



Consultation on the Market Reclassification Proposal for Argentina

January 2009

Outline

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- Introduction

Background and Communication Timeline

- As announced on December 16, 2008, MSCI Barra now opens a consultation on the proposal to reclassify the MSCI Argentina Index as a Frontier Markets Index as no significant improvements in terms of restrictions of inflows / outflows of capital were observed by December 2008.
- Please note that this consultation may or may not lead to any changes to the MSCI Equity Indices.
- MSCI Barra's final decision will be announced in the course of February 2009.

MSCI Barra Market Classification Framework

Criteria	Frontier	Emerging	Developed
A Economic Development			
A.1 Sustainability of economic development	No requirement	No requirement	Country GNI per capita 25% above the World Bank high income threshold* for 3 consecutive years
B Size and Liquidity Requirements			
B.1 Number of companies meeting the following Standard Index criteria Company size (full market cap) ** Security size (float market cap) ** Security liquidity	2 USD 298 mm USD 19 mm 2.5% ATVR	3 USD 595 mm USD 298 mm 15% ATVR	5 USD 1,190 mm USD 595 mm 20% ATVR
C Market Accessibility Criteria			
C.1 Openness to foreign ownership	At least some	Significant	Very high
C.2 Ease of capital inflows / outflows	At least partial	Significant	Very high
C.3 Efficiency of the operational framework	Modest	Good and tested	Very high
C.4 Stability of institutional framework	Modest	Modest	Very high

* High income threshold for 2007: GNI per capita of USD 11,456 (World Bank, Atlas method)

** Minimum in use for the November 2008 Semi-Annual Index Reviews, updated on a semi-annual basis

- Proposal & Potential Implementation Timeline

Proposal for a Potential Reclassification to Frontier Markets

Proposal:

- The MSCI Argentina Index is moved to the Frontier Markets Universe and is comprised of American Depositary Receipts (ADRs) which replace the local shares. The companies that do not have an ADR program (Level 2 or 3) are removed from the MSCI Argentina Index.

The capital flow restrictions represent significant hindrances for foreign investors: a 30% cash reserve requirement applies for funds entering the country, which in addition are forced to remain in the country for at least a year.

- Does this issue warrant a reclassification of Argentina to Frontier Markets?
- Does this issue warrant the exclusion of local shares and the sole inclusion of ADRs in the MSCI Argentina Index?

Implementation Timeline

- In the event of a reclassification of the MSCI Argentina Index, MSCI Barra would propose to implement the reclassification in the MSCI Equity Indices in one single phase coinciding with the May 2009 Semi-Annual Index Review.
 - Does May 2009 represent a reasonable timeframe or is more lead time needed?

Alternatives

Alternative 1:

- The MSCI Argentina Index is moved to the Frontier Markets Universe and is comprised of ADRs which replace the local shares. The local shares are maintained in the MSCI Argentina Index for the companies that do not have an ADR program (Level 2 or 3).

Alternative 2:

- The MSCI Argentina Index is maintained in the Emerging Markets Universe with only ADRs.

- Simulated Index

Potential Reclassification to Frontier Markets: Simulated Argentina Index

- As a reminder, according to the MSCI Global Investable Market Indices Methodology, the Frontier Markets are divided into Larger Frontier Markets and Smaller Frontier Markets with different minimum size requirements. Further, there are three levels of minimum liquidity requirements – very low, low, and average – to accommodate the divergent liquidity levels in Frontier Markets.
- A simulated MSCI Argentina Index was created using the current Smaller Frontier Markets Global Minimum Size Reference and average liquidity thresholds* with data as of January 20, 2009.

* Global Minimum Size Reference for Standard of USD 595 million and liquidity of ATVR 15%

Potential Reclassification to Frontier Markets: Simulated Argentina Index

Proposal: The MSCI Argentina Index is comprised of American Depositary Receipts (ADRs) which replace the local shares. The companies that do not have an ADR program (Level 2 or 3) are removed from the MSCI Argentina Index.

Simulated vs. current MSCI Argentina Index (Standard)

Simulated Index		Current Index		Additions		Deletions	
Nb of Constituents	Index Mcap	Nb of Constituents	Index Mcap	Nb of Constituents	Index Mcap	Nb of Constituents	Index Mcap
5	2,214	4	2,290	2	454	1	472

Notes: Data as of January 20, 2009. All market caps in million USD.

The market cap of the current index does not add up to that of the simulated index as the market cap of ADRs slightly differ from that of the local shares.

Constituent Level Information:

Simulated Index	Current Index	Additions	Deletions
Telecom Argentina B ADR	Telecom Argentina B	BBVA Banco Frances ADR	Siderar A
Petrobras Energia B ADR	Siderar A	Cresud ADR	
Banco Macro B ADR	Petrobras Energia B		
BBVA Banco Frances ADR	Banco Macro B		
Cresud ADR			

Note: Data as of January 20, 2009. All market caps in million USD.

- Appendix

Potential Reclassification to Frontier Markets: Simulated MSCI Composite Indices

Simulated MSCI Composite Indices

MSCI World Index				MSCI Emerging Markets Index				MSCI Frontier Markets Index			
Country	Rank	Country float adj Mcap	Weight	Country	Rank	Country float adj Mcap	Weight	Country	Rank	Country float adj Mcap	Weight
USA	1	7,435,048	49.75%	CHINA	1	286,318	18.00%	KUWAIT	1	23,831	31.81%
JAPAN	2	1,847,390	12.36%	KOREA	2	219,760	13.81%	UNITED ARAB EMIRATES	2	8,301	11.08%
UNITED KINGDOM	3	1,371,570	9.18%	BRAZIL	3	219,035	13.77%	NIGERIA	3	7,938	10.59%
FRANCE	4	718,558	4.81%	TAIWAN	4	170,289	10.70%	QATAR	4	6,336	8.46%
CANADA	5	599,959	4.01%	SOUTH AFRICA	5	124,497	7.83%	KAZAKHSTAN	5	3,362	4.49%
SWITZERLAND	6	581,816	3.89%	INDIA	6	106,932	6.72%	JORDAN	6	3,261	4.35%
GERMANY	7	555,900	3.72%	RUSSIA	7	83,629	5.26%	SLOVENIA	7	2,853	3.81%
AUSTRALIA	8	407,080	2.72%	MEXICO	8	80,330	5.05%	OMAN	8	2,769	3.70%
SPAIN	9	291,159	1.95%	ISRAEL	9	59,953	3.77%	CROATIA	9	2,385	3.18%
ITALY	10	248,306	1.66%	MALAYSIA	10	51,772	3.25%	LEBANON	10	2,378	3.17%
NETHERLANDS	11	170,678	1.14%	CHILE	11	25,613	1.61%	KENYA	11	2,355	3.14%
HONG KONG	12	150,847	1.01%	INDONESIA	12	24,762	1.56%	ARGENTINA	12	2,214	2.96%
SWEDEN	13	130,786	0.88%	THAILAND	13	22,729	1.43%	BAHRAIN	13	1,919	2.56%
FINLAND	14	92,702	0.62%	POLAND	14	22,716	1.43%	VIETNAM	14	1,453	1.94%
SINGAPORE	15	77,913	0.52%	TURKEY	15	22,193	1.40%	TUNISIA	15	814	1.09%
DENMARK	16	61,753	0.41%	CZECH REPUBLIC	16	13,865	0.87%	MAURITIUS	16	795	1.06%
BELGIUM	17	52,703	0.35%	COLOMBIA	17	10,873	0.68%	ROMANIA	17	686	0.92%
NORWAY	18	46,224	0.31%	EGYPT	18	10,260	0.65%	ESTONIA	18	353	0.47%
GREECE	19	31,704	0.21%	PERU	19	10,165	0.64%	SRI LANKA	19	302	0.40%
PORTUGAL	20	23,940	0.16%	PHILIPPINES	20	8,965	0.56%	UKRAINE	20	193	0.26%
AUSTRIA	21	20,736	0.14%	HUNGARY	21	8,633	0.54%	LITHUANIA	21	170	0.23%
IRELAND	22	20,291	0.14%	MOROCCO	22	7,454	0.47%	SERBIA	22	133	0.18%
NEW ZEALAND	23	6,561	0.04%					BULGARIA	23	119	0.16%

Note: Data as of January 20, 2009. All market caps in million USD.

Potential Reclassification to Frontier Markets: Current MSCI Composite Indices

Current MSCI Composite Indices

MSCI World Index				MSCI Emerging Markets Index				MSCI Frontier Markets Index			
Country	Rank	Country float adj Mcap	Weight	Country	Rank	Country float adj Mcap	Weight	Country	Rank	Country float adj Mcap	Weight
USA	1	7,435,048	49.75%	CHINA	1	286,318	17.97%	KUWAIT	1	23,831	32.78%
JAPAN	2	1,847,390	12.36%	KOREA	2	219,760	13.80%	UNITED ARAB EMIRATES	2	8,301	11.42%
UNITED KINGDOM	3	1,371,570	9.18%	BRAZIL	3	219,035	13.75%	NIGERIA	3	7,938	10.92%
FRANCE	4	718,558	4.81%	TAIWAN	4	170,289	10.69%	QATAR	4	6,336	8.71%
CANADA	5	599,959	4.01%	SOUTH AFRICA	5	124,497	7.82%	KAZAKHSTAN	5	3,362	4.62%
SWITZERLAND	6	581,816	3.89%	INDIA	6	106,932	6.71%	JORDAN	6	3,261	4.48%
GERMANY	7	555,900	3.72%	RUSSIA	7	83,629	5.25%	SLOVENIA	7	2,853	3.92%
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SPAIN	9	291,159	1.95%	ISRAEL	9	59,953	3.76%	CROATIA	9	2,385	3.28%
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IRELAND	22	20,291	0.14%	MOROCCO	22	7,454	0.47%	BULGARIA	22	119	0.16%
NEW ZEALAND	23	6,561	0.04%	ARGENTINA	23	2,290	0.14%				

Note: Data as of January 20, 2009. All market caps in million USD.



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Potential Reclassification to Frontier Markets: Simulated Frontier Markets Universe

MSCI Frontier Markets Indices Country Classification

	ATVR 2.5%	ATVR 5%	ATVR 15%
Larger Countries			Kuwait Nigeria Qatar United Arab Emirates
Smaller Countries	Botswana Ghana Jamaica Lebanon Lithuania Mauritius Serbia	Sri Lanka Trinidad & Tobago Tunisia Ukraine	Bahrain Bulgaria Kenya Slovenia Argentina Croatia Estonia Jordan Kazakhstan Oman Romania Vietnam

Potential Reclassification to Frontier Markets: Simulated Argentina Index

Alternative 1: The MSCI Argentina Index is comprised of American Depositary Receipts (ADRs) which replace the local shares. The local shares are maintained in the MSCI Argentina Index for the companies that do not have an ADR program (Level 2 or 3).

Simulated vs. current MSCI Argentina Index (Standard)

Simulated Index		Current Index		Additions		Deletions	
Nb of Constituents	Index Mcap	Nb of Constituents	Index Mcap	Nb of Constituents	Index Mcap	Nb of Constituents	Index Mcap
8	3,114	4	2,290	4	882	0	-

Notes: Data as of January 20, 2009. All market caps in million USD.

The market cap of the current index does not add up to that of the simulated index as the market cap of ADRs slightly differ from that of the local shares.

Constituent Level Information:

Simulated Index	Current Index	Additions	Deletions
Telecom Argentina B ADR	Telecom Argentina B	Molinos Rio La Plata B	-
Siderar A	Siderar A	BBVA Banco Frances ADR	
Petrobras Energia B ADR	Petrobras Energia B	Pampa Energia	
Banco Macro B ADR	Banco Macro B	Cresud ADR	
Molinos Rio La Plata B			
BBVA Banco Frances ADR			
Pampa Energia			
Cresud ADR			

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Potential Reclassification to Frontier Markets: Simulated Argentina Index

Alternative 2: The MSCI Argentina Index is maintained in the Emerging Markets Index with ADRs only.

Simulated vs. current MSCI Argentina Index (Standard)

Simulated Index		Current Index		Additions		Deletions	
Nb of Constituents	Index Mcap	Nb of Constituents	Index Mcap	Nb of Constituents	Index Mcap	Nb of Constituents	Index Mcap
3	1,760	4	2,290	0	-	1	

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Constituent Level Information:

Simulated Index	Current Index	Additions	Deletions
Telecom Argentina B ADR	Telecom Argentina B	-	Siderar A
Petrobras Energia B ADR	Siderar A		
Banco Macro B ADR	Petrobras Energia B		
	Banco Macro B		

Note: Data as of January 20, 2009. All market caps in million USD.

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