NEWS RELEASE

MSCI Announces Results of the MSCI 2024 Market Classification Review

6/20/2024

NEW YORK--(BUSINESS WIRE)-- MSCI Inc. (NYSE: MSCI), a leading provider of critical decision support tools and services for the global investment community, today announced the results of the MSCI 2024 Market Classification Review.

Select highlights of this year's review includes MSCI:

- Launching a consultation on the potential reclassification of Bulgaria from Standalone to Frontier Market status
- Continuing to monitor the implementation of measures aimed at improving the accessibility of the Korean equity market for international investors, but also noting that the recent short selling ban introduces market accessibility restrictions
- Noting recent improvement in the liquidity of the Egyptian foreign exchange market while warning on the potential implications of deteriorations reoccurring
- Continuing to monitor the market accessibility of the Bangladesh equity market
- Highlighting the evolution of clearing and settlement cycles across global markets

"In the face of market volatility, regulators in certain markets around the world have proactively advocated for elevated market accessibility standards. While we are seeing various developments and measures announced and implemented, it's crucial that any actions toward enhancing market accessibility align with investor expectations and that no new restrictions impede any forward momentum," said Dr. Dimitris Melas, Global Head of Index Research and Product Development and Chairman of the MSCI Index Policy Committee. "We will continue to evaluate how new and evolving reforms impact global institutional investors' market accessibility and assess their effectiveness throughout the next market review cycle.”

More information related to the MSCI 2024 Market Classification Review, including the results of the 2024 MSCI Global Market Accessibility Review, can be viewed at **www.msci.com/market-classification**.

Consultation on potential reclassification of Bulgaria to Frontier Market status

MSCI announced today the launch of a consultation on a proposal for potential reclassification of Bulgaria from Standalone Market status to Frontier Market status in one step, coinciding with the May 2026 Index Review.

As part of MSCI’s August 2016 Index Review, Bulgaria was reclassified from Frontier Market status to Standalone Market status after a continuous decline in the size and liquidity of the Bulgarian equity market. At the August 2023 Index Review, MSCI implemented changes to the index construction and maintenance methodology for the MSCI Frontier Markets Indexes. These changes resulted in Bulgaria now having enough companies meeting Size and Liquidity requirements for Frontier Markets.

MSCI welcomes feedback from market participants on this reclassification proposal until April 15, 2025 and will announce its decision as part of the MSCI 2025 Market Classification Review.

Korea’s Market Accessibility

From 2008 to 2014, MSCI consulted with global market participants on the potential reclassification of Korea from Emerging Market status to Developed Market status. During this period and the time that followed, market participants highlighted key accessibility concerns including the limited convertibility of the Korean Won in the offshore currency market; the rigidity of the ID system that makes in-kind transfers and off-exchange transactions onerous; and the lack of investment instruments availability due to the restrictions on the use of exchange data for the creation of financial products.

MSCI recognizes and welcomes the recently proposed measures aimed at improving the accessibility of the Korean equity market.

- Foreign exchange market: In February 2023, improvements to the Korean foreign exchange (FX) market’s structure were announced by the Ministry of Economy and Finance (MOEF). Starting from January 2024, Registered Foreign Institutions (RFIs) are now able to participate in the onshore interbank FX market and engage in direct FX transactions with banks. The pilot operation to extend trading hours has also been initiated, with full implementation set for the latter half of this year. Additional time is required to assess the implementation of these measures and the extent to which these infrastructure improvements align the

Korean FX market with global standards.

- Legal Entity Identifiers: Advancements to the capital market were announced by the Financial Services Commission (FSC) in January 2023. By the end of that year, following appropriate regulatory modifications and the development of relevant IT infrastructure, corporations began using Legal Entity Identifiers (LEI) instead of the Investor Registration Certificate (IRC) system. The requirements for reporting investment details of each final investor associated with an omnibus account holder were relaxed, and the scope of OTC transactions for ex-post reporting was broadened. However, market participants have expressed concerns about the complexity of the requirements needed to obtain an entirely validated LEI, which is creating further obstacles rather than simplifying market access for foreign investors. MSCI will continue to closely monitor the implementation of these reforms.
- Mandatory disclosures: As part of the improvement measures announced by the FSC, the first phase of the mandatory English disclosures (phased in by asset size and foreign ownership percentage) started this year. In addition, updates to dividend distribution procedures, announced by FSC and MOEF last year, were implemented in 2024. Nonetheless, only a minority of companies have embraced these measures.

It is important to note that the aforementioned reforms do not address the issues arising from the limitations imposed by the local stock exchange on the use of exchange data for financial product creation. Additionally, in November 2023, authorities enacted a full ban on short selling, introducing additional accessibility constraints.

In response to COVID-19, Korea implemented a ban on short selling on March 16, 2020. By May 2021, this prohibition was temporarily revoked for securities listed in the KOSPI 200 and KOSDAQ 150 Indexes. However, in November 2023, a full ban on short selling was reimposed. While this ban is expected to be temporary, sudden changes in market rules are not desirable.

As a reminder, potential reclassifications require that all issues have been addressed, reforms have been fully implemented, and market participants have had ample time to thoroughly evaluate the effectiveness of the changes.

Improvement in the liquidity of the Egyptian Foreign Exchange Markets

Due to low FX liquidity and the re-emergence of the FX queue, foreign investors encountered repatriation challenges in the Egyptian equity market in 2023. In May 2023, MSCI applied a special treatment for Egypt in the MSCI equity indexes. This special treatment deferred index review changes and the implementation of corporate events aiming to address index replication concerns by potentially reducing the number of changes in related indexes. MSCI also highlighted the deterioration of Egypt's market accessibility as part of the 2023 Market Classification Review and warned that a consultation on a reclassification proposal may be launched if the market's accessibility worsened further. In March 2024, the Central Bank of Egypt enhanced currency availability by allowing the Egyptian pound to depreciate and committing to shift to a more flexible exchange rate system. With the clearing of the FX backlog, which had been outstanding for international institutional investors since early 2023, repatriation challenges were eased. Given this material improvement in the market's accessibility, MSCI removed the special treatment for Egypt effective June 3, 2024.

"Significant frictions in the capital repatriation process negatively impacting index replicability are considered an uncharacteristic feature within Emerging Markets," remarked Jean-Maurice Ladure, Global Head of Index Management Research and member of the MSCI Index Policy Committee. "If Egypt were to re-encounter similar FX liquidity constraints in the near future, MSCI could consider launching an off-cycle consultation on a reclassification proposal for Egypt from Emerging Market status to Frontier or Standalone Market status."

MSCI welcomes the aforementioned positive developments and will continue to closely monitor the onshore USD liquidity levels and the capacity of foreign investors to repatriate their capital without delays from the Egyptian market.

Market Accessibility issues in Bangladesh

In July 2022, the Bangladesh Securities and Exchange Commission (BSEC) reinstituted floor prices for all listed securities. Since then, the BSEC has gradually lifted these restrictions, yet six listed securities still retain floor prices. In addition, market participants have recently reported delays in capital repatriation due to low liquidity in the onshore FX market.

As a result of these market accessibility issues, MSCI will continue to apply the special treatment introduced in February 2023. This special treatment defers index review changes and the implementation of corporate events aiming to reduce the number of potential changes in the MSCI Bangladesh Indexes and mitigate concerns on index replicability.

MSCI continues to welcome feedback on the accessibility of the Bangladesh market and may consult with market participants in case of further developments.

Evolution in Settlement Cycles of Global Equities

The path towards shorter cycles in equity clearing and settlement mechanisms has continued. In May 2024, USA, Canada, Mexico, Argentina, and Jamaica transitioned from T+2 settlement cycles to T+1, while other markets, including the European Union, the United Kingdom, Switzerland, and Australia, are evaluating the possibility of reducing their settlement cycles to T+1 and are in a consultation/review phase.

In response to these developments, MSCI sought feedback from global market participants from December 21, 2023 to March 15, 2024 on the potential impact of these changes in their investment processes. Market participants agreed that while operational adjustments are necessary due to these changes, amendments from index providers are not required. Furthermore, there is an expectation among market participants that the trend towards shorter settlement cycles will continue, ultimately establishing T+1 as the new standard. Feedback received also reemphasized that shorter settlement cycles must not introduce further operational challenges and risk, such as pre-funding requirements. Simultaneously, it was underscored that a lack of alignment in equity settlement cycles across global markets is undesirable.

MSCI continues to closely monitor these developments.

-Ends-

About MSCI

MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 50 years of expertise in research, data and technology, we power better investment decisions by enabling clients to understand and analyze key drivers of risk and return and confidently build more effective portfolios. We create industry-leading research-enhanced solutions that clients use to gain insight into and improve transparency across the investment process. To learn more, please visit **www.msci.com** .

Information. NONE OF THE INFORMATION PROVIDERS 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 APPLICABLE LAW, EACH INFORMATION PROVIDER 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 applicable law, in no event shall any Information Provider 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 willful default of itself, its servants, agents or sub-contractors.

Information containing any historical information, data or analysis should not be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. Past performance does not guarantee future results.

The Information should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. All Information is impersonal and not tailored to the needs of any person, entity or group of persons.

None of the Information constitutes an offer to sell (or a solicitation of an offer to buy), any security, financial product or other investment vehicle or any trading strategy.

It is not possible to invest directly in an index. Exposure to an asset class or trading strategy or other category represented by an index is only available through third party investable instruments (if any) based on that index. MSCI does not issue, sponsor, endorse, market, offer, review or otherwise express any opinion regarding any fund, ETF, derivative or other security, investment, financial product or trading strategy that is based on, linked to or seeks to provide an investment return related to the performance of any MSCI index (collectively, "Index Linked Investments"). MSCI makes no assurance that any Index Linked Investments will accurately track index performance or provide positive investment returns. MSCI Inc. is not an investment adviser or fiduciary and MSCI makes no representation regarding the advisability of investing in any Index Linked Investments.

Index returns do not represent the results of actual trading of investible assets/securities. MSCI maintains and calculates indexes, but does not manage actual assets. The calculation of indexes and index returns may deviate from the stated methodology. Index returns do not reflect payment of any sales charges or fees an investor may pay to purchase the securities underlying the index or Index Linked Investments. The imposition of these fees and charges would cause the performance of an Index Linked Investment to be different than the MSCI index performance.

The Information may contain back tested data. Back-tested performance is not actual performance, but is hypothetical. There are frequently material differences between back tested performance results and actual results subsequently achieved by any investment strategy.

Constituents of MSCI equity indexes are listed companies, which are included in or excluded from the indexes according to the application of the relevant index methodologies. Accordingly, constituents in MSCI equity indexes may include MSCI Inc., clients of MSCI or suppliers to MSCI. Inclusion of a security within an MSCI index is not a recommendation by MSCI to buy, sell, or hold such security, nor is it considered to be investment advice.

Data and information produced by various affiliates of MSCI Inc., including MSCI ESG Research LLC and Barra LLC, may be used in calculating certain MSCI indexes. More information can be found in the relevant index methodologies on **www.msci.com**.

MSCI receives compensation in connection with licensing its indexes to third parties. MSCI Inc.'s revenue includes fees based on assets in Index Linked Investments. Information can be found in MSCI Inc.'s company filings on the Investor Relations section of **msci.com**.

MSCI ESG Research LLC is a Registered Investment Adviser under the Investment Advisers Act of 1940 and a subsidiary of MSCI Inc. Neither MSCI nor any of its products or services recommends, endorses, approves or otherwise expresses any opinion regarding any issuer, securities, financial products or instruments or trading strategies and MSCI's products or services are not a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such, provided that applicable products or services from MSCI ESG Research may constitute investment advice. MSCI ESG Research materials, including materials utilized in any MSCI ESG Indexes or other products, have not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. MSCI ESG and climate ratings, research and data are produced by MSCI ESG Research LLC, a subsidiary of MSCI Inc. MSCI ESG Indexes, Analytics and Real Estate are products of MSCI Inc. that utilize information from MSCI ESG Research LLC. MSCI Indexes are administered by MSCI Limited (UK).

Please note that the issuers mentioned in MSCI ESG Research materials sometimes have commercial relationships with MSCI ESG Research and/or MSCI Inc. (collectively, "MSCI") and that these relationships create potential conflicts of interest. In some cases, the issuers or their affiliates purchase research or other products or services from one or more MSCI affiliates. In other cases, MSCI ESG Research rates financial products such as mutual funds or ETFs that are managed by MSCI's clients or their affiliates, or are based on MSCI Inc. Indexes. In addition, constituents in MSCI Inc. equity indexes include companies that subscribe to MSCI products or services. In some cases, MSCI clients pay fees based in whole or part on the assets they manage. MSCI ESG Research has taken a number of steps to mitigate potential conflicts of interest and safeguard the integrity and independence of its research and ratings. More information about these conflict mitigation measures is available in our Form ADV, available at **https://adviserinfo.sec.gov/firm/summary/169222**.

Any use of or access to products, services or information of MSCI requires a license from MSCI. MSCI, Barra, RiskMetrics, IPD and other MSCI brands and product names are the trademarks, service marks, or registered trademarks of MSCI or its subsidiaries in the United States and other jurisdictions. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and S&P Global Market Intelligence. "Global Industry Classification Standard (GICS)" is a service mark of MSCI and S&P Global Market Intelligence.

MIFID2/MIFIR notice: MSCI ESG Research LLC does not distribute or act as an intermediary for financial instruments or structured deposits, nor does it deal on its own account, provide execution services for others or manage client accounts. No MSCI ESG Research product or service supports, promotes or is intended to support or promote any such activity. MSCI ESG Research is an independent provider of ESG data.

Privacy notice: For information about how MSCI collects and uses personal data, please refer to our Privacy Notice at **https://www.msci.com/privacy-pledge**.

Media Inquiries

PR@msci.com

Melanie Blanco +1 212 981 1049

Konstantinos Makrygiannis +44 (0) 7768 930056

Tina Tan +852 2844 9320

MSCI Global Client Service

EMEA Client Service + 44 20 7618.2222

Americas Client Service +1 888 588 4567 (toll-free)

Asia Pacific Client Service + 852 2844 9333

Source: MSCI Inc.