
MSCI Announces Market Classification Decisions

Geneva - June 15, 2009 - MSCI Inc. (NYSE: MXB), a leading provider of investment decision support tools worldwide, including indices and portfolio risk and performance analytics, announced its final conclusions on the recent consultation discussions with the investment community worldwide on several market reclassification proposals, including its decision to reclassify the MSCI Israel Index to Developed Markets coinciding with the May 2010 Semi-Annual Index Review. MSCI is also introducing an Annual Market Classification Review and is releasing its first Global Market Accessibility Review for each of the markets it covers.

During the Annual Market Classification Review, MSCI will analyze and seek feedback on those markets it has placed under review for potential market reclassification. 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. For the current cycle starting immediately, MSCI will review the market classification of the MSCI Korea and MSCI Taiwan Indices for a potential reclassification to Developed Markets and of the MSCI Qatar and MSCI UAE Indices for a potential reclassification to Emerging Markets and will communicate its decisions resulting from this Annual Market Classification Review in June 2010.

Final conclusions from the Market Classification Consultation

As a reminder, in July 2008, MSCI began a public consultation on proposals to reclassify the MSCI Israel and MSCI Korea Indices as MSCI Developed Markets Indices and to reclassify the MSCI Kuwait, MSCI Qatar and MSCI United Arab Emirates Indices as MSCI Emerging Markets Indices.

MSCI updated the investment community with its preliminary assessments on the consultation in December 2008 and also confirmed that it would announce its final conclusions by June 2009. In general, it is MSCI's sense that the market turmoil of last year and increased financial and economic uncertainties may have affected the speed of regulatory progress in several countries as well as investors' appetite for changes in their established investment processes.

MSCI announced its final conclusions as well as the list of countries under review as part of the Annual Market Classification Review, as follows:

- 1) **Israel:** MSCI will reclassify the MSCI Israel Index to Developed Markets coinciding with the May 2010 Semi-Annual Index Review.

The relatively short settlement cycle for equities on the Tel Aviv Stock Exchange was the only concern that was raised by international institutional investors during the consultation. MSCI recognizes that this concern is an important one but considers that it should not be an impediment to the reclassification of the Israeli market to Developed Markets status. MSCI continues to encourage the Israeli regulator and the Tel Aviv Stock Exchange to address the issues raised by investors who would prefer a better alignment with international practices.

The MSCI Israel Index will be included in the MSCI World Index and in the MSCI EAFE Index. Only securities of companies domiciled in Israel that have a listing on the Tel-Aviv Stock exchange will be eligible at that point.

- 2) **Korea:** MSCI will maintain the MSCI Korea Index in Emerging Markets. The MSCI Korea Index will remain under review for a potential reclassification to Developed Markets as part of the 2010 Annual Market Classification Review.

Under the current MSCI market classification framework for Developed Markets, Korea meets the economic development as well as the size and liquidity requirements. In its preliminary assessment released in December 2008, MSCI noted that investors have continued to highlight some significant accessibility issues for Korea which are not characteristic of Developed Markets. MSCI's preliminary assessment then was that more time would be needed for the Korean authorities to act on investors' feedback and make additional changes and issue clarifications, and that market participants would need the time to evaluate the extent to which these potential improvements address their concerns.

For the MSCI Korea Index to be reclassified to Developed Markets significant progress would be needed in the following three areas:

- Lack of full convertibility of the Korean Won: The lack of an offshore currency market and constraints on the onshore currency market continue to present operational challenges for investors.
- Rigidity of the ID system: Omnibus accounts, off-exchange block trades and in-kind transfers are made impractical or very difficult with the current ID system.
- Anti-competitive practices: The provision of stock market real-time data is subject to contractual anti-competitive clauses. This is not the standard in Developed Markets.

MSCI continues to be encouraged by the goodwill expressed by the Korean authorities through their efforts to understand the issues and explore options to address them.

- 3) **Taiwan:** MSCI will include Taiwan in the list of markets under review as part of the 2010 Annual Market Classification Review.

MSCI notes that there have been several positive market reform measures over the past months including the implementation of a T+2 delivery versus payment (DVP) settlement cycle. MSCI will solicit investors' feedback on their experience since these changes, in particular to understand to what extent pre-funding practices are being eradicated. Under the current MSCI market classification framework for Developed Markets, Taiwan meets the economic development as well as the size and liquidity requirements. Many market participants have expressed the opinion that the overall market accessibility of Taiwan is comparable to that of Korea. The lack of full convertibility of the New Taiwan Dollar and restrictions associated with the Foreign Institutional Investors (FINI) ID system are often raised as the main areas of concern where significant progress is still required.

- 4) **UAE:** MSCI will maintain the MSCI UAE Index within Frontier Markets. The MSCI UAE Index will remain under review for a potential reclassification to Emerging Markets as part of the 2010 Annual Market Classification Review.

Market participants have welcomed the improvements implemented by the Emirati regulator that contributed to a further alignment of the country's operational framework with international standards.

They have also stressed that the resolution of the lack of formal segregation between custody and trading accounts should be a necessary condition for the reclassification of the MSCI UAE Index to the Emerging Markets status. This issue is currently being investigated by the Emirati regulator and a new regulation, expected to clarify the situation, may become effective in the coming months. Once the regulation becomes effective, MSCI will seek feedback from market participants on its effectiveness before announcing its final decision on a potential reclassification.

In addition, international institutional investors have also indicated that the foreign ownership limit levels imposed by Emirati companies are of potential concern, recognizing though that similar cases exist in some Emerging Markets. While not an impediment per se for a potential reclassification, MSCI encourages the Emirati regulator to find ways to further facilitate equal foreign access to the local equity market.

- 5) **Qatar:** MSCI will maintain the MSCI Qatar Index within Frontier Markets. The MSCI Qatar Index will remain under review for a potential reclassification to Emerging Markets as part of the 2010 Annual Market Classification Review.

Market participants highlighted that the lack of formal segregation between custody and trading accounts as well as the absence of a DVP mechanism on the Doha Securities Market are issues that need to be addressed. MSCI is not aware of any plan in this respect. In addition investors also remain concerned about the stringent foreign ownership limits imposed on Qatari companies that result in low company foreign room, defined as the proportion of shares still available to foreign investors relative to the maximum allowed.

- 6) **Kuwait:** MSCI will be maintaining the MSCI Kuwait Index within Frontier Markets. Given the extent of the market accessibility issues in the Kuwaiti equity market, MSCI will not include Kuwait in the list of markets under review as part of the 2010 Annual Market Classification Review.

Global Market Accessibility Review

For the first time, MSCI released its Global Market Accessibility Review on all 75 markets it covers and welcomes feedback from the investment community. The Global Market Accessibility Review aims to reflect international investors' experience in investing in a given market and provides a detailed assessment of market accessibility for each country market included in the MSCI Indices. In particular, it provides an evaluation of 18 measures in four market accessibility criteria, which are:

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

These four 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 and country specific risk.

The assessment is intended to serve as the basis for a comparison of countries' market accessibility levels across investment universes. This review aims also 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 some improvements may be welcomed. The following are a few excerpts from the Global Market Accessibility Review:

- **Developed Markets:** Greece has been identified as exhibiting the most shortcomings in terms of market accessibility among the Developed Market countries. In particular, the country's extremely difficult and onerous short selling practices as well as the prohibition of off-exchange transactions are uncharacteristic for Developed Markets.
- **Emerging Markets:** The Russian equity market has significant limitations in terms of the efficiency of its operational framework. In particular, the fact that there is no central securities depository or registry in Russia and that nominee status is prohibited for foreign investors may introduce problems in the investment process of international institutional investors. The T+0 settlement cycle on the Moscow Interbank Currency Exchange (MICEX) also triggers significant issues.

The India equity market is characterized by very stringent ownership limits applied to foreign institutional investors (FII) which often results in these investors being unable to buy a specific stock because the foreign ownership limit has been reached.

- **Frontier Markets:** In light of the recent market events in Pakistan and based on the views of market participants, the Pakistani equity market will need to function without any trading disruptions for some time as a condition to being considered for reclassification review.

MSCI also monitors very closely developments in market accessibility in those markets with current very limited access for international institutional investors, such as the China A Share market and the Saudi Arabian market.

MSCI recognizes that the number of Qualified Foreign Institutional Investor (QFII) licenses for the China A market continues to increase but the overall market accessibility for foreign investors remains very restricted and characterized by the absence of a level playing field.

Saudi Arabia has introduced ways for foreign investors to gain access to the Saudi equity market by allowing the use of derivative instruments such as swaps. MSCI will seek feedback from international institutional investors on their experience in using such instruments as an alternative to equity securities when direct access to local markets remains prohibited for foreign investors. In addition MSCI will review the effects of the potential introduction of restrictions on the use of stock market information. These potential anti-competitive practices are a cause of concern as they may restrict investors' access to derived information, data and investments products including, for example, the provision of independently calculated indices for the Saudi Arabian market.

The complete results of the 2009 Global Market Accessibility Review, including the detailed assessment of the different market accessibility measures by country, as well as additional information on the MSCI Market Classification Framework and a summary of recent market reclassifications can be found on MSCI's web site at www.msclubarra.com/products/indices/stdindex/marketclassification.html.

###

MSCI will be holding a Press Conference Call following the announcement to answer questions from the media:

Date: Monday June 15, 2009

Time: 5.45pm EDT/10.45pm BST/11.45pm CET

International Dial-In: +1.706.643.9763

Conference ID: 14620965

Toll Free Numbers:

US: 866.841.4577 Hong Kong: 800.966.253
 UK: 0800.028.8438 Japan: 0053.116.0669

Please note that this press conference call is restricted to journalists. Replays of this call will not be available. Clients and other interested parties should contact MSCI Barra Global Client Service with any enquiries.

About MSCI Inc.

MSCI Inc. is a leading provider of investment decision support tools to investment institutions worldwide. MSCI Inc. products include indices and portfolio risk and performance analytics for use in managing equity, fixed income and multi-asset class portfolios.

The company's flagship products are the MSCI International Equity Indices, which include over 120,000 indices calculated daily across more than 70 countries, and the Barra risk models and portfolio analytics, which cover 56 equity and 46 fixed income markets. MSCI Inc. is headquartered in New York, with research and commercial offices around the world.

In 2008 MSCI was named Index Provider of the Year at the European Pensions Awards and Best Provider of Benchmark Indices in Asia Pacific at the AsianInvestor Service Provider Awards.

For further information on MSCI, please visit our web site at www.msclubarra.com

For media enquiries please contact:

Sally Todd | Clare Milton, Penrose Financial, London + 44.20.7786.4888
 Pen Pendleton | Patrick Clifford, Abernathy MacGregor, New York + 1.212.371.5999

MSCI Barra Global Client Service:

Joe Pivarunas, MSCI Barra, London + 44.20.7618.2222
 Elizabeth Turner, MSCI Barra, New York + 1.212.804.3901
 Jackson Wang, MSCI Barra, San Francisco + 1.415.576.2323
 Abbie Bao, MSCI Barra, Hong Kong + 852.2844.9333
 Masao Ikeda, MSCI Barra, Tokyo + 813.5226.8222

- This document and all of the information contained in it, including without limitation all text, data, graphs, charts (collectively, the "Information") is the property of MSCI Inc. ("MSCI"), Barra, Inc. ("Barra"), or their affiliates (including without limitation Financial Engineering Associates, Inc.) (alone or with one or more of them, "MSCI Barra"), or their direct or indirect suppliers or any third party involved in the making or compiling of the Information (collectively, the "MSCI Barra Parties"), as applicable, and is provided for informational purposes only. The Information may not be reproduced or disseminated in whole or in part without prior written permission from MSCI or Barra, as applicable.
- The Information may not be used to verify or correct other data, to create indices, risk models or analytics, or in connection with issuing, offering, sponsoring, managing or marketing any securities, portfolios, financial products or other investment vehicles based on, linked to, tracking or otherwise derived from any MSCI or Barra product or data.
- **Historical data and analysis should not be taken as an indication or guarantee of any future performance, analysis, forecast or prediction.**
- **None of the Information constitutes an offer to sell (or a solicitation of an offer to buy), or a promotion or recommendation of, any security, financial product or other investment vehicle or any trading strategy, and none of the MSCI Barra Parties endorses, approves or otherwise expresses any opinion regarding any issuer, securities, financial products or instruments or trading strategies. None of the Information, MSCI Barra indices, models or other products or services is intended to**

constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

- The user of the Information assumes the entire risk of any use it may make or permit to be made of the Information.
- NONE OF THE MSCI BARRA PARTIES MAKES ANY EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS WITH RESPECT TO THE INFORMATION (OR THE RESULTS TO BE OBTAINED BY THE USE THEREOF), AND TO THE MAXIMUM EXTENT PERMITTED BY LAW, MSCI AND BARRA, EACH ON THEIR BEHALF AND ON THE BEHALF OF EACH MSCI BARRA PARTY, HEREBY EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF ORIGINALITY, ACCURACY, TIMELINESS, NON-INFRINGEMENT, COMPLETENESS, MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) WITH RESPECT TO ANY OF THE INFORMATION.
- Without limiting any of the foregoing and to the maximum extent permitted by law, in no event shall any of the MSCI Barra Parties have any liability regarding any of the Information for any direct, indirect, special, punitive, consequential (including lost profits) or any other damages even if notified of the possibility of such damages. The foregoing shall not exclude or limit any liability that may not by applicable law be excluded or limited, including without limitation (as applicable), any liability for death or personal injury to the extent that such injury results from the negligence or wilful default of itself, its servants, agents or sub-contractors.
- Any use of or access to products, services or information of MSCI or Barra or their subsidiaries requires a license from MSCI or Barra, or their subsidiaries, as applicable. MSCI, Barra, MSCI Barra, EAFE, Aegis, Cosmos, BarraOne, and all other MSCI and Barra product names are the trademarks, registered trademarks, or service marks of MSCI, Barra or their affiliates, in the United States and other jurisdictions. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and Standard & Poor's. "Global Industry Classification Standard (GICS)" is a service mark of MSCI and Standard & Poor's.