

# **MSCI GLOBAL MARKET ACCESSIBILITY REVIEW**

**June 2018**

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## 1 INTRODUCTION

The 2018 MSCI Global Market Accessibility Review includes updated market accessibility assessments for all markets MSCI covers as well as comparisons to the 2017 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 2018 MSCI 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
- Competitive landscape
- 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, anti-competitive practices 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. 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. 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 COMPETITIVE LANDSCAPE

In Developed Markets, a number of measures have been taken over the years to foster competition in the provision of financial services and products. While differences exist between countries which have allowed the creation of alternative trading venues that compete with incumbent exchanges and other countries where the exchange monopoly is still in place, it is at least an established principle in all Developed Markets – and most Emerging Markets – that legal or natural monopolies should not abuse their position by imposing anti-competitive clauses in their provision of stock market data. These anti-competitive clauses typically restrict investors’ access to derived stock exchange information, data and investment products, including, for example, the provision of independently calculated indexes or the creation of baskets of securities used in the creation of financial products. In addition, anti-competitive clauses should not result in global or regional financial products becoming in breach of local market rules, regulations or other restrictions. The existence of these anti-competitive practices leads 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.

Although in general, Developed Markets continue to register good market accessibility levels, exceptions are found under openness to foreign ownership, market organization, market infrastructure level and stability of institutional framework, as shown in Exhibit 1.

Emerging and Frontier Markets continue 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 continues to exhibit the most shortcomings with most of the issues concentrated in stock lending and short selling.

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	-	11	-	-
Foreign ownership limit (FOL) level	20	3	-	13	3	11	19	-	4	10	-	1
Foreign room level	22	-	1	20	1	6	22	-	1	11	-	-
Equal rights to foreign investors	22	1	-	3	20	4	8	14	1	6	5	-
Ease of capital inflows / outflows												
Capital flow restriction level	23	-	-	23	3	1	18	4	1	9	-	2
Foreign exchange market liberalization level	23	-	-	12	7	8	9	6	8	3	5	3
Efficiency of the operational framework												
Market entry												
Investor registration & account set up	23	-	-	9	11	7	9	9	5	4	3	4
Market organization												
Market regulations	23	-	-	12	15	-	13	10	-	3	5	3
Information flow	21	2	-	10	15	2	9	5	9	1	5	5
Market infrastructure												
Clearing and Settlement	22	1	-	5	14	8	4	10	9	1	3	7
Custody	23	-	-	23	4	-	17	3	3	4	2	5
Registry / Depository	23	-	-	22	5	-	17	5	1	4	5	2
Trading	23	-	-	22	5	-	8	6	9	1	2	8
Transferability	23	-	-	9	9	9	4	3	16	1	2	8
Stock lending	22	1	-	7	9	11	-	-	23	-	-	11
Short selling	21	2	-	4	11	12	-	-	23	-	-	11
Competitive landscape	23	-	-	19	1	6	10	-	-	2	-	-
Stability of institutional framework	20	3	-	4	17	6	-	20	3	-	8	3

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

Competitive landscape for some Frontier and Standalone Market countries is still being assessed.

### 3.1 DEVELOPED MARKETS

In the case of most Developed Markets, there have been very few substantial changes in the past year. Canada and the U.S. successfully migrated from a T+3 to a T+2 settlement cycle on September 5, 2017, while Japan is expected to move from a T+3 to a T+2 settlement cycle in July 2019. These developments are steps that further aligned market settlement cycles across the globe.

On September 18, 2017, the final wave of migration to the TARGET2-Securities (T2S) program was completed, covering all developed European markets capable of settling securities transactions across Europe. T2S is a securities settlement platform which offers centralized DVP settlement in central bank funds across all developed European markets. The Advisory Group on Market Infrastructures for Securities and Collateral also planned to harmonize post-trade activities, in particular on areas of corporate actions, legal harmonization, withholding tax and cross-border shareholder registration in the near term. For the Markets in Financial Instruments Directive (MiFID II) package, the deadline for European markets to comply was on January 3, 2018. MiFID II aimed to reinforce and replace the current European rules on securities markets, which among other things, required that trading should take place on regulated platforms, improved the transparency and oversight of financial markets and strengthened the protection of investors.

### 3.2 EMERGING MARKETS

Over the past 3 years, the Saudi Arabian Capital Market Authority (CMA) and the Saudi Stock Exchange (Tadawul) have implemented several enhancements that have allowed the opening of the domestic equity market to international institutional investors. The access to the equity market evolved from indirect holdings using derivative instruments, such as P-notes and/or SWAPs, to direct holdings following the introduction of a Qualified Foreign Financial Institutions (QFFI) regulation by the CMA in 2015. This regulation has already been enhanced twice by the CMA, reflecting the feedback from international institutional investors. Tadawul, on the other hand, implemented an overhaul of its operating model, including the introduction of the T+2 settlement and Delivery Versus Payment in April 2017. These important reforms aimed to closely align Tadawul's operating model with international best practices and to provide international institutional investors with easier access to the Saudi Arabian equity markets.

The CMA and Tadawul made further enhancement efforts in 2018, with the CMA simplifying its QFFI regulations by removing the need for the QFFI to seek approval from the CMA. Under the new regulations, an Assessing Authorized Person (AAP) would register the QFFI to

the CMA on their behalf. In addition, Tadawul introduced a new closing price mechanism on May 27, 2018, shifting from a value weighted average pricing to a closing auction.

On April 12, 2018, the People's Bank of China (PBoC) lifted the foreign ownership limit for securities companies, fund managers, futures companies, and life insurers to 51% and announced that it aimed to remove the cap in three years. In addition, the PBoC also increased the Northbound daily quota for each of the Shanghai Connect and the Shenzhen Connect to RMB52 billion and stated that the Shanghai-London Stock Connect could be launched in 2018. Southbound daily quota, on the other hand, will be increased for each of the Shanghai Connect and the Shenzhen Connect to RMB42 billion.

The PBoC and the State Administration of Foreign Exchange also revised their respective regulations on June 13, 2018 regarding the Qualified Institutional Investors (QFII) and the Renminbi QFIIs (RQFII) to reflect the following amendments: 1) removal of the net monthly repatriation cap of 20% for QFIIs, 2) removal of the lock-in three month period for QFII and RQFII, 3) allowing QFIIs and RQFIIs to trade foreign exchange derivatives to hedge their investments in China and 4) further simplification for quota application.

Key developments in Argentina include continuing market accessibility enhancements. In January 12, 2017, the Federal Tax Administration simplified the registration and account opening requirements for foreign investors. On May 14, 2018, Argentina introduced a new law that aims to liberalize the capital markets further, and among other things, allows foreign legal entities to participate in local shareholders meetings through a local legal representative, without any additional registration requirement.

Other planned developments in Argentina include the announcement by Bolsas y Mercados Argentinos S.A (BYMA) that it intends to create a settlement bank (i.e. BYMA Bank) in June 2019. Furthermore, BYMA also plans to introduce short selling of equity instruments and incorporate securities lending in the regular cash settlement cycle. The launch date of these mechanisms, however, has not yet been disclosed.

**In an effort to boost market liquidity**, Peru announced on May 25, 2018 that it will implement a 90% reduction of the trading fees to be applied on constituents of the Bolsa de Valores de Lima's Good Governance Index, effective August 1, 2018 until December 31, 2019.

Similar to Developed Markets, there has also been an ongoing trend within Emerging Markets to shift their settlement cycles from T+3 to T+2 such as Argentina, Mexico, and Peru, which successfully migrated on September 5, 2017 and Thailand on March 2, 2018. Financial institutions and regulators in Indonesia are also discussing a potential migration from T+3 to T+2 in November 21, 2018.

### 3.3 FRONTIER MARKETS

Kuwait successfully implemented Phase 1 and Phase 2 of its Market Development Program on May 21, 2017 and April 1, 2018, respectively. Notable accomplishments for Phase 1, includes, the unification of a T+3 settlement cycle both for locals and non-residents, a custodian rejection facility, reduction in tick sizes, a new auction mechanism and an improved corporate actions timetable. On March 9, 2018, the Kuwait Clearing Company further reduced its documentation requirements for registration of non-residents and started accepting forms in English.

As part of Phase 2, in its continuing effort to enhance its clearing and settlement system, Kuwait further implemented a cash close-out capability, buy-in board mechanism and the ability for a custodian to participate in the settlement process. The Boursa Kuwait further laid out plans for its Phase 3 and 4, targeted for implementation in the 2<sup>nd</sup> half of 2018 and 1<sup>st</sup> half of 2019, respectively. Key areas among the planned changes would be a shift from Model 1 settlement to Model 2, with the Central Bank of Kuwait playing a key role for the payment settlement, creation of omnibus accounts, and introduction of a clearing membership model.

Romania continued its efforts to improve the liquidity and participation in the stock market by lowering trading fees and encouraging more market makers to boost market activity. Notable activities for the Romanian equity market also included the launch of Issuers Reporting Information System, where listed companies are able to release their communication to the market efficiently.

On April 1, 2017, Tunisia’s new Investment Law took effect and lifted the non-resident ownership limit level of 49 percent.

### 3.4 STANDALONE MARKETS

Similar to many of the markets globally, Jamaica successfully migrated from a T+3 to a T+2 settlement cycle on December 11, 2017.

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 for this year is relatively higher with twenty one upgrades and three downgrades. Most of the changes were due to the reassessment of the restrictions on access to exchange data, official trading period for markets that are different from international standards and the comparatively relaxed investor registration for some markets.

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	-	-	-	-	1	-	-	-
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	-	-	3	-	2	-	-	-
Market organization								
Market regulations	-	-	1	-	2	-	-	-
Information flow	-	-	-	-	1	-	-	-
Market infrastructure								
Clearing and Settlement	-	-	3	-	4	-	-	-
Custody	-	-	-	-	2	-	-	-
Registry / Depository	-	-	-	-	-	-	-	-
Trading	-	-	-	-	1	-	-	-
Transferability	-	-	-	-	-	-	-	-
Stock lending	-	-	-	-	-	-	-	-
Short selling	-	-	-	-	-	-	-	-
Competitive landscape	-	-	-	3	-	-	-	-
Stability of institutional framework	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	<b>7</b>	<b>3</b>	<b>14</b>	-	-	-

There were neither upgrades nor downgrades in the Developed Markets, while there were seven upgrades and three downgrades in the Emerging Markets. In the Frontier Markets, there were fourteen upgrades, mostly on Clearing and Settlement and for the Investor Registration and Account Setup. Further, there was neither an upgrade or a downgrade among the Standalone Markets.

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

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

	Argentina	China A	Egypt	India	Korea
Efficiency of the operational framework					
Market entry					
Investor registration & account set up	U	U	-	-	-
Market organization					
Market regulations	-	-	-	-	-
Market infrastructure					
Clearing and Settlement	-	-	U	-	-
Competitive landscape	-	-	-	D	D

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

	Qatar	Saudi Arabia	Turkey	United Arab Emirates
Efficiency of the operational framework				
Market entry				
Investor registration & account set up	-	U	-	-
Market organization				
Market regulations	-	U	-	-
Market infrastructure				
Clearing and Settlement	U	-	-	U
Competitive landscape	-	-	D	-

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

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

	Romania	Tunisia	Bahrain	Jordan	Kuwait	Oman	Vietnam
Openness to foreign ownership							
Foreign ownership limit (FOL) level	-	U	-	-	-	-	-
Foreign room level	-	U	-	-	-	-	-
Efficiency of the operational framework							
Market entry							
Investor registration & account set up	-	-	-	-	U	-	U
Market organization							
Market regulations	U	-	-	-	U	-	-
Information flow	U	-	-	-	-	-	-
Market infrastructure							
Clearing and Settlement	-	-	U	U	U	U	-
Custody	-	-	U	-	U	-	-
Trading	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 on pages 57 and 58.

### AMERICAS

#### 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 almost four percent of the Canadian equity market.

#### 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.

### 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 the individual countries.

#### IRELAND

*Foreign Room Level:* The adjustment factor applied to Ryanair Holdings due to low foreign room impacts more than eleven percent of the MSCI Ireland IMI.

#### 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. Difference in official trading days from international standards is no longer considered in the ratings.

**ITALY**

*Stability of institutional framework:* The continuing uncertainty following the financial and political crisis may call into question the stability of the country's institutional framework.

**PORTUGAL**

*Stock Lending:* Is restricted to the Portuguese Stock Index (PSI-20) constituents.

*Short Selling:* Is allowed but with a limited capacity.

*Stability of institutional framework:* The continuing uncertainty following the financial crisis may call into question the stability of the country's institutional framework.

**SPAIN**

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

*Stability of institutional framework:* The continuing uncertainty following the financial and political crisis may call into question the stability of the country's institutional framework.

**ASIA PACIFIC**

**AUSTRALIA**

*Foreign Ownership Limits:* Australia exhibits relatively stringent foreign ownership limitations compared to most Developed Markets. The telecommunication and transportation industries are partially not investable for foreign investors. These limitations represent less than two percent of the Australian equity market.

**JAPAN**

*Foreign Ownership Limits:* The airlines, media and telecommunications industries are impacted by foreign ownership limits. These limitations represent less than two 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 on pages 59 and 60.

### AMERICAS

#### ARGENTINA

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

*Foreign Exchange Market Liberalization Level:* There is an absence of an efficient offshore currency market.

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

*Competitive Landscape:* Anti-competitive measures or practices restrict the use of stock market data.

*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.

*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

#### **Upgrade**

*Investor Registration & Account Setup:* “-/?” to “+”. Introduction of Foreign Investments Code on January 2017 streamlined registration process and shortened the application period. All documents must be filed in Spanish.

#### BRAZIL

*Foreign Ownership Limits:* Foreign investors are limited to purchasing non-voting shares (PN) of Brazilian banks. Banco do Brasil is the only exception (foreign investors are allowed to

invest in up to 30 percent of the voting capital of this bank) In addition, the media and transportation industries are subject to foreign ownership limits of 49 and 20 percent, respectively. These limitations affect approximately six 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. Effective on December 1, 2011, the tax on investment in equities levied for foreign investors of two percent was eliminated. As a reminder, the tax was designed to slow the appreciation of the Brazilian currency and to avoid speculation. Finally, 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.

*Competitive Landscape:* Presence of anti-competitive measures or practices are in existence that partially restricts the use of stock market data.

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

*Transferability:* In-kind transfers are prohibited.

## 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.

## 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.

*Custody:* In 2015, the stock exchange amended its rules and implemented a new operational model that allowed local custodians to participate in the settlement and clearing of equities. There is a low number of active custodians available to foreign investors.

*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, including an “uptick” rule, remain in place.

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

## 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.

## 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. 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:* 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. In May 2015, new regulations were introduced to upgrade the securities lending model, mainly by enabling securities to be used as collateral. A new trading platform has also been implemented to allow early settlement for securities lending.

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

## EUROPE, MIDDLE EAST AND AFRICA

### 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.

*Registry / Depository:* The central depository and custodians act as a central registry. Some uncertainty with regard to efficiency of the registration process persists.

*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.

## EGYPT

*Foreign Ownership Limit Level:* In general, there are no foreign ownership limits, but one of the largest Egyptian companies, Telecom Egypt, applies a 20 percent limit while a few companies are fully closed to foreign investors.

*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. The official trading days are different from international standards. A T+2 DVP settlement cycle was introduced in March 2016 but more time is needed to assess its effectiveness.

*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.

**Upgrade**

*Clearing and settlement:* “-/?” to “+”. A T+2 DVP settlement cycle was introduced in March 2016. Difference in official trading days from international standards is no longer considered in the ratings. There is no functioning nominee status and omnibus structures are not available. Overdraft facilities remain prohibited.

**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:* Legislation on stock lending and borrowing was approved by the Greek Parliament in 2008. However, 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. A short-selling ban was implemented as part of the capital controls implemented in June 2015. The short selling ban for shares of certain credit institutions was extended until December 2015.

*Stability of institutional framework:* The continuing uncertainty following the financial and political crisis may call into question the stability of the country’s institutional framework.

**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:* The central depository and custodians act as the registry.

*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.

**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 is restricted to certain foreign entities within the EU or in selected countries, where anti-money laundering regulations are in compliance with the EU.

*Registry / Depository:* The central depository and financial institutions act as the registry.

*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. Short selling is permitted mainly for the constituents of the WIG40 Index or for non-constituents meeting specific liquidity and size criteria.

## QATAR

*Foreign Ownership Limits:* Listed companies are in general subject to a foreign ownership limit of 25 percent, but companies may choose to set a limit of up to 49 percent.

*Foreign Room Level:* The rights of foreign investors are limited as a result of the stringent foreign ownership limits.

*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.

*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.

### **Upgrade**

*Clearing and settlement:* “-/?” to “+”. Difference in official trading days from international standards is no longer considered in the ratings. There is no functioning nominee status and omnibus structures are not available. Overdraft facilities remain prohibited.

## **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. The rules on corporate events disclosures in the context of the foreign nominee concept were clarified as part of implementation of a new procedure for corporate action processing by Russian issuers in July 2016.

*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.

*Clearing and Settlement:* The DVP mechanism is different from international standards, and partial cash pre-funding of trades is required. An optional DVP mechanism using the Bank of Russia’s Real-Time Gross Settlement system has been introduced in 2015 but is currently not widely used. Following the introduction in 2013 of a foreign nominee concept and omnibus account structures, several international central depositories have started operating foreign nominee accounts. However, more time is needed to assess the effectiveness and benefits of such structures to international institutional investors.

*Registry / Depository:* There is an absence of a central registry.

*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 due to the absence of a formal stock lending regulation.

*Short Selling:* Short selling is allowed, but with some restrictions and it 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.

## SAUDI ARABIA

*Investor Qualification Requirement:* In June 2015, the Saudi Arabia equity market opened to foreign direct investment through a Qualified Foreign Financial Institutions (QFFI) program. 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 QFFI license. Investors from GCC countries are not subject to any qualification requirements.

*Foreign Ownership Limits:* Listed companies are subject to a foreign ownership limit of 49 percent, while a few companies are fully closed to foreign investors. The further limit of 20 percent that was previously applicable to QFFIs was removed in September 2016.

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

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

*Information Flow:* In January 2017, the use of IFRS was enforced for financial reports of all listed companies and in April 2017, the New Corporate Governance regulations took effect. Some information is still available only in Arabic.

*Clearing and Settlement:* In April 2017, the settlement cycle moved from T+0 to T+2, and pre-funding requirement was eliminated. 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.

*Competitive Landscape:* Restrictions on real time data usage have been partially lifted resulting in an improving anti-competitive landscape.

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

*Stock Lending:* Has recently been allowed but is not yet tested.

*Short Selling:* Has recently been allowed but is not yet tested.

### **Upgrade**

*Investor Registration & Account Setup:* “-/?” to “+”. Registration is mandatory, but the process was simplified and requirements reduced in January 2018.

*Market Regulations:* “+” to “++”. All regulations are now in English.

## **SOUTH AFRICA**

*Clearing and Settlement:* The settlement cycle for equities on the Johannesburg Stock Exchange moved from T+5 to T+3 in July 2016. 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.

## **TURKEY**

*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.

*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.

*Short Selling:* Is allowed but is not an established market practice. In addition, there are neither legal nor technical measures preventing naked short selling.

*Stability of institutional framework:* Country is in prolonged state of emergency since July 2016, but operations of financial institutions remain normal.

### **Downgrade**

*Competitive Landscape:* “+” to “-/?”. Presence of anti-competitive measures or practices are in existence that partially restricts the use of stock market data.

## **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.

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

*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 is efficient.

*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.

*Registry / Depositary:* There is a lack of efficiency in terms of communication between the central depository and the custodians / brokers.

*Transferability:* In-kind transfers are prohibited.

### **Upgrade**

*Clearing and settlement:* “-/?” to “+”. Difference in official trading days from international standards is no longer considered in the ratings. Nominee status and omnibus structures remain unavailable.

## **ASIA PACIFIC**

### **CHINA (INTERNATIONAL)**

The assessment of the accessibility of the China (international) market takes into account 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 very limited. Foreign investors can acquire shares of Chinese companies primarily on the Hong Kong Stock exchange. The available portion represents on average 50 percent of the total market capitalization of Chinese companies listed in Hong Kong.

*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.

### **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.

Eligibility for the QFII/RQFII largely depends on the institution's appropriate size and track record.

*Foreign Ownership Limits:* Since July 2012, A-shares held by all QFIIs and RQFIIs in a listed company should not exceed 30% of the total outstanding shares of the company.

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

*Capital Flow Restriction Level:* In 2016, the initial lock up period for QFIIs is shortened from one year to three months. QFII open-ended funds are permitted to repatriate on a daily basis. QFIIs separated accounts are no longer treated as closed-ended funds and enjoy daily repatriation as well. However, monthly repatriation of 20 percent of previous year end NAV remains unchanged. The aggregate quota under Shanghai-Hong Kong Stock Connect was abolished in August 2016. Further, the Northbound daily quota for each of the Shanghai Connect and the Shenzhen Connect has recently been increased to RMB52 billion effective in May 2018, quadrupling from the previous limits.

*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 currency as an international payment, and is recognized by the IMF as a reserve currency. The RMB is not fully convertible offshore but Investors are able to tap into the offshore RMB market in Hong Kong (CNH) for securities settlement.

*Market Regulations:* In 2016, the regulator and the stock exchanges have issued policies on suspension which had positive implications on the market. MSCI will continue to assess the effectiveness and enforcement of the regulations. More information can now be found in English.

*Competitive Landscape:* No major restriction on the use of stock market data for financial product creation, except for creation of Futures and Options.

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

*Clearing and Settlement:* There is an absence of a real DVP and T+0 settlement cycle on the Shanghai Stock Exchange and the Shenzhen Stock Exchange.

*Transferability:* Off-exchange transactions are prohibited.

### **Upgrade**

*Investor Registration & Account Setup:* “-/?” to “+”. The upgrade recognizes that the Shanghai- and the Shenzhen-Hong Kong Stock Connect are increasingly being utilized by investors as the preferred and effective access channel to China A shares. Since the last

MSCI announcement to include China A shares into the MSCI Emerging Markets Index in June last year, the number of Special Segregated Accounts (SPSAs) has grown from less than 1,700 accounts to over 5,000 accounts in June 2018. The account opening process takes less than two weeks to complete and is efficiently managed. On the other hand, application for QFII and RQFII have also been streamlined since June 2013, but the license and quota approval still may take up to several months to complete. QFII applicants should submit an investment plan and need to designate a QFII Compliance Officer within the institution. In addition, the securities regulator of QFII applicant should have a Memorandum of Understanding with China Securities Regulatory Commission. QFII and RQFII applications can now be completed and submitted via an online platform.

## INDIA

*Investor Qualification Requirement:* Effective June 2014, the Foreign Portfolio Investor (FPI) regime was introduced. 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 approximately 59 percent of the Indian equity market. The revision of Foreign Direct Investment (FDI) policy which includes increase in sectoral cap, broadening of the scope of the automatic route and the relaxation of requirements of foreign investment, is seen as a positive development.

*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. The Reserve Bank of India (RBI) monitors foreign ownership levels and issues 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 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).

*Investor Registration & Account Setup:* Registration is mandatory and subject to Securities and Exchange Board of India approval which generally takes 13 days. Existing FIIs and sub-account are required to convert to FPI before the validity of their current registration.

*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 prohibited.

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

### **Downgrade**

*Competitive Landscape:* “++” to “-/?”. Presence of anti-competitive measures or practices are in existence that partially restricts the use of stock market data.

## **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.

## **KOREA**

*Foreign Ownership Limits:* The aviation, broadcasting, telecommunication and utilities industries are impacted by foreign ownership limits. These limitations affect approximately one percent of the Korean equity market.

*Foreign Room Level:* Prolonged low level of foreign room is found in major companies within the telecommunication industry, such as KT Corporation and SK Telecom.

*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:* The introduction of "omnibus accounts" to enable consolidated trading orders and settlements through a single account for foreign investors is seen as a positive development. However, the change is yet to be assessed by international institutional investors until the system is fully introduced in 2017. 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.

### **Downgrade**

*Competitive Landscape: “+” to “-/?”.* Presence of anti-competitive measures or practices are in existence that partially restricts the use of stock market data.

## **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 affect almost eight 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 transactions are prohibited.

*Stock Lending:* Is allowed but is restricted to a fixed number of stocks.

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

## 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. In particular, trading on the Pakistani equity market was practically suspended for five months following the implementation of a price floor rule in August 2008.

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

*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.

## PHILIPPINES

*Foreign Ownership Limits:* All industries are in general subject to a 40 percent foreign ownership limit. The Philippine Securities and Exchange Commission (SEC) issued in May 2013 a final policy circular on the foreign ownership limit. The limitation is applicable to voting shares whether preferred or common as well as to the total number of outstanding shares of stock, regardless of whether they are voting or non-voting.

*Foreign room level:* The equity market is significantly impacted by foreign room issues.

*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.

## 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.

## 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:* Prolonged low level of foreign room is found in Bangkok Bank, a major company within the banking industry. Also, there are certain types of issuers in other industries that are unable to issue NVDRs.

*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.

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

## 6 FRONTIER MARKETS

The following comments should be read in conjunction with the country-by-country assessment results that can be found on pages 61 and 62.

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.

### EUROPE, MIDDLE EAST AND AFRICA

#### BAHRAIN

*Foreign Ownership Limits:* Listed companies are generally subject to a 49 percent foreign ownership limit. Some companies are either fully open or fully closed to foreign investments.

*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 is efficient.

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

*Custody:* Segregated custody and trading accounts are required in order to mitigate the risk deriving from local brokers having unlimited access to trading accounts.

*Registry / Depository:* Registration is executed at the issuer level. Bahrain Clear planned to expand its services to become the Central Registry, but more time is needed for this assessment.

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

#### **Upgrade**

*Clearing and Settlement:* “-/?” to “+”. Difference in official trading days from international standards is no longer considered in the ratings. There is no functioning nominee status and omnibus structures are not available.

*Custody:* “-/?” to “+”. 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. Bahrain Clear is still working on becoming the central registrar for all securities.

## 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.

## 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.

## 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.

*Registry / Depository:* The central depository acts as a central registry. Registration of few securities is executed at the issuer level.

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

## 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.

### **Upgrade**

*Clearing and Settlement:* “-/?” to “+”. Difference in official trading days from international standards is no longer considered in the ratings. There is no functioning nominee status and omnibus structures are not available.

## 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. In addition, liquidity on the onshore currency market has been relatively low in the recent past.

*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 prefunding 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. However, off-exchange transactions are prohibited.

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

## 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:* Absence of a central registry

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

## KUWAIT

*Foreign Ownership Limits:* The banking industry is subject to a 49 percent foreign ownership limit. These limitations affect more than twenty six percent of the Kuwaiti equity market.

*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.

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

*Registry / Depository:* The central depository acts as a central registry.

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

### **Upgrade**

*Market Regulations:* “+” to “++”. All regulations are now in English and publicly available.

*Investor Registration & Account Setup:* “-/?” to “+”. The requirements needed for registration with Kuwait Clearing Co. have been reduced, simplified and the documents in English are now accepted. Registration is mandatory and the full process can take about two weeks.



*Clearing and Settlement: “-/?” to “+”.* In May 2017, the settlement cycle moved to T+3 for both local and foreign investors and in April 2018, the introduction of a proper delivery versus payment (DvP) settlement provision and proper failed trade management was initiated. Omnibus structures are not widely used since there is a lack of a clear legal basis for them and overdraft facilities remain prohibited.

*Custody: “-/?” to “+”.* The operational efficiency of the DVP model has been enhanced through the introduction in April 2018 of a proper failed 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.

## 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:* In most instances, the central depository acts as a central registry. Few securities are registered at the issuer level. Not all listed shares are dematerialized.

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

## MAURITIUS

*Equal Rights to Foreign Investors:* MSCI will continue to be monitoring the rights for foreign investors following the improvement in removing the foreign ownership limits.

*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.

## 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. In September 2015, an IT platform upgrade was implemented, paving the way for security segregation at the client level in Maroclear.

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

*Transferability:* Off-exchange transactions are prohibited.

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

*Short Selling:* Is prohibited.

## 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 very significant delays in currency conversions. The Central Bank of Nigeria introduced the I&E Window in April 2017 which aims to provide liquidity to investors. MSCI is closely monitoring the effectiveness of this Window.

*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:* Registration is executed at the 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.

*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.

## 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:* Stock market information is often not complete as well as not disclosed in a timely manner.

*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.

### **Upgrade**

*Clearing and Settlement:* “-/?” to “+”. Difference in official trading days from international standards is no longer considered in the ratings. There is no functioning nominee status and omnibus structures are not available.

## **ROMANIA**

*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 and omnibus structures are available, but with special conditions.

*Transferability:* In-kind transfers and off-exchange transactions are allowed but with some restrictions.

### **Upgrade**

*Market Regulations:* “+” to “++”. All regulations are available in English and compliance to Corporate Governance Code is being enforced.

*Information Flow:* “+” to “++”. Launch of Issuers Reporting Information System in June 2016 has significantly improved the efficiency in disseminating corporate news and regulatory reports. Periodic release of “Whitebook on Communication of Listed Companies” also improved the transparency and compliance of listed companies to the Corporate Governance Code.

*Trading:* “-/?” to “++”. Presence of market makers helped boost market activity and in January 2018, Bucharest Stock Exchange further reduced its trading fees to encourage more participation in the market.

## 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.

## 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 must be filed in Serbian.

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

*Information Flow:* In March 2017, aside from the company news/events published in the Belgrade Stock Exchange, the Serbian Securities Commission launched a public centralized database for all information related to the public companies (e.g. Financial Reports, Articles of Incorporation) and all registers that the Commission needs to keep in accordance with the Law on Capital Market.

*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.

## SLOVENIA

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

## TUNISIA

*Equal Rights to Foreign Investors:* 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.

*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:* Country is in prolonged state of emergency since November 2015, but operations of financial institutions remain normal.

### **Upgrade**

*Foreign Ownership Limits:* “-/?” to “++”. Foreign ownership limits in listed companies were lifted in 2017.

*Foreign Room Level:* “-/?” to “++”. The equity market is no longer impacted by foreign room issues.

## ASIA PACIFIC

### 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 custodian 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.

### 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.

## 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:* More information on the stock exchanges and the Vietnamese Securities Depository (VSD) websites can now be found in English. However, 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).

*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 is no formal clearing house and the VSD acts as the clearing agent. In addition, there are no overdraft facilities and the prefunding of trades is required.

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

### **Upgrade**

*Investor Registration & Account Setup:* “-/?” to “+”. The use of online registration service has simplified and shortened the time for the issuance of Securities Trading Code. Registration is mandatory and account setup requires the approval of the VSD.



## 7 STANDALONE MARKETS

The following comments should be read in conjunction with the country-by-country assessment results that can be found on page 63.

Standalone Markets include all markets covered by MSCI but not included in the MSCI International 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 the summary does not highlight these issues on a country-by-country basis.

### AMERICAS

#### 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 no central registry.

*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.

#### 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:* Prefunding of trades is required.

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

*Registry / Depository:* Absence of 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.

## 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:* Stock market information is occasionally 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:* Registration is executed at the 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.

## EUROPE, MIDDLE EAST AND AFRICA

### 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:* Prefunding 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.

## **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:* Registration is executed at the 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.

## **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.

*Registry / Depository:* There is a lack of efficiency in terms of communication between the central registry / central depository and the custodians / brokers.

## **GHANA**

*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 can last up to ten days.

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

*Clearing and Settlement:* There is an absence of a true DVP system.

*Custody:* In March 2016, Ghana Central Securities Depository migrated to a new platform and merged the custody and brokerage accounts into a single account structure. However, more time is needed to assess the efficiency of the process.

*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.

## **PALESTINE**

*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.

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

*Clearing and Settlement:* There is an absence of a real DVP system in the Palestine Exchange. Overdraft facilities for foreign investors are prohibited. In addition, there is no nominee status and omnibus structures are not available.

*Custody:* Presence of only one active custodian.

*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.

## UKRAINE

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

*Capital flow restriction level:* On May 2017, the National Bank of Ukraine allowed repatriation of funds received from the sale of equity securities issued by Ukrainian entities and from dividends. However, more time is needed to assess ease of 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 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:* The settlement cycle is not fixed (from T+0 to T+10) and 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:* A single Central Securities Depository acting also as a central registrar has been introduced. The new system is reportedly working well albeit with current low volumes.

*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.

## ZIMBABWE

*Foreign Ownership Limits:* Listed companies are subject to a 40 percent foreign ownership limit.

*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:* In March 2017, the settlement cycle moved from T+5 to T+2 using a new DVP system. However, more time is needed to assess the efficiency of the process.

*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

### 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
<b>A Economic Development</b>  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>B Size and Liquidity Requirements</b> 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 797 mm USD 71 mm 2.5% ATVR	3 USD 1,594 mm USD 797 mm 15% ATVR	5 USD 3,187 mm USD 1,594 mm 20% ATVR
<b>C Market Accessibility Criteria</b> C.1 Openness to foreign ownership C.2 Ease of capital inflows / outflows C.3 Efficiency of operational framework C.4 Competitive landscape 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 2017: GNI per capita of USD 12,235 (World Bank, Atlas method)  
 \*\* Minimum in use for the May 2018 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.



## APPENDIX II: ASSESSMENT RESULTS

### 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	++	++	++	++	++	++	++	++	++	++	++	++
Competitive landscape	++	++	++	++	++	++	++	++	++	++	++	++
Stability of institutional framework	++	++	++	++	++	++	++	++	++	++	+	++

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

**DEVELOPED MARKETS**

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

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

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													
Cleaning and Settlement	-/?	-/?	++	+	++	-/?	+	+	+	++	+	+	-/?
Custody	++	++	++	+	++	++	++	++	++	++	++	+	++
Registry / Depository	++	++	++	++	++	++	+	++	++	+	+	++	+
Trading	+	++	++	+	++	+	++	+	++	++	++	++	+
Transferability	+	+	-/?	-/?	++	+	++	-/?	-/?	++	+	-/?	++
Stock lending	-/?	++	-/?	+	++	-/?	+	-/?	-/?	+	+	+	-/?
Short selling	-/?	++	-/?	+	+	-/?	+	-/?	-/?	+	+	-/?	-/?
Competitive landscape	-/?	-/?	++	++	++	++	++	++	++	++	++	++	++
Stability of institutional framework	-/?	+	++	-/?	+	+	++	-/?	+	++	++	+	-/?

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

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	-/?	++	+	-/?	++	-/?	+	+	++	+	-/?	-/?	+	+
Competitive landscape	+	++	-/?	++	++	-/?	-/?	++	-/?	++		++	++	++
Stability of institutional framework	+	+	+	+	+	+	+	+	+	+	-/?	+	+	-/?

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FRONTIER MARKETS

	EMEA											
	Bahrain	Benin	Burkina Faso	Croatia	Estonia	Ivory Coast	Jordan	Kazakhstan	Kenya	Kuwait	Lebanon	Lithuania
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	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?
Competitive landscape	++				++		++	++		++		++
Stability of institutional framework	+	+	+	+	+	-/?	+	-/?	+	+	+	+

++: no issues; +: no major issues, improvements possible; -/? : improvements needed / extent to be assessed  
 Competitive landscape for some Frontier and Standalone Market countries is still being assessed.

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	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?
Competitive landscape		++		++	++			++				
Stability of institutional framework	+	+	-/?	+	+	+	+	+	+	+	+	+

++: no issues; +: no major issues, improvements possible; -/? : improvements needed / extent to be assessed  
 Competitive landscape for some Frontier and Standalone Market countries is still being assessed.

**STANDALONE MARKETS**

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

++: no issues; +: no major issues, improvements possible; -/? : improvements needed / extent to be assessed  
 Competitive landscape for some Frontier and Standalone Market countries is still being assessed.

### 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 each other.
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 prompt enforcement of laws and regulations, as well as consistency over time.
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 omnibus structures.
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.
Competitive landscape	Existence of anti-competitive clauses restricting investors' access to derived stock exchange information, data and investment products, including, for example the provision of independently calculated indices or the creation of baskets of securities used in the creation of financial products. In addition, anti-competitive clauses should not result in global or regional financial products becoming in breach of local market rules, regulations or other restrictions.
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.



## CONTACT US

clientservice@msci.com

### AMERICAS

Americas	1 888 588 4567 *
Atlanta	+ 1 404 551 3212
Boston	+ 1 617 532 0920
Chicago	+ 1 312 675 0545
Monterrey	+ 52 81 1253 4020
New York	+ 1 212 804 3901
San Francisco	+ 1 415 836 8800
Sao Paulo	+ 55 11 3706 1360
Toronto	+ 1 416 628 1007

### EUROPE, MIDDLE EAST & AFRICA

Cape Town	+ 27 21 673 0100
Frankfurt	+ 49 69 133 859 00
Geneva	+ 41 22 817 9777
London	+ 44 20 7618 2222
Milan	+ 39 02 5849 0415
Paris	0800 91 59 17 *

### ASIA PACIFIC

China North	10800 852 1032 *
China South	10800 152 1032 *
Hong Kong	+ 852 2844 9333
Mumbai	+ 91 22 6784 9160
Seoul	00798 8521 3392 *
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