

MSCI 2022 Market Classification Review

- **Launches a consultation on the potential reclassification of the MSCI Nigeria Indexes from Frontier to Standalone Markets status**
- **Notes the evolution of clearing and settlement cycles across global markets**
- **Continues to monitor the market accessibility of the Sri Lankan equity market**
- **Reminds of the ongoing restrictions impacting the accessibility of the Russian equity market**

New York – June 23, 2022 – MSCI Inc. (NYSE: MSCI), a leading provider of critical decision support tools and services for the global investment community, announced today the results of the MSCI 2022 Market Classification Review.

“A significant portion of the deteriorations in market accessibility ratings during this year’s review were caused by the negative developments in Russia, which led to a complete inaccessibility of its equity market to international institutional investors. This resulted in the reclassification of the MSCI Russia Indexes from Emerging Markets to Standalone Market status in March 2022,” said Dr. Dimitris Melas, Global Head of Index Research and Product Development and Chairman of the MSCI Index Policy Committee.

Consultation on Potential Reclassification of the MSCI Nigeria Indexes to Standalone Markets Status

MSCI announced today the launch of a consultation on a proposal for potential reclassification of the MSCI Nigeria Indexes from Frontier Markets to Standalone Markets status.

Since March 2020, accessibility issues have persisted in the Nigerian equity market. The repatriation of funds from investments in the market remains extremely difficult for foreign investors due to low liquidity in the Nigerian foreign exchange market. As a result, market participants have continuously expressed concerns related to the investability and replicability of the MSCI Nigeria Indexes.

“There has been a continual and severe deterioration in the ability to repatriate funds from Nigeria. As a result, since May 2020, a special treatment has been in place to reduce the number of potential changes in the relevant MSCI Equity Indexes,” said Mr. Craig Feldman, Global Head of Index Management Research and member of the MSCI Index Policy Committee. “Given the prolonged nature of the issues affecting the market’s accessibility, we have put forth the consultation to reclassify the MSCI Nigeria Indexes from Frontier Markets to Standalone Markets status.”

MSCI welcomes feedback from market participants on this reclassification proposal until August 31, 2022.

Recent Developments in Securities’ Settlement Cycles

In 2022, India began transitioning its settlement cycle from T+2 to T+1. Additionally, both the US and Canada announced last year their proposals to migrate to a shorter settlement cycle, from T+2 to T+1.

“Across selected equity markets, we have been observing that clearing and settlement mechanisms are transitioning towards shorter cycles,” said Mr. Feldman. “While in principle, investors may benefit

from shorter settlement cycles, it is important to assess whether the ramifications of such changes introduce any obstacles such as pre-funding requirements or additional operational costs.”

MSCI continues to closely monitor these developments and their potential impact and will release further communications as warranted.

Market Accessibility in Sri Lanka

Amidst the ongoing economic crisis in Sri Lanka, and as a result of a lack of liquidity in the foreign exchange market, fund repatriation issues in the country’s equity market began to emerge this year. In response to these developments, in May 2022, MSCI introduced a special treatment to reduce the number of potential changes in the MSCI Sri Lanka Indexes.

MSCI continues to welcome feedback on the level of market accessibility of the Sri Lankan equity market and will consult with market participants to gather feedback if there are any further developments.

Deterioration in the Market Accessibility of the Russian Equity Market

A number of significant developments have led to a material deterioration in the accessibility of the Russian equity market. These included sanctions from several jurisdictions, restrictions on foreign investors’ ability to transact in securities on the Moscow Stock Exchange, and deterioration in the convertibility of the Russian Ruble into foreign currencies.

As a result, and following a consultation with the international investment community, MSCI reclassified the MSCI Russia Indexes from Emerging Markets to Standalone Markets status in March 2022.

MSCI will continue to monitor the developments in the Russian equity market’s accessibility and will consult with market participants if there are any relevant changes in the market’s conditions.

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The process for submitting a formal index complaint can be found on the index regulation page of MSCI’s website at: <https://www.msci.com/index-regulation>.

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