

Consultation on the Market Classification of Argentina

September 2019

This consultation may or may not lead to any changes in MSCI's indexes. Consultation feedback will remain confidential unless a participant requests that its feedback be disclosed. In that case, the relevant feedback would be published at the same time as the final results of the consultation.

Background

- The Argentinian authorities announced on September 1st the imposition of capital controls
- As previously announced by MSCI, the imposition of capital controls could lead to the removal of the MSCI Argentina Indexes from the MSCI Emerging Markets Indexes in accordance with the MSCI Market Classification Framework
- MSCI opens a consultation with market participants on the replicability of the current MSCI Argentina Index and the appropriateness of its market classification in Emerging Markets
- MSCI will consult with market participants until December 13, 2019 and announce the results on or before December 31, 2019
- Further tightening of the capital controls introduced on September 1, 2019 or the introduction of new accessibility constraints by the Argentinian authorities might impact the timeline and/or content of this consultation

Relevant Capital Controls and Index Impact

Relevant Restrictions

- Non-residents may purchase up to USD1,000 per month and will not be able to make dollar account transfers abroad
- Argentine companies must request permission to distribute dividends abroad or to buy dollars in the foreign exchange market

Potential Index Replicability Impact

- Index constituents remain accessible for international institutional investors as **only foreign listings and Depositary Receipts** are currently eligible for inclusion in the MSCI Argentina Index
- Cash distributions such as dividends may be restricted for holders of Depositary Receipts

Composition of the MSCI Argentina Index

MSCI ARGENTINA INDEX Data as of September 11, 2019

Index Market Capitalization	USD 9,744 million
Count of securities	8 (7 ADRs, 1 US-listed Non-ADR)
Weight in EM	0.18%

- None of the index constituents are locally listed securities

MSCI Security Code	Security Name	Weights in the MSCI Emerging Markets Index	Weights in the MSCI Argentina Index	Primary Exchange
76643.01	GLOBANT	0.06%	31.0%	NEW YORK SE
63452.02	YPF D ADR	0.03%	16.1%	NEW YORK SE
23761.04	GRUPO FIN GALICIA B ADR	0.02%	12.7%	NASDAQ CAPITAL MARKET
17560.03	BANCO MACRO B ADR	0.02%	11.7%	NEW YORK SE
35968.02	PAMPA ENERGIA ADR	0.02%	9.9%	NEW YORK SE
15812.02	TELECOM ARGENTINA B ADR	0.02%	8.8%	NEW YORK SE
17562.02	TRANSPORTADORA GAS B ADR	0.01%	6.5%	NEW YORK SE
15009.02	BBVA BANCO FRANCES ADR	0.01%	3.3%	NEW YORK SE

Discussion Points

- Given that only foreign listings and depositary receipts are eligible for inclusion to the MSCI Argentina Indexes, do the current capital controls pose replicability issues for international institutional investors?
- Considering the capital controls imposed by the authorities, is the MSCI Argentina Index appropriately classified as part of Emerging Markets?
 - Should MSCI consider reclassifying the MSCI Argentina Index to Standalone market status?
 - Should MSCI consider reclassifying the MSCI Argentina Index to Frontier Markets?
- Should MSCI wait until the political uncertainty subsides before considering any potential reclassification for the MSCI Argentina Index?

Appendix

MSCI Market Classification Framework

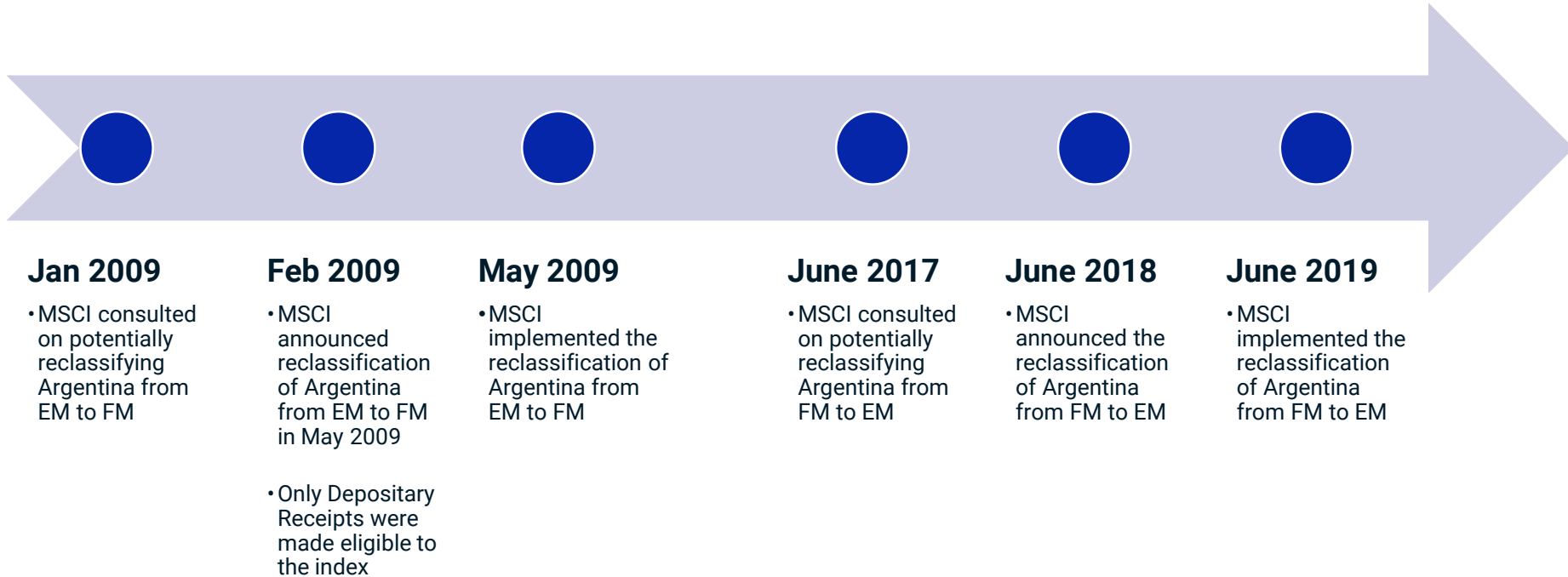
- Emerging Markets require a **significant** level of ease of capital inflows/ outflows

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 776 mm USD 61 mm 2.5% ATVR	3 USD 1,551 mm USD 776 mm 15% ATVR	5 USD 3,102 mm USD 1,551 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 Availability of Investment Instruments	Modest	Good and tested	Very high
C.4 Competitive landscape	High	High	Unrestricted
C.5 Stability of the institutional framework	Modest	Modest	Very high

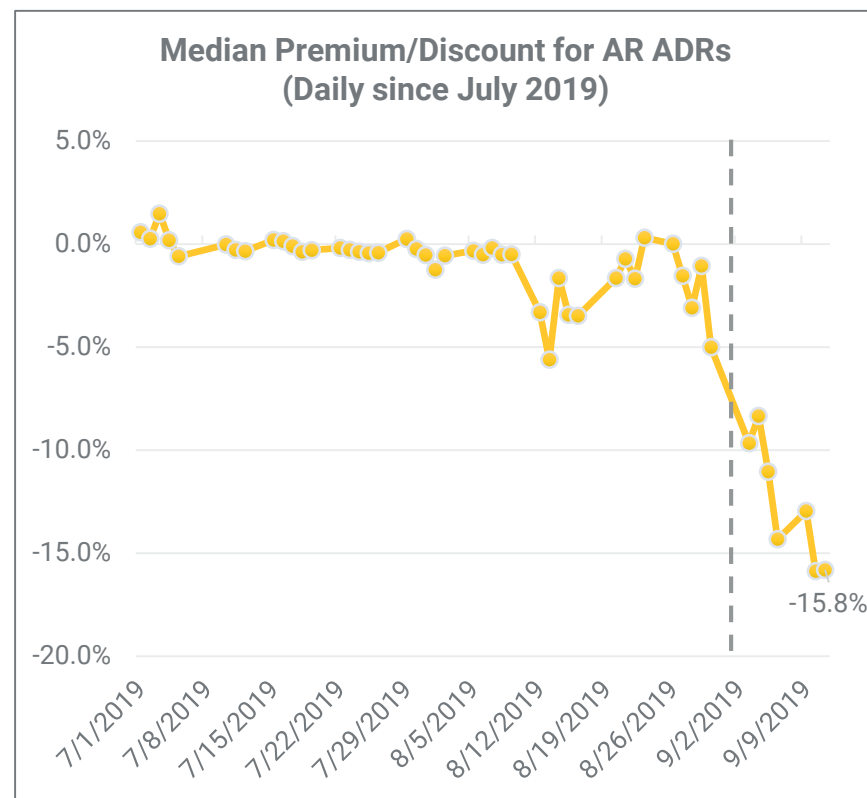
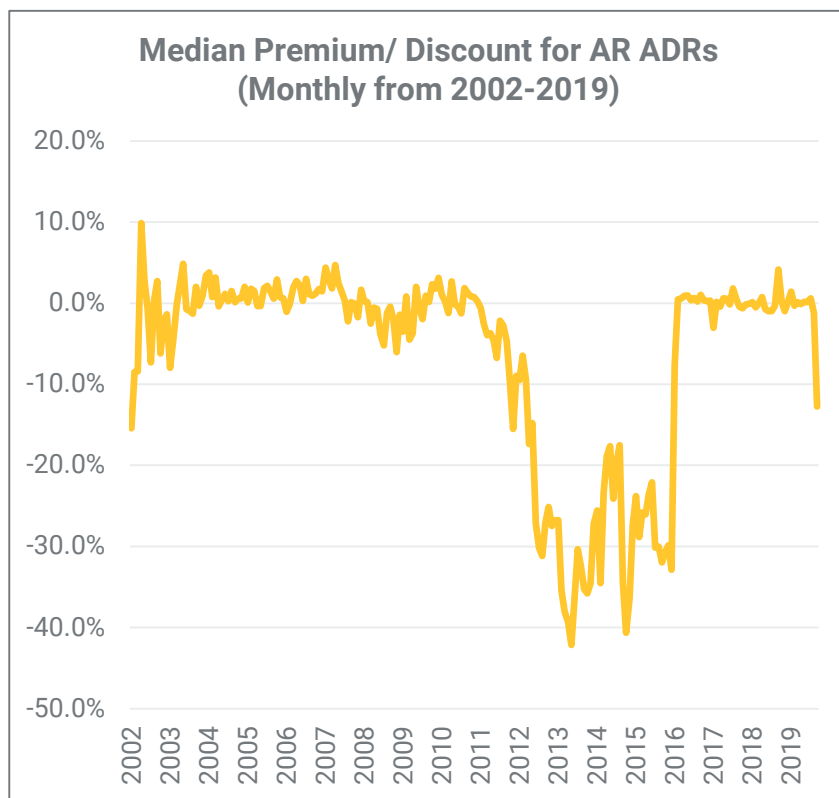
* High income threshold for 2018: GNI per capita of USD 12,056 (World Bank, Atlas method)

** Minimum in use for the May 2019 Semi-Annual Index Review, updated on a semi-annual basis

Recent History of Argentina in the MSCI Indexes



► Premium/ Discount for ADRs in Argentina



- During the time when capital controls were enacted (2011 to 2015), ADRs were priced at a discount versus the local listing

- On Aug 13, following the market drop, ADRs were priced at a discount (-5.6%)
- Following the announcement of capital controls, the ADR discount has further widened (-15.8% as of Sep 11)

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