign ownership limit of 70 percent but companies may choose to set a lower limit.

Equal Rights to Foreign Investors: The presence of large strategic shareholders in many Omani companies may limit the level of transparency and governance in the market.

Investor Registration & Account Setup: Registration is mandatory but the process is efficient.

Information Flow: The level of stock market information has improved and financial reports have been disclosed in a timely manner.

Clearing and Settlement: There is no functioning nominee status and omnibus structures are not available.

Custody: There is a risk deriving from local brokers having unlimited access to trading accounts. In addition, there are only two active custodians available to foreign investors.

Transferability: In-kind transfers and off-exchange transactions are prohibited.

6.1.14 Romania

Clearing and Settlement: There is no nominee status and omnibus structures are available, but with special conditions.

Transferability: In September 2018, the system for transactions of in-kind transfers and off-exchange trades has been improved and restrictions have been removed. More time is needed to assess the impact of the changes

Upgrade

Equal Rights to Foreign Investors: “+” to “++”. The level of stock market information disclosure has improved.

6.1.15 Senegal

Equal Rights to Foreign Investors: Company related information is not always readily available in English.

Foreign Exchange Market Liberalization Level: There is no offshore currency market.

Investor Registration & Account Setup: The process of setting up accounts may be lengthy.

Market Regulations: Not all regulations can be found in English.

Information Flow: Lack of robustness and enforcement of local accounting standards. In addition, detailed stock market information is not always available in English.

Clearing and Settlement: There is no nominee status in the market.

Trading: There is a very limited level of competition among brokers which can lead to high trading costs.

Transferability: Off-exchange transactions are prohibited. In-kind transfers are possible, but must be approved by the stock exchange.

6.1.16 Serbia

Equal Rights to Foreign Investors: Company related information is not always readily available in English.

Capital Flow Restriction Level: Due to some administrative requirements, repatriation of funds can take up to two weeks.

Foreign Exchange Market Liberalization Level: There is no offshore currency market.

Investor Registration & Account Setup: Registration is mandatory and all foreign investors need to appoint a legal and tax representative. All documents, however, must be filed in Serbian.

Market Regulations: Not all regulations can be found in English.

Information Flow: Detailed stock market information is not always disclosed in English.

Clearing and Settlement: Overdraft facilities are restricted to foreign banks.

Trading: There is a limited level of competition among brokers which can lead to high trading costs.

Transferability: Off-exchange transactions are allowed but require approval from the authorities.

6.1.17 Slovenia

Trading: There is a limited level of competition among brokers which can lead to relatively higher trading costs.

6.1.18 Tunisia

Equal Rights to Foreign Investors: Company related information is not always readily available in English.

Foreign Exchange Market Liberalization Level: There is no offshore currency market.

Market Regulations: Not all regulations can be found in English.

Information Flow: There is a lack of robustness in, and enforcement of, local accounting standards. In addition, detailed stock market information is not always disclosed in English.

Clearing and Settlement: There is no nominee status and omnibus structures are not available. Only short-term overdrafts are allowed; however, this is not market practice.

Custody: There is no formal segregation between custody and trading accounts. In addition, there is only one active custodian available to foreign investors.

Trading: There is a very limited level of competition among brokers which can lead to high trading costs.

Transferability: In-kind transfers and off-exchange transactions are prohibited.

Stability of institutional framework: Inability to enforce some provisions of the country's Constitution has put into question the stability of the institutional framework.

6.2 Asia Pacific

6.2.1 Bangladesh

Capital Flow Restriction level: The repatriation of the principal amount invested in listed securities is restricted within the first year remittance.

Foreign Exchange Market Liberalization Level: There is no efficient offshore currency market and there are constraints on the onshore currency market (e.g., foreign exchange transactions must be linked to security transactions).

Investor Registration & Account Setup: There is a need to apply for a registration certificate with a relatively heavy documentation requirement.

Market Regulations: Not all regulations can be found in English.

Clearing and Settlement: There is no nominee status and omnibus structures are not available. Overdraft facilities are prohibited.

Custody: There are only two active custodians available to foreign investors.

Trading: There is a limited level of competition among brokers which can lead to higher trading costs.

Transferability: Off-exchange transactions are prohibited.

Stability of institutional framework: The political situation and inability of the country to enforce regulations has put into question the stability of the institutional framework.

6.2.2 Sri Lanka

Investor Qualification Requirement: International institutional investors are required to obtain an approval from the Sri Lanka Securities Exchange Commission (SEC) prior to entering the market.

Foreign Exchange Market Liberalization Level: There are constraints on the onshore currency market (e.g., foreign exchange transactions must be linked to security transactions).

Investor Registration & Account Setup: Registration is mandatory and the account setup requires approval from the Central Depository for Securities. The full process can last up to three weeks.

Clearing and Settlement: There is an absence of a real DVP system and overdraft facilities on the Colombo Stock Exchange.

Trading: There is a very limited level of competition among brokers which can lead to high trading costs.

Transferability: Off-exchange transactions are prohibited and in-kind transfers require prior approval from the SEC.

6.2.3 Vietnam

Foreign Ownership Limits: Companies in certain conditional sectors and sensitive sectors are subject to the relevant Foreign Ownership Limit.

Foreign Room Level: The equity market is significantly impacted by foreign room issues.

Equal Rights to Foreign Investors: Some company related information is not always readily available in English. In addition, the rights of foreign investors are limited as a result of the stringent foreign ownership limits imposed on both total as well as individual foreign investors.

Foreign Exchange Market Liberalization Level: There is no offshore currency market and there are constraints on the onshore currency market (e.g., foreign exchange transactions must be linked to security transactions).

Investor Registration & Account Setup: Registration is mandatory and account setup requires the approval of the VSD.

Market Regulations: Not all regulations can be found in English.

Information Flow: Stock market information is not always disclosed in English and occasionally is not detailed enough.

Clearing and Settlement: There are no overdraft facilities and pre-funding of trades is required.

Transferability: Off-exchange transactions and in-kind transfers require prior approval from the State Securities Commission of Vietnam.

7 Standalone Markets

The following comments should be read in conjunction with the country-by-country assessment results that can be found in Appendix II of this document.

Standalone Markets include all markets covered by MSCI but not included in the MSCI Composite Indexes. This category includes potential candidates for the MSCI Frontier Markets Indexes that currently do not meet the minimum liquidity requirements as well as markets that are currently partially or fully closed to foreign investors.

Stock lending and short selling are activities that are either not developed or completely prohibited in all Standalone Market countries and hence the summary does not highlight these issues on a country-by-country basis.

7.1 Americas

7.1.1 Jamaica

Market Regulations: Information on regulations is not centralized.

Investor Registration & Account Setup: There are challenges associated with opening accounts due to the absence of active local custodians.

Clearing and Settlement: There is no formal clearing house and the Jamaica Central Securities Depository Limited acts as the clearing agent.

Custody: Absence of active local custodians.

Registry / Depository: There is an absence of a central registry, with some registration done by financial institutions.

Trading: There is a very limited level of competition among brokers which can lead to high trading costs.

Transferability: Off-exchange transactions are limited and not an established market practice.

7.1.2 Panama

Equal Rights to Foreign Investors: Company related information is not always readily available in English.

Investor Registration & Account Setup: The process of setting up accounts may be lengthy.

Market Regulations: Not all regulations can be found in English.

Information Flow: Detailed stock market information is not always disclosed in English.

Clearing and Settlement: Pre-funding of trades is required.

Custody: There is only one active custodian available to foreign investors.

Trading: There is a very limited level of competition among brokers which can lead to high trading costs.

Transferability: In-kind transfers and off-exchange transactions are prohibited.

Upgrade

Registry / Depository: “-/?” to “+”. There are independent registries, however, there is also a presence of registry at issuer level.

7.1.3 Trinidad and Tobago

Foreign Exchange Market Liberalization Level: There is an absence of an offshore currency market and there are constraints on the onshore currency market (e.g., foreign exchange transactions must be executed by the local custodian).

Investor Registration & Account Setup: Registration is mandatory and approval from the Ministry of Finance is required. The process can take up to five days.

Market Regulations: Information on regulations is not centralized.

Information Flow: Occasionally stock market information is not disclosed in a timely manner.

Clearing and Settlement: There is no nominee status and omnibus structures are not available. Overdraft facilities remain prohibited.

Custody: The Trinidad and Tobago Central Depository is the only registered custodian.

Registry / Depository: There is an absence of a central registry, with some registry at issuer level. It can take up to eight weeks for investors to have their shares registered.

Trading: There is a very limited level of competition among brokers which can lead to high trading costs.

Transferability: Off-exchange transactions are prohibited and in-kind transfers are restricted.

7.2 Europe, Middle East and Africa

7.2.1 Bosnia and Herzegovina

Foreign Exchange Market Liberalization Level: There is no offshore currency market.

Market Regulations: Not all regulations can be found in English. Financial system is quite fragmented as the country remains having two semi-autonomous political entities, judicial system and stock exchange.

Information Flow: Stock market information, including dividend information, is often not complete and is not always disclosed in English. There is no central source for this type of information.

Clearing and Settlement: Pre-funding of trades is required by the Registry of Securities of the Federation of Bosnia and Herzegovina.

Trading: There is a very limited level of competition among brokers which can lead to high trading costs.

Transferability: In-kind transfers and off-exchange transactions are prohibited.

7.2.2 Botswana

Foreign Exchange Market Liberalization Level: There is no offshore currency market. In addition, liquidity on the onshore currency market has been relatively low in the recent past.

Market Regulations: Regulations are not always enforced by the financial authority (e.g., the use of omnibus structures is permitted in practice even if regulations do not formally allow them).

Information Flow: Stock market information is occasionally not disclosed in a timely manner.

Clearing & Settlement: There is an absence of a real DVP system and true omnibus structures.

Registry / Depository: There is an absence of a central registry, with some registry at issuer level.

Trading: There is a very limited level of competition among brokers which can lead to high trading costs.

Transferability: In-kind transfers and off-exchange transactions are prohibited.

7.2.3 Bulgaria

Foreign Exchange Market Liberalization Level: There is no offshore currency market.

Investor Registration & Account Setup: The process to set up an account is lengthy due to the requirement to provide several documents in notarized form.

Information Flow: Stock market information is occasionally not disclosed in a timely manner and there is no central source of such information.

Custody: There is no formal segregation between custody and trading accounts.

7.2.4 Iceland

Foreign Exchange Market Liberalization Level: There is no offshore currency market and there are some constraints on the onshore currency market.

Investor Registration & Account Set Up: Registration is required, but the process is efficient.

Upgrade

Capital Flow Restriction Level: “-/?” to “+”. The capital controls were removed on March 6, 2019. However, certain capital flows have to be reported to the central bank.

7.2.5 Palestine

Equal Rights to Foreign Investors: Company related information is not always readily available in English.

Foreign Exchange Market Liberalization Level: All transactions are carried out in foreign currency as the country does not issue its own currency.

Investor Registration & Account Setup: Registration is mandatory but the process is efficient.

Information Flow: Detailed stock market information is not always disclosed in English.

Clearing and Settlement: Overdraft facilities for foreign investors are prohibited. In addition, there is no nominee status and omnibus structures are not available.

Custody: There are few active custodians in the market.

Trading: There is a limited level of competition among brokers which can lead to higher trading costs.

Transferability: In-kind transfers and off-exchange transactions are prohibited.

Stability of Institutional Framework: There is a major geo-political risk. In addition, there has been recent instability in the domestic political landscape.

7.2.6 Ukraine

Equal Rights to Foreign Investors: Company related information is not always readily available in English.

Foreign Exchange Market Liberalization Level: There is no offshore currency market. In addition, liquidity on the onshore currency market has been relatively low in the recent past.

Investor Registration & Account Setup: Registration is mandatory and requires a significant amount of manual paperwork. The process is difficult and requires a lot of time to complete.

Market Regulations: Regulations are not fully enforced by the supervisory authority resulting in many investors trading over the counter. In addition, not all relevant information can be found in English.

Information Flow: Stock market information is often not complete and is often not disclosed in a timely manner. In addition, the information is often not in English.

Clearing and Settlement: There are no overdraft facilities on the PFTS Stock Exchange. In addition, there is no nominee status and omnibus structures are not available.

Custody: There is no formal segregation between custody and trading accounts.

Registry / Depository: The central securities depository and the central registry remain inefficient.

Trading: There is a very limited level of competition among brokers which can lead to high trading costs.

Transferability: Off-exchange transactions are allowed but require approval from the authorities.

Stability of Institutional Framework: There have been instances of government interventions that challenged the stability of the “free-market” economy.

Upgrade

Capital flow restriction level: “-/?” to “+”. In February 2019, new foreign exchange regulations aiming at liberalizing the foreign exchange market were introduced. Following this, the limits on the repatriation of funds received from the payment of dividends and from the sale of securities were lifted in July 2019 and September 2019, respectively. MSCI will continue to monitor the effectiveness of the new regulatory framework.

7.2.7 Zimbabwe

Foreign Ownership Limits: Listed companies are subject to a 40 percent foreign ownership limit. Currently, this affects more than ten percent of the Zimbabwe equity market.

Equal Rights to Foreign Investors: Rights of foreign investors are limited as a result of the stringent foreign ownership limits.

Capital Flow Restriction Level: Repatriation costs via the repatriation mechanism are relatively high and the process takes a long time.

Foreign Exchange Market Liberalization Level: The ease of convertibility of foreign exchange has been affected due to the illiquidity in the market.

Market Regulations: Not all regulations are publicly available.

Information Flow: There is a lack of robustness in, and enforcement of, local accounting standards. In addition, stock market information is often not complete.

Clearing and Settlement: Omnibus structures are not available and pre-funding of trades is required.

Custody: There are only two active custodians.

Registry / Depository: There is neither a central depository nor a central registry.

Trading: There is a very limited level of competition among brokers which can lead to high trading costs.

Transferability: In-kind transfers and off-exchange transactions are prohibited.

Stability of Institutional Framework: There is a lack of enforcement of the rule of law.

8 Appendices

8.1 Appendix I: MSCI Market Classification Framework

The classification of markets is a key input in the process of index construction as it drives the composition of the investment opportunity sets to be represented. The approach used by MSCI aims to reflect the views and practices of the international investment community by striking a balance between a country's economic development and the accessibility of its market while preserving index stability.

The MSCI Market Classification Framework consists of following three criteria: economic development, size and liquidity as well as market accessibility.

In order to be classified in a given investment universe, a country must meet the requirements of all three criteria as described in the table below.

Criteria	Frontier	Emerging	Developed
A Economic Development			
A.1 Sustainability of economic development	No requirement	No requirement	Country GNI per capita 25% above the World Bank high income threshold* for 3 consecutive years
B Size and Liquidity Requirements			
B.1 Number of companies meeting the following Standard Index criteria Company size (full market cap) ** Security size (float market cap) ** Security liquidity	2 USD 700 mm USD 53 mm 2.5% ATVR	3 USD 1,400 mm USD 700 mm 15% ATVR	5 USD 2,801 mm USD 1,400 mm 20% ATVR
C Market Accessibility Criteria			
C.1 Openness to foreign ownership C.2 Ease of capital inflows / outflows C.3 Efficiency of operational framework C.4 Availability of Investment Instrument C.5 Stability of the institutional framework	At least some At least partial Modest High Modest	Significant Significant Good and tested High Modest	Very high Very high Very high Unrestricted Very high

* High income threshold for 2019: GNI per capita of USD 12,376 (World Bank, Atlas method)

** Minimum in use for the May 2020 Semi-Annual Index Review, updated on a semi-annual basis

The economic development criterion is only used in determining the classification of Developed Markets while that distinction is not relevant between Emerging and Frontier Markets given the very wide variety of development levels within each of these two universes.

The size and liquidity requirements are based on the minimum investability requirements for the MSCI Global Standard Indexes.

Market accessibility aims to reflect international institutional investors' experience of investing in a given market and as a result, this criterion includes several sub-criteria. These criteria are generally based on qualitative measures that are reviewed for all markets at least once a year during the MSCI Global Market Accessibility Review.

MSCI regularly reviews the market classification of all countries included in the MSCI Indexes to ensure that they remain reflective of the evolution of the different markets. In particular, changes in the assessments under the classification framework serve as the basis for determining the markets that will be reviewed for potential market reclassification as part of the Annual Market Classification Review.

MSCI will only consider markets for upgrade if a change in classification status can be viewed as irreversible. Every June, MSCI will communicate its conclusions from the discussions with the investment community on the list of countries under review and announce the new list of countries, if any, under review for potential market reclassification in the upcoming cycle. While adhering to the regular time line for such communication helps provide greater predictability and is less disruptive to a market's normal functioning, MSCI may from time to time exercise prudent discretion and consider off-cycle communications should significant market events take place outside the regular review cycle.

8.2 Appendix II: Assessment Results

8.2.1 Developed Markets

	Americas		EMEA									
	Canada	USA	Austria	Belgium	Denmark	Finland	France	Germany	Ireland	Israel	Italy	Netherlands
Openness to foreign ownership												
Investor qualification requirement	++	++	++	++	++	++	++	++	++	++	++	++
Foreign ownership limit (FOL) level	+	++	++	++	++	++	++	++	+	++	++	++
Foreign room level	+	++	++	++	++	++	++	++	-/?	++	++	++
Equal rights to foreign investors	++	++	++	++	++	++	++	++	++	++	++	++
Ease of capital inflows / outflows												
Capital flow restriction level	++	++	++	++	++	++	++	++	++	++	++	++
Foreign exchange market liberalization level	++	++	++	++	++	++	++	++	++	++	++	++
Efficiency of the operational framework												
Market entry												
Investor registration & account set up	++	++	++	++	++	++	++	++	++	++	++	++
Market organization												
Market regulations	++	++	++	++	++	++	++	++	++	++	++	++
Information flow	++	++	++	++	++	++	++	++	++	+	++	++
Market infrastructure												
Clearing and Settlement	++	++	++	++	++	++	++	++	++	+	++	++
Custody	++	++	++	++	++	++	++	++	++	++	++	++
Registry / Depository	++	++	++	++	++	++	++	++	++	++	++	++
Trading	++	++	++	++	++	++	++	++	++	++	++	++
Transferability	++	++	++	++	++	++	++	++	++	++	++	++
Stock lending	++	++	++	++	++	++	++	++	++	++	++	++
Short selling	++	++	++	++	++	++	++	++	++	++	++	++
Availability of Investment Instrument	++	++	++	++	++	++	++	++	++	++	++	++
Stability of institutional framework	++	++	++	++	++	++	++	++	++	++	++	++

++: no issues; +: no major issues, improvements possible; -/? : improvements needed / extent to be assessed

8.2.3 Developed Markets

	EMEA						Asia Pacific				
	Norway	Portugal	Spain	Sweden	Switzerland	United Kingdom	Australia	Hong Kong	Japan	New Zealand	Singapore
Openness to foreign ownership											
Investor qualification requirement	++	++	++	++	++	++	++	++	++	++	++
Foreign ownership limit (FOL) level	++	++	++	++	++	++	++	++	++	++	++
Foreign room level	++	++	-/?	++	++	++	++	++	++	++	++
Equal rights to foreign investors	++	++	++	++	++	++	++	++	+	++	++
Ease of capital inflows / outflows											
Capital flow restriction level	++	++	++	++	++	++	++	++	++	++	++
Foreign exchange market liberalization level	++	++	++	++	++	++	++	++	++	++	++
Efficiency of the operational framework											
Market entry											
Investor registration & account set up	++	++	++	++	++	++	++	++	++	++	++
Market organization											
Market regulations	++	++	++	++	++	++	++	++	++	++	++
Information flow	++	++	++	++	++	++	++	++	+	++	++
Market infrastructure											
Clearing and Settlement	++	++	++	++	++	++	++	++	++	++	++
Custody	++	++	++	++	++	++	++	++	++	++	++
Registry / Depository	++	++	++	++	++	++	++	++	++	++	++
Trading	++	++	++	++	++	++	++	++	++	++	++
Transferability	++	++	++	++	++	++	++	++	++	++	++
Stock lending	++	+	++	++	++	++	++	++	++	++	++
Short selling	++	+	+	++	++	++	++	++	++	++	++
Availability of Investment Instrument	++	++	++	++	++	++	++	++	++	++	++
Stability of institutional framework	++	++	++	++	++	++	++	++	++	++	++

++: no issues; +: no major issues, improvements possible; -/? : improvements needed / extent to be assessed

8.2.4 Emerging Markets

	Americas						EMEA						
	Argentina	Brazil	Chile	Colombia	Mexico	Peru	Czech Republic	Egypt	Greece	Hungary	Poland	Qatar	Russia
Openness to foreign ownership													
Investor qualification requirement	++	++	++	++	++	++	++	++	++	++	++	++	++
Foreign ownership limit (FOL) level	++	+	++	++	-/?	++	++	+	++	++	++	-/?	++
Foreign room level	++	++	++	++	++	++	++	++	++	++	++	++	++
Equal rights to foreign investors	+	-/?	+	+	-/?	+	+	+	++	+	+	+	+
Ease of capital inflows / outflows													
Capital flow restriction level	-/?	++	+	+	++	++	++	+	++	++	++	++	++
Foreign exchange market liberalization level	-/?	-/?	+	-/?	++	++	++	-/?	++	++	++	++	+
Efficiency of the operational framework													
Market entry													
Investor registration & account set up	+	-/?	-/?	-/?	+	+	+	+	++	++	++	+	-/?
Market organization													
Market regulations	+	+	+	+	++	+	+	+	++	+	+	++	+
Information flow	+	+	+	+	+	+	+	+	++	+	+	++	-/?
Market infrastructure													
Clearing and Settlement	-/?	-/?	++	+	++	-/?	+	+	+	++	+	+	+
Custody	++	++	++	++	++	++	++	++	++	++	++	+	++
Registry / Depository	++	++	++	++	++	++	++	++	++	+	+	++	+
Trading	+	++	++	+	++	+	++	+	++	++	++	++	+
Transferability	+	+	-/?	-/?	++	+	++	-/?	-/?	++	+	-/?	++
Stock lending	-/?	++	-/?	+	++	-/?	+	-/?	-/?	+	+	+	-/?
Short selling	-/?	++	-/?	+	+	-/?	+	-/?	-/?	+	+	-/?	-/?
Availability of Investment Instrument	-/?	-/?	++	++	++	++	++	++	++	++	++	++	++
Stability of institutional framework	-/?	+	++	-/?	+	+	++	-/?	++	++	++	+	-/?

++: no issues; +: no major issues, improvements possible; -/? : improvements needed / extent to be assessed

8.2.5 Emerging Markets

	EMEA				Asia Pacific									
	Saudi Arabia	South Africa	Turkey	United Arab Emirates	China	China A	India	Indonesia	Korea	Malaysia	Pakistan	Philippines	Taiwan	Thailand
Openness to foreign ownership														
Investor qualification requirement	+	++	++	++	++	-/?	+	++	++	++	++	++	+	++
Foreign ownership limit (FOL) level	-/?	++	++	-/?	-/?	-/?	-/?	++	++	+	++	-/?	+	-/?
Foreign room level	++	++	++	-/?	++	-/?	-/?	++	+	++	++	-/?	++	-/?
Equal rights to foreign investors	-/?	++	+	+	+	+	+	+	+	+	++	+	+	-/?
Ease of capital inflows / outflows														
Capital flow restriction level	++	++	++	++	++	-/?	++	++	++	++	++	++	++	++
Foreign exchange market liberalization level	++	++	+	++	++	+	-/?	-/?	-/?	+	+	-/?	-/?	+
Efficiency of the operational framework														
Market entry														
Investor registration & account set up	+	++	+	+	++	+	-/?	++	-/?	++	+	++	-/?	++
Market organization														
Market regulations	++	++	+	++	+	+	+	++	++	++	+	++	++	++
Information flow	+	++	+	++	++	+	++	+	-/?	++	++	++	+	++
Market infrastructure														
Clearing and Settlement	+	+	+	+	++	-/?	-/?	+	-/?	++	-/?	+	-/?	+
Custody	+	++	++	+	++	++	++	++	++	++	++	++	++	++
Registry / Depository	++	++	++	++	++	++	++	++	++	++	++	++	++	++
Trading	++	++	++	++	++	++	++	++	++	++	++	++	++	++
Transferability	-/?	+	++	+	++	-/?	-/?	+	-/?	+	++	++	+	++
Stock lending	-/?	++	-/?	-/?	++	-/?	++	+	++	++	-/?	-/?	+	+
Short selling	-/?	++	-/?	-/?	++	-/?	+	+	++	+	-/?	-/?	+	+
Availability of Investment Instrument	++	++	-/?	++	++	-/?	-/?	++	-/?	++	++	++	++	++
Stability of institutional framework	+	+	-/?	+	+	+	+	+	+	+	-/?	+	+	+

++: no issues; +: no major issues, improvements possible; -/? : improvements needed / extent to be assessed

8.2.6 Frontier Markets

	Bahrain	Benin	Burkina Faso	Croatia	Estonia	Ivory Coast	Jordan	Kazakhstan	Kenya	Kuwait	Lebanon	Lithuania
EMEA												
Openness to foreign ownership												
Investor qualification requirement	++	++	++	++	++	++	++	++	++	++	+	++
Foreign ownership limit (FOL) level	++	++	++	++	++	++	++	++	++	++	++	++
Foreign room level	++	++	++	++	++	++	++	++	++	++	++	++
Equal rights to foreign investors	++	+	+	++	++	+	+	++	++	+	+	++
Ease of capital inflows / outflows												
Capital flow restriction level	++	++	++	++	++	++	++	++	+	++	-/?	++
Foreign exchange market liberalization level	++	+	+	++	++	+	++	-/?	-/?	++	-/?	++
Efficiency of the operational framework												
Market entry												
Investor registration & account set up	+	+	+	-/?	++	+	++	+	+	+	-/?	++
Market organization												
Market regulations	++	+	+	++	++	+	++	++	++	++	+	++
Information flow	-/?	-/?	-/?	++	++	-/?	+	+	++	-/?	+	++
Market infrastructure												
Clearing and Settlement	+	+	+	-/?	++	+	-/?	-/?	-/?	+	-/?	++
Custody	+	++	++	++	++	++	++	++	++	+	-/?	++
Registry / Depository	+	++	++	++	++	++	++	++	+	++	-/?	++
Trading	++	-/?	-/?	+	++	-/?	+	+	-/?	++	++	++
Transferability	-/?	-/?	-/?	++	++	-/?	-/?	+	-/?	-/?	-/?	++
Stock lending	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?
Short selling	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?
Availability of Investment Instrument	++				++		++	++		++		++
Stability of institutional framework	+	+	+	+	+	-/?	+	-/?	+	+	-/?	+

++: no issues; +: no major issues, improvements possible; -/? : improvements needed / extent to be assessed

Availability of Investment Instrument for some Frontier and Standalone Market countries is still being assessed.

8.2.7 Frontier Markets

	Mauritius	Morocco	Nigeria	Oman	EMEA Romania	Senegal	Serbia	Slovenia	Tunisia	Bangladesh	Asia Pacific Sri Lanka	Vietnam
Openness to foreign ownership												
Investor qualification requirement	++	++	++	++	++	++	++	++	++	++	+	++
Foreign ownership limit (FOL) level	++	++	++	-/?	++	++	++	++	++	++	++	-/?
Foreign room level	++	++	++	++	++	++	++	++	++	++	++	-/?
Equal rights to foreign investors	++	+	+	+	++	+	+	++	+	++	++	-/?
Ease of capital inflows / outflows												
Capital flow restriction level	++	+	-/?	++	++	++	+	++	++	+	++	++
Foreign exchange market liberalization level	-/?	+	-/?	++	++	+	+	++	+	-/?	-/?	-/?
Efficiency of the operational framework												
Market entry												
Investor registration & account set up	++	++	++	+	++	+	-/?	++	++	-/?	-/?	+
Market organization												
Market regulations	++	+	+	++	++	+	+	++	+	+	++	+
Information flow	++	+	-/?	+	++	-/?	+	++	-/?	++	++	-/?
Market infrastructure												
Clearing and Settlement	+	-/?	++	+	+	+	+	++	-/?	-/?	-/?	-/?
Custody	++	++	++	-/?	++	++	++	++	-/?	+	++	++
Registry / Depository	++	++	+	++	++	++	++	++	++	++	++	++
Trading	-/?	+	-/?	++	++	-/?	+	+	-/?	-/?	-/?	++
Transferability	-/?	-/?	-/?	-/?	+	-/?	+	++	-/?	+	-/?	-/?
Stock lending	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?
Short selling	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?
Availability of Investment Instrument		++		++	++			++				
Stability of institutional framework	+	+	-/?	+	+	+	+	+	-/?	-/?	+	+

++: no issues; +: no major issues, improvements possible; -/? : improvements needed / extent to be assessed

Availability of Investment Instrument for some Frontier and Standalone Market countries is still being assessed.

8.2.8 Standalone Markets

	Americas			EMEA							
	Jamaica	Panama	Trinidad & Tobago	Bosnia and Herzegovina	Botswana	Bulgaria	Iceland	Malta	Palestine	Ukraine	Zimbabwe
Openness to foreign ownership											
Investor qualification requirement	++	++	++	++	++	++	++	++	++	++	++
Foreign ownership limit (FOL) level	++	++	++	++	++	++	++	++	++	++	-/?
Foreign room level	++	++	++	++	++	++	++	++	++	++	++
Equal rights to foreign investors	++	+	++	++	++	++	++	++	+	+	+
Ease of capital inflows / outflows											
Capital flow restriction level	++	++	++	++	++	++	+	++	++	+	-/?
Foreign exchange market liberalization level	++	++	-/?	+	+	+	-/?	++	-/?	-/?	-/?
Efficiency of the operational framework											
Market entry											
Investor registration & account set up	++	-/?	-/?	++	++	+	+	++	+	-/?	++
Market organization											
Market regulations	+	+	+	+	-/?	++	++	++	++	-/?	-/?
Information flow	++	-/?	+	-/?	+	+	++	++	+	-/?	-/?
Market infrastructure											
Clearing and Settlement	-/?	+	-/?	-/?	-/?	++	++	++	-/?	-/?	-/?
Custody	-/?	-/?	-/?	++	++	-/?	++	++	-/?	-/?	+
Registry / Depository	+	+	+	++	+	++	++	++	++	+	-/?
Trading	-/?	+	-/?	-/?	-/?	++	++	++	+	-/?	-/?
Transferability	+	-/?	-/?	-/?	-/?	++	++	++	-/?	+	-/?
Stock lending	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?
Short selling	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?
Availability of Investment Instrument			++			++					
Stability of institutional framework	+	+	+	+	+	+	++	++	-/?	-/?	-/?

++: no issues; +: no major issues, improvements possible; -/? : improvements needed / extent to be assessed

Availability of Investment Instrument for some Frontier and Standalone Market countries is still being assessed.

8.3 Appendix III: Market Accessibility Measures

	Definition
Openness to foreign ownership	
Investor qualification requirement	Existence of qualifying conditions for international investors. Existence of a level playing field for all international investors.
Foreign ownership limit (FOL) level	Proportion of the market being accessible to non-domestic investors.
Foreign room level	Proportion of shares still available for non-domestic investors. Existence of a foreign board where non-domestic investors could trade with
Equal rights to foreign investors	Equal economic and voting rights as well as availability of information in English. Equal rights for minority shareholders.
Ease of capital inflows / outflows	
Capital flow restriction level	Existence of restriction on inflows and outflows of foreign capital to/from the local stock market (excluding foreign currency exchange restrictions).
Foreign exchange market liberalization level	Existence of a developed onshore and offshore foreign exchange market.
Efficiency of the operational framework	
Market entry	
Investor registration & account set up	Existence/level of complexity of registration requirements for international investors such as Tax IDs as well as ease/complexity for setting up local accounts (e.g., documents to be provided, approvals required). The time to complete the process includes the preparation of the documents.
Market organization	
Market regulations	Level of advancement of the legal and regulatory framework governing the financial market, the stock exchange and the various other entities involved in the financial markets, an important weight is assigned to: ease of access (including in English), lack of ambiguity and
Information flow	Timely disclosure of complete stock market information items (e.g., stock exchange alerts, corporate news, float information, dividend information) in English and under reasonable commercial terms.
Market infrastructure	
Clearing and Settlement	Well functioning clearing and settlement system based on the broad framework published by the Bank for International Settlements including Delivery Versus Payment (DVP), the absence of pre-funding requirements/practices and the possibility to use overdrafts. Availability of real
Custody	Level of competition amongst local custodian banks as well as the presence of global custodian banks. Existence of an efficient mechanism that prevents brokers to have unlimited access to the investor's accounts and guarantees the safekeeping of its assets.
Registry / Depository	Well functioning central registry or independent registrars and a central depository.
Trading	Level of competition amongst brokers ensuring high quality services (e.g., cost efficient trading, ability to execute grouped trades at the same price for the various accounts of a fund manager).
Transferability	Possibility of off-exchange transactions and "in-kind" transfers.
Stock lending	Existence of a regulatory framework as well as an efficient mechanism allowing extensive use of stock lending.
Short selling	Existence of a regulatory and practical framework allowing short selling.
Availability of Investment Instruments	Existence of restrictions on access to derived stock exchange information, data and products that prevents the creation of investment
Stability of institutional framework	Basic institutional principles such as the rule of law and its enforcement as well as the stability of the "free-market" economic system. Track record of government intervention with regards to foreign investors.

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