



Consultation on the Market Reclassification Proposal for the MSCI Pakistan Index

February 2009

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- Introduction

Objectives

- The MSCI Pakistan Index was removed from the MSCI Emerging Markets Index as of the close of December 31, 2008 and has since been maintained as a stand-alone Index.
 - The removal was a result of the imposition of the “floor rule” at the Karachi Stock Exchange since August, 2008, which led to the near total paralysis of market activity in Pakistani equities for more than three months.
- MSCI Barra now opens a consultation with the investment community on a proposal to include the MSCI Pakistan Index in the MSCI Frontier Markets Index. Following the removal of the “floor rule” trading activities have progressively recovered. The proposal for the MSCI Pakistan Index to join the MSCI Frontier Markets Index is based on the recent record of limited accessibility of the market as well as the fact that the MSCI Pakistan Index no longer meets the size requirements set for Emerging Markets.
- 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 on or before March 31, 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 B1 Number of companies meeting the following Standard Index criteria Company size (full market cap)** Security size (float market cap)** Security liquidity	2 USD 273 mn USD 16.25 mn 2.5% ATVR	3 USD 546 mn USD 273 mn 15% ATVR	5 USD 1091 mn USD 546 mn 20% ATVR
C Market Accessibility Criteria C.1 Openness to foreign ownership C.2 Ease of capital inflows / outflows C.3 Efficiency of the operational framework C.4 Stability of institutional framework	At least some At least partial Modest Modest	Significant Significant Good and tested Modest	Very high Very high Very high Very high

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

**Minimum in use for the February 2009 Quarterly Index Review

- Proposal & Potential Implementation Timeline

Proposal for a Potential Reclassification to Frontier Markets

MSCI Barra proposes to include the MSCI Pakistan Index in the MSCI Frontier Markets Index subject to the minimum size requirements of the smaller Frontier Markets* and a minimum liquidity requirement of 15% Annualized Traded Value Ratio (ATVR).

- Pakistan's equity market has suffered a significant setback in terms of the market's accessibility framework and investor's confidence since the imposition of the "floor rule" in August 2008.
- The size and structure of the Pakistani equity market today is more aligned with the Frontier Markets universe.
 - Only two out of the eight securities in the current MSCI Pakistan Index would fulfill the Standard Index size and float requirements for the MSCI Emerging Markets Index as of the February 2009 Quarterly Index Review. However, nine securities will qualify for the MSCI Pakistan Index under the smaller Frontier Market framework.

* Full market capitalization of USD 273 million and a float market capitalization of USD 16.25 million used for the February 2009 Quarterly Index Review

Implementation Timeline

- In the event of a reclassification of the MSCI Pakistan 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?

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Potential Reclassification to Frontier Markets: Simulated MSCI Composite Indices

MSCI Emerging Markets + Pakistan Index				Simulated MSCI Frontier Market Index (including Pakistan)			
Country	Number of Securities	Country float adj Mcap	Weight	Country	Number of Securities	Country float adj Mcap	Weight
CHINA	98	288,811	18.10%	KUWAIT	27	22,420	30.9%
BRAZIL	70	225,773	14.15%	UNITED ARAB EMIRATES	18	7,993	11.0%
KOREA	96	217,457	13.63%	NIGERIA	17	7,959	11.0%
TAIWAN	100	171,795	10.76%	QATAR	13	7,119	9.8%
SOUTH AFRICA	43	124,436	7.80%	KAZAKHSTAN	4	3,374	4.6%
INDIA	59	103,280	6.47%	JORDAN	16	3,293	4.5%
RUSSIA	27	84,473	5.29%	OMAN	11	2,829	3.9%
MEXICO	25	82,412	5.16%	SLOVENIA	7	2,819	3.9%
ISRAEL	21	58,286	3.65%	CROATIA	11	2,412	3.3%
MALAYSIA	41	51,754	3.24%	KENYA	8	2,313	3.2%
CHILE	15	25,044	1.57%	LEBANON	6	2,280	3.1%
INDONESIA	19	24,235	1.52%	VIETNAM	8	1,427	2.0%
THAILAND	24	23,646	1.48%	PAKISTAN	9	1,417	2.0%
POLAND	21	22,484	1.41%	BAHRAIN	7	1,385	1.9%
TURKEY	24	22,332	1.40%	MAURITIUS	3	771	1.1%
CZECH REPUBLIC	6	13,288	0.83%	ROMANIA	5	646	0.9%
COLOMBIA	7	10,825	0.68%	ARGENTINA**	5	459	0.6%
PERU	4	10,203	0.64%	TUNISIA	2	444	0.6%
EGYPT	12	9,423	0.59%	ESTONIA	2	343	0.5%
PHILIPPINES	13	8,768	0.55%	SRI LANKA	2	288	0.4%
HUNGARY	4	8,411	0.53%	UKRAINE	4	196	0.3%
MOROCCO	6	7,456	0.47%	LITHUANIA	2	167	0.2%
PAKISTAN*	8	1,360	0.09%	SERBIA	2	145	0.2%
				BULGARIA	2	116	0.2%
Total	743	1,595,951	100.00%	Total	191	72,618	100.0%

Note: Data as of January 22, 2009. All market caps in million USD.

* The number of constituents is based on the current stand-alone MSCI Pakistan Index

** Simulated MSCI Argentina Index in the Frontier Markets Universe



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clientservice@mscibarra.com

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