



# MSCI Global Market Accessibility Review

June 2011

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# I - Introduction

The MSCI Global Market Accessibility Review includes updated market accessibility assessments for all markets under MSCI's coverage as well as a comparison to last year's review. This allows for the analysis of the evolution of Developed, Emerging, Frontier and Standalone Markets in terms of market accessibility.

The 2011 Annual Market Accessibility Review includes two new markets: Bosnia and Herzegovina as well as Zimbabwe. The MSCI Bosnia and Herzegovina Index and the MSCI Zimbabwe Index were added to MSCI's coverage as standalone indices in June and December of 2010, respectively. In May 2011 the MSCI Trinidad and Tobago Index was excluded from the MSCI Frontier Markets Index due to persistent deterioration of liquidity on the Trinidad and Tobago Stock Exchange and will be maintained as a standalone country index going forward.

Market accessibility aims to reflect international investors' experience in investing in a given market.

The MSCI Global Market Accessibility Review provides a detailed assessment of market accessibility for each country market included in the MSCI Indices. In particular, it provides an evaluation of the 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.

MSCI uses 18 distinct accessibility measures for the assessment of these four criteria. The evaluation of the accessibility measures is mainly based on investor experience in addition to stated regulations. MSCI sought feedback from multiple participants in all markets including active and passive asset managers, asset owners, brokers, custodians, stock exchanges and regulators.

The individual measures are absolute in the sense that the analysis and the assessment were performed in the same way across all countries regardless of their current market classification. The aggregate assessment of where a market stands with respect to the four criteria allows MSCI to determine if a country's market accessibility level meets Developed, Emerging or Frontier Market standards.

The MSCI Global Market Accessibility 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.

MSCI welcomes feedback from the investment community and aims to continuously improve and adapt its market accessibility assessment. The MSCI Global Market Accessibility Review is scheduled to be updated annually, but interim updates may be released if warranted.

## II - Assessing accessibility

This section describes the rationale underlying each of the accessibility criteria and related measures and the principles used in their assessment. In some cases, the existence (or lack of) certain practices systematically defaults to a negative assessment in the relevant category.

### 1. Openness to Foreign Investors

In general, one of the most desirable features that international investors would like to see in a market is that no distinction is made between local and international investors. In order to assess this level of openness the following characteristics need to be analyzed and measured.

**1.1 Investor Qualification Requirement:** The international standard for Developed Markets is the absence of any investor qualification requirement. At the other extreme the qualified foreign institutional investor (QFII) license system is the most problematic as it discriminates not only between domestic and foreign investors, but also among different international investors. The requirement of a QFII license would lead to a low assessment.

**1.2 Foreign Ownership Limit Level:** Ideally international investors would like to see no difference in the opportunity set available to them or to local investors. Among other distortions from foreign ownership limitations, foreign ownership restrictions tend to be placed on specific industries which may result in an important sector bias in the opportunity set for foreign investors. MSCI has also considered the proportion of a market that is restricted to assess the materiality of the restrictions. In its assessment, more than ten percent of a market being closed to foreign investors has resulted in a negative rating, less than three percent has been considered as not being a material issue while between ten and three percent has been considered as a matter of some concern. These levels were set after analyzing the different market impacts resulting from the foreign ownership limits across all countries.

**1.3 Foreign Room Level:** When the foreign ownership limit is reached investors are faced with a serious problem. In some cases, the most recent buyers may be forced to sell, but more generally the crossing of the limit creates an unfair treatment between existing investors and new investors as managers may not be able to offer the same amount of shares across funds. This can be mitigated by the presence of a foreign board or by the listing of depositary receipts in another market where foreign investors could trade with each other, but these solutions may introduce another layer of problems as transactions tend to take place at a premium over the official listing.

**1.4 Equal Rights for Foreign Investors:** Restrictions on foreign investors can take the form of separate share classes with those with reduced voting rights being the only ones available to foreign investors. International investors seek equal treatment in terms of economic and voting rights. As a practical matter, the exercise of equal economic rights requires, among other things, equal treatment in the case of corporate actions which implies proper access to information in English. Equality of voting rights is impacted not only by voting restrictions specific to foreign investors, but also by other limitations imposed on minority shareholders in general. High foreign ownership limits, generalized use of shares classes with different voting rights to facilitate the control of companies, other discrimination against foreign and minority shareholders as well as major corporate governance problems generally would lead to lower ratings in this measure.

## 2. Ease of capital inflows and outflows

International investors want to be in a position to move capital in and out of a market without disruption, delay and cost inefficiency. This is measured by the following.

**2.1 Capital Flows Restriction Levels:** Countries that currently impose, or have a record of recent imposition of capital controls to restrict inflows or outflows of capital into or from their equity markets are rated negatively.

**2.2 Foreign Exchange Market Liberalization Level:** In the developed markets the standard is the existence of a fully convertible currency, which includes an active offshore deliverable currency market. Developed Markets investors are used to the simultaneous execution of all their FX trades with the counterparty of their choice, based on best execution. The absence of an offshore currency market leads to a negative assessment, as it forces parties to transact onshore at a higher cost, very often through a limited choice of intermediaries, and therefore often not on the basis of best execution. Currency shortages are also problematic.

## 3. Efficiency of the Operational Framework

This category reflects the desirable features an international investor views as necessary to ensure that its holdings are well identified and well protected, that operational risks are mitigated as much as possible, and that the various aspects of trading, clearing, settlement and custody work appropriately and on a cost effective basis. In particular in the context of Developed Markets the levels of efficiency achieved have made possible the provision of equity funds managed on an extremely cost effective basis, with the natural corollary that preserving this efficiency, rather than diluting it with the addition of less cost effective markets, has become a very strong requirement of an important part of the investment management industry.

**3.1 Investor Registration & Account Set Up:** The number and the type of required documents as well as the time to complete the full process are the key considerations for this measure. The time to complete the process includes the preparation of the documents. These requirements can be extremely onerous for asset owners with multiple mandates and for asset managers with multiple funds.

**3.2 Market Regulations:** In addition to the level of advancement of the legal and regulatory framework governing the financial market, the stock exchange and the various other entities involved in the financial markets, an important weight is assigned to: ease of access (including in English), lack of ambiguity in and prompt enforcement of laws and regulations. Lack of consistency and unexpected changes in policy, in particular targeting foreign investors, are rated negatively.

**3.3 Competitive Landscape:** In Developed Markets, a number of measures have been taken over the years to foster competition in the provision of financial services and products. While differences exist between countries which have allowed the creation of alternative trading venues (e.g., multi-trading facilities and MTFs in the USA and Europe) that compete with incumbent exchanges and other countries where the exchange monopoly is still in place, it is at least an established principle in all Developed Markets – and most Emerging Markets - that legal or natural monopolies should not abuse their position by imposing anti-competitive clauses in their provision of stock market data. These anti-competitive clauses typically restrict investors' access to derived information, data and investment products, including, for example the provision of independently calculated indices or the creation of baskets of securities used in the creation of financial products. The existence of these anti-competitive practices leads to a negative assessment.

- 3.4 Information Flow:** Good information flow is a key ingredient in respect of shareholder rights, in sound investment decisions and more generally in overall market efficiency. Quality, timeliness, availability in English and affordability play a role in this assessment. In addition, the quality of local accounting standards, as assessed, for example, by the adoption of International Financial Reporting Standard (IFRS), is also important for international investors.
- 3.5 Clearing and Settlement:** A well functioning clearing and settlement system based on international standards including delivery versus payment (DVP), the absence of pre-funding requirements/practices, the possibility of using overdrafts and the availability of real omnibus structures, are considered in this category.
- 3.6 Custody:** An important requirement is an efficient mechanism that prevents brokers from having unlimited access to the investor's accounts and that guarantees the safekeeping of the investor's assets. The level of competition amongst local custodian banks is measured by the number of active custodian banks as well as the presence of global custodian banks.
- 3.7 Registry/Depository:** A well functioning central registry and central depository are important characteristics.
- 3.8 Trading:** An important desired feature is the ability to execute grouped trades at the same price for the various accounts of a fund manager. The level of competition amongst brokers is also measured by the number of active brokers and the presence of global brokers ensuring high quality services.
- 3.9 Transferability:** There are significant cost savings and efficiency gains associated with the possibility of off-exchange transactions and "in-kind" transfers. These are important in case of manager transitions, mergers of funds and in the creation and redemptions of ETF shares, an increasingly important segment of the investment management industry.
- 3.10 Stock Lending / Short Selling:** The existence of active stock lending and short selling practices has become a clear standard in Developed Markets in support of direct hedging practices and quantitative asset management. More broadly they have become a recognized ingredient in the efficiency of markets, by allowing arbitrage between different instruments (futures, ETFs, etc.).

The existence of rules and regulations governing these activities is not a sufficient condition to meet international standards. Stock lending and short selling activities also need to be efficient and well tested. The temporary restrictions that have been put in place as a reaction to the European sovereign debt crisis have not been considered in this assessment.

## 4. Stability of Institutional Framework

Long term investors make long term commitments to the market of a country and hence stability is very important to them. The track record of government interventions and the current level of foreign investment restrictions are used as indicators of the stability of the "free-market" economic system. This assessment is not a forward looking statement but, rather, it considers a country's history as an indicator of a potential risk that foreign investors may be impacted by discriminatory measures in times of crisis.

# III - Review Summary

The MSCI Global Market Accessibility Review provides an assessment of each individual market as well as a summary of changes in market accessibility across markets. The methodology applied by MSCI for this review was identical to that used in the last review. In some cases, however, the availability of more information for examination may have impacted the outcome of the analysis for this review even if no changes in the accessibility levels occurred since last year.

As shown in Exhibit 1, Developed Markets continued to register good market accessibility levels in general. Similarly to the 2010 Annual Market Accessibility Review, some exceptions were found under openness to foreign ownership, market organization and market infrastructure level.

Emerging and Frontier Markets continued to follow a similar distribution for levels of openness to foreign ownership, ease of capital inflows/outflows, market entry and market organization. As already highlighted in the 2010 Market Accessibility Review the market infrastructure level criterion in Frontier Markets continued to exhibit the most shortcomings.

Exhibit 1: Summary Assessment Table (number of countries)

	Developed Markets			Emerging Markets			Frontier Markets			Standalone Markets		
	++	+	-/?	++	+	-/?	++	+	-/?	++	+	-/?
Openness to foreign ownership												
Investor qualification requirement	24	-	-	19	2	-	23	2	-	6	-	1
Foreign ownership limit (FOL) level	21	3	-	11	3	7	16	-	9	5	-	2
Foreign room level	24	-	-	19	-	2	22	-	3	7	-	-
Equal rights to foreign investors	23	1	-	2	16	3	10	15	-	5	2	-
Ease of capital inflows / outflows												
Capital flow restriction level	24	-	-	18	3	-	22	1	2	6	-	1
Foreign exchange market liberalization level	24	-	-	10	4	7	11	5	9	2	3	2
Efficiency of the operational framework												
Market entry												
Investor registration & account set up	24	-	-	8	6	7	8	8	9	4	-	3
Market organization												
Market regulations	24	-	-	9	12	-	13	10	2	1	4	2
Competitive landscape	24	-	-	17	2	2	12	-	1	1	-	1
Information flow	22	2	-	6	12	3	11	5	9	1	4	2
Market infrastructure												
Clearing and Settlement	22	2	-	5	10	6	4	6	15	-	-	7
Custody	24	-	-	21	-	-	13	1	11	4	2	1
Registry / Depository	24	-	-	17	3	1	12	10	3	1	4	2
Trading	24	-	-	16	5	-	11	6	8	1	-	6
Transferability	23	-	1	6	9	6	7	6	12	-	2	5
Stock lending	22	1	1	7	9	5	-	7	18	-	3	4
Short selling	20	3	1	4	11	6	-	5	20	-	2	5
Stability of institutional framework	24	-	-	4	14	3	-	20	5	-	6	1

'++': no issues; '+': no major issues, improvements possible; '-/?': improvements needed / extent to be assessed  
Competitive landscape for some Frontier and Standalone Market countries is still being assessed.



The sovereign debt crisis that impacted several European economies (e.g., Greece, Ireland and Portugal) has had no impact on the accessibility and investability of the different equity markets. As already highlighted in past accessibility reviews, Greece continued to exhibit several shortcomings (the majority under the market infrastructure level), which is relatively uncharacteristic for Developed Markets.

The proportion of the Australian and Canadian equity markets not accessible for foreign investors has significantly decreased since the 2010 Annual Market Accessibility Review. MSCI has however not changed its assessment of the foreign ownership limit level for these two markets as part of this review as the persistency of this decrease still needs to be verified.

Some measures introduced in a number of Emerging Markets in 2010 have already yielded some concrete improvements as reported by market participants. For example, the introduction of an official Central Securities Depository in the Czech Republic has had a positive impact on the assessment of the market's registry and depository model. The latest news related to the Russian equity market, such as the finalization of the law governing the new Central Securities Depository and the potential introduction of a foreign nominee concept, is encouraging.

Although the general accessibility of Frontier Markets seemed to have decreased in comparison to the 2010 Annual Market Accessibility Review, some of these markets exhibited positive developments: in Kazakhstan, the flow and the quality of the information available to foreign investors has increased, and in Lebanon, there are lower trading costs due to a higher level of competition among brokers. Some further enhancements have been observed in Qatar and in the United Arab Emirates with the recent introduction of new DVP models on both markets. More time is required for market participants to assess the true impact of the new DVP models on the markets' accessibility.

The change of political regime in Egypt had a relatively severe temporary impact on the accessibility of the Egyptian equity market as the Egyptian Stock Exchange was forced to close for almost 40 consecutive business days. This situation has been reflected in the assessment of the market's stability of the institutional framework.

Exhibit 2 shows the market assessment evolution from last year to date by summarizing the total number of upgrades and downgrades for the analyzed markets. The accessibility level of Developed and Standalone Markets remained unchanged compared to the 2010 review whereas there were a number of changes impacting Emerging and Frontier Markets. Even though the number of changes was moderate, there were many more downgrades, with a total of 18, compared to a total number of nine upgrades. Out of the total number of changes, ten downgrades and one upgrade reflected additional information rather than an evolution in the market accessibility measures.

Exhibit 2: Summary of Upgrades/Downgrades Table (number of countries)

	Developed Markets		Emerging Markets		Frontier Markets		Standalone Markets	
	Upgrades	Downgrades	Upgrades	Downgrades	Upgrades	Downgrades	Upgrades	Downgrades
Openness to foreign ownership								
Investor qualification requirement	-	-	1	-	-	-	-	-
Foreign ownership limit (FOL) level	-	-	-	-	-	-	-	-
Foreign room level	-	-	-	1	-	-	-	-
Equal rights to foreign investors	-	-	-	-	1	-	-	-
Ease of capital inflows / outflows								
Capital flow restriction level	-	-	-	-	-	-	-	-
Foreign exchange market liberalization level	-	-	-	1	-	-	-	-
Efficiency of the operational framework								
Market entry								
Investor registration & account set up	-	-	-	1	-	2	-	-
Market organization								
Market regulations	-	-	-	-	-	-	-	-
Competitive landscape	-	-	-	-	-	-	-	-
Information flow	-	-	1	-	1	-	-	-
Market infrastructure								
Clearing and Settlement	-	-	1	2	-	1	-	-
Custody	-	-	-	-	-	1	-	-
Registry / Depository	-	-	-	1	-	1	-	-
Trading	-	-	-	2	1	1	-	-
Transferability	-	-	-	-	-	-	-	-
Stock lending	-	-	2	-	-	1	-	-
Short selling	-	-	1	1	-	1	-	-
Stability of institutional framework	-	-	-	1	-	-	-	-
Total			6	10	3	8		

-: no change.

Within Developed and Standalone Markets no adjustments were made under any framework criterion.

Emerging Markets exhibited upgrades and downgrades across the four market accessibility criteria. These markets displayed the largest number of downgrades, mainly concentrated in the market infrastructure level category.

Frontier Markets displayed enhancements only on the openness to foreign ownership and efficiency of the operational framework criteria. Downgrades impacting these markets were mainly concentrated under the market infrastructure level category.

A significant number of downgrades impacting Emerging and Frontier Markets result from the analysis of additional information not available during last year's review rather than changes in the market accessibility measures per se.

Exhibit 3 details the upgrades and downgrades observed across measurement levels for Emerging Market countries, while Exhibit 4 does the same for Frontier Market countries. A total of 19 countries exhibited changes in one or more measures. Out of the four changes reported for Egypt only two resulted from the recent events that impacted the country, i.e., investor registration and account setup as well as stability of the institutional framework.

Exhibit 3: Summary of Upgrades/Downgrades Table for Emerging Market Countries

	Emerging Markets										
	Colombia	Peru	Czech Republic	Poland	Turkey	Egypt	Morocco	South Africa	India	Indonesia	Korea
Openness to foreign ownership											
Investor qualification requirement	U	-	-	-	-	-	-	-	-	-	-
Foreign room level	-	-	-	-	-	-	-	-	-	-	D
Ease of capital inflows / outflows											
Foreign exchange market liberalization level	-	-	-	-	-	D	-	-	-	-	-
Efficiency of the operational framework											
Investor registration & account set up	-	-	-	-	-	D	-	-	-	-	-
Market organization											
Information flow	-	-	-	-	U	-	-	-	-	-	-
Market infrastructure											
Clearing and Settlement	-	-	U	-	-	-	D	-	-	D	-
Custody	-	-	-	-	-	-	-	-	-	-	-
Registry / Depository	-	-	-	D	-	-	-	-	-	-	-
Trading	-	-	-	-	-	D	D	-	-	-	-
Stock lending	-	-	-	-	-	-	-	-	U	-	U
Short selling	-	D	-	-	-	-	-	U	-	-	-
Stability of institutional framework	-	-	-	-	-	D	-	-	-	-	-

:- No change; U: Upgrade; D: Downgrade

Exhibit 4: Summary of Upgrades/Downgrades Table for Frontier Market Countries

	Frontier Markets							
	Argentina	Bulgaria	Croatia	Kazakhstan	Nigeria	Jordan	Kuwait	Lebanon
Openness to foreign ownership								
Equal rights to foreign investors	-	-	-	U	-	-	-	-
Efficiency of the operational framework								
Investor registration & account set up	D	-	-	D	-	-	-	-
Market organization								
Information flow	-	-	-	U	-	-	-	-
Market infrastructure								
Clearing and Settlement	-	-	D	-	-	-	-	-
Custody	-	-	-	-	-	-	D	-
Registry / Depository	-	-	-	-	D	-	-	-
Trading	-	-	-	-	-	D	-	U
Stock lending	-	D	-	-	-	-	-	-
Short selling	-	D	-	-	-	-	-	-

:- No change; U: Upgrade; D: Downgrade

## IV - Developed Markets

The following comments should be read in conjunction with the country-by-country assessment results that can be found on pages 39 and 40.

### Americas

#### Canada

*Foreign Ownership Limits:* Canada exhibits relatively stringent foreign ownership limitations compared to most Developed Markets. The broadcasting, telecommunication and transportation industries are subject to foreign ownership limits ranging from 33 percent to 49 percent. In addition, income trusts are generally also subject to a foreign ownership limit of 49 percent. These limitations affect for the first time, less than three percent of the Canadian equity market; however, MSCI has not changed its assessment as more time is needed to evaluate this improvement.

#### USA

*Foreign Ownership Limits:* Airline companies are subject to a 25 percent foreign ownership limit. However, this did not result in a negative assessment due to the very limited impact of these ownership limits on the US market.

### Europe, Middle East and Africa

European airline companies are in general subject to a 50 percent foreign ownership limit for non-European investors but the impact on the different markets is very limited, with the exception of Ireland. Consequently, the presence of these ownership limits did not result in any negative assessments for the individual countries.

#### Greece

*Clearing and Settlement:* There is no nominee status and omnibus structures are not available.

*Transferability:* In-kind transfers and off-exchange transactions are prohibited.

*Stock Lending:* Legislation on stock lending and borrowing was approved by the Greek Parliament only in 2008 and the operational framework has not yet been implemented (e.g., absence of bilateral lending arrangement).

*Short Selling:* Extremely difficult and onerous short selling practices exist.

#### Israel

*Information Flow:* Corporate actions information is occasionally not complete nor is it always disclosed in a timely manner.

*Clearing and Settlement:* The settlement cycle is set at T+1, and the DVP mechanism as well as the official trading days on the Tel Aviv Stock Exchange (TASE) are different from international standards.

#### Portugal

*Stock Lending:* Is allowed but with a reduced capacity.

*Short Selling:* Is allowed but with a reduced capacity.

**Spain**

*Short Selling:* Short selling is allowed but is not an established market practice due to the reduced capacity.

**Sweden**

*Short Selling:* Is allowed but unregulated.

**Asia Pacific****Australia**

*Foreign Ownership Limits:* Australia exhibits relatively stringent foreign ownership limitations compared to most Developed Markets. The telecommunication and transportation industries are partially not investable for foreign investors. These limitations now represent less than three percent of the Australian equity market but the assessment was not changed as more time is required to ensure the sustainability of this improvement.

**Japan**

*Foreign Ownership Limits:* The airlines, media and telecommunications industries are impacted by foreign ownership limits. These limitations represent less than two percent of the Japanese equity market.

*Equal Rights for Foreign Investors:* Company related information is not always readily available in English. In addition, Japan is the only Developed Market where companies' corporate governance standards have often been questioned by international institutional investors.

*Information Flow:* Detailed stock market information is in general disclosed in a timely manner but not always in English. This type of information is either translated with a significant time lag or not translated at all. In addition, Japanese dividends are usually declared in advance by companies but the effective dividend amount may be announced after the ex-date of the dividend which is uncharacteristic of Developed Markets.

## V - Emerging Markets

The following comments should be read in conjunction with the country-by-country assessment results that can be found on pages 41 and 42.

### Americas

#### Brazil

*Foreign Ownership Limits:* Foreign investors are limited to purchasing non-voting shares (PN) of Brazilian banks. Banco do Brasil is the only exception (foreign investors are allowed to invest in up to 20 percent of the voting capital of this bank). In addition, the media and transportation industries are subject to foreign ownership limits of 49 and 20 percent respectively. These limitations affect more than ten percent of the Brazilian equity market.

*Equal Rights for Foreign Investors:* Foreign investors are in general limited to the non-voting shares of Brazilian banks and, hence, do not have equal voting rights compared with domestic investors. The general segregation between voting and non-voting shares also negatively impacts the voting rights of minority shareholders due to their limited access to the voting shares. In addition, starting in October 2009, a two percent tax on investment in equities and fixed income instruments was levied for foreign investors. The tax was designed to slow the appreciation of the Brazilian currency and to avoid speculation. Finally, company related information is not always readily available in English.

*Foreign Exchange Market Liberalization Level:* There is no offshore currency market and there are constraints on the onshore currency market (e.g., foreign exchange transactions must be linked to security transactions).

*Investor Registration & Account Setup:* Registration is mandatory and all foreign investors need to appoint a legal and tax representative as well as obtain approval from the Securities and Exchange Commission of Brazil (CVM) prior to entering the market. All documents must be filed in Portuguese.

*Market Regulations:* Not all regulations can be found in English.

*Competitive Landscape:* Anti-competitive measures or practices restrict the use of stock market data.

*Information Flow:* Detailed stock market information is not always disclosed in English.

*Clearing and Settlement:* Overdraft facilities are prohibited.

*Transferability:* In-kind transfers are prohibited.

#### Chile

*Equal Rights for Foreign Investors:* Company related information is not always readily available in English.

*Capital Flow Restriction Level:* Due to some administrative requirements, repatriation of funds can take up to two weeks.

*Investor Registration & Account Setup:* Registration is mandatory and foreign investors need to provide additional documents to set up local accounts (e.g., power of attorney and letter of good standing from investor's local authority). The process to set up accounts takes in general ten days.

*Market Regulations:* Not all regulations can be found in English.

*Information Flow:* Detailed stock market information is not always disclosed in English.

*Transferability:* In-kind transfers and off-exchange transactions are allowed but are difficult to execute as they are not an established market practice.

*Stock Lending:* Is allowed but is not an established market practice due to collateral requirements (e.g., 125% of the value of the lending amount must be pledged).

*Short Selling:* Is allowed but is not an established market practice due to the reduced capacity of the stock lending market and the complex tax system in Chile.

## Colombia

*Equal Rights for Foreign Investors:* Company related information is not always readily available in English.

*Capital Flow Restriction Level:* The country has a history of imposing and removing capital flow restrictions in order to manage its foreign currency policy. The most recent capital flow restrictions were removed only in September 2008.

*Foreign Exchange Market Liberalization Level:* There is no offshore currency market and there are constraints on the onshore currency market (e.g., foreign exchange transactions must be linked to security transactions and registered with the Central Bank).

*Investor Registration & Account Setup:* Registration is mandatory and all documents must be filed in Spanish. The registration process takes in general eight days.

*Market Regulations:* Not all regulations can be found in English.

*Information Flow:* Lack of robustness and enforcement of local accounting standards. In addition, detailed stock market information is not always disclosed in English.

*Trading:* Limited level of competition among brokers which can lead to relatively higher trading cost.

*Transferability:* In-kind transfers and off-exchange transactions are prohibited.

*Stock Lending:* Is allowed but is not an established market practice due to the absence of formal lending agreement requirements.

*Short Selling:* Is prohibited.

*Stability of Institutional Framework:* In the recent past, the government intervened and imposed restrictions that significantly distorted capital inflows and outflows.

## Upgrades

*Investor Qualification Requirement:* + to ++. Foreign Investment Funds no longer have to obtain approval from the Superintendencia Financiera (SF) to enter the market.

## Mexico

*Foreign Ownership Limits:* There are foreign ownership limits in the mining industry as well as in some areas of the telecommunication, financial and maritime industries. These limitations affect more than eleven percent of the Mexican equity market. However, foreign investors can obtain access to companies included in these limited industries through Participation Certificates (CPOs).

*Equal Rights for Foreign Investors:* Holders of CPOs have in general no voting rights and, hence, are not at par compared with domestic investors. In addition, the general segregation between voting and non-

voting shares also negatively impacts the voting rights of minority shareholders due to their limited access to the voting shares.

*Investor Registration & Account Setup:* Registration is mandatory and foreign investors must have a contract with local agents.

*Information Flow:* Detailed stock market information is not always disclosed in English.

*Clearing and Settlement:* Overdraft facilities are prohibited.

*Short Selling:* Is allowed however a stock lending trade must be in place in Valpre (electronic securities lending system managed by the Central Securities Depository) before a short selling transaction can be executed.

## Peru

*Equal Rights for Foreign Investors:* Company related information is not always readily available in English.

*Investor Registration & Account Setup:* Registration is mandatory but the process is efficient. All documents must be filed in Spanish.

*Market Regulations:* Not all regulations can be found in English.

*Information Flow:* Detailed stock market information is not always disclosed in English.

*Clearing and Settlement:* Absence of a real Delivery Versus Payment (DVP) system on the Lima Stock Exchange.

*Trading:* Limited level of competition among brokers which can lead to relatively higher trading cost.

*Transferability:* In-kind transfers are prohibited.

*Stock Lending:* Is allowed but restricted to a limited number of stocks on the Lima Stock Exchange.

### Downgrades

*Short Selling:* + to -/?. According to additional information, it has been learned that short selling is allowed but is not an established market practice due to the reduced capacity.

## Europe, Middle East and Africa

### Czech Republic

*Equal Rights for Foreign Investors:* Company related information is not always readily available in English.

*Investor Registration & Account Setup:* Registration is not required but the account setup process can take a significant amount of time.

*Market Regulations:* Not all regulations can be found in English.

*Information Flow:* Detailed stock market information is not always disclosed in English.

*Registry / Depository:* The central depository (Stredisko Cennych Papiruis) has been replaced by a Central Securities Depository. Some uncertainty with regards to efficiency of the registration process still persists.

*Stock Lending:* Is allowed but is not an established market practice due to the reduced capacity.



*Short Selling:* Is allowed but is not an established market practice due to the reduced capacity.

### **Upgrades**

*Clearing and Settlement:* -/? to +. There is no true DVP system on the Prague Stock Exchange. Omnibus structures and nominee status are now available, however, not widely used.

## **Hungary**

*Equal Rights for Foreign Investors:* Company related information is not always readily available in English.

*Market Regulations:* Not all regulations can be found in English.

*Information Flow:* Detailed stock market information is not always disclosed in English.

*Registry / Depository:* There is no formal central registry.

*Stock Lending:* Is allowed but is not an established market practice due to the reduced capacity.

*Short Selling:* Is allowed but is not an established market practice due to the reduced capacity.

## **Poland**

*Equal Rights for Foreign Investors:* Company related information is not always readily available in English.

*Market Regulations:* Not all regulations can be found in English.

*Information Flow:* Detailed stock market information is not always disclosed in English.

*Clearing and Settlement:* There is no nominee status and omnibus structures are not available.

*Transferability:* Off-exchange transactions are allowed but may be subject to a tax.

*Stock Lending:* Is allowed but is not an established market practice due to the reduced capacity.

*Short Selling:* Is allowed but is not an established market practice due to the reduced capacity.

### **Downgrades**

*Registry/Depository:* ++ to +. Based on additional information, it has been learned that there is no central registry.

## **Russia**

*Equal Rights for Foreign Investors:* Company related information is not always readily available in English.

*Foreign Exchange Market Liberalization Level:* There is an undeveloped offshore currency market for the ruble and most foreign exchange transactions settle onshore.

*Investor Registration & Account Setup:* Registration is mandatory and requires a significant amount of manual paperwork. Foreign institutional investors must provide a certificate of incorporation/extract from the trade register, charter/articles of association, a list of authorized signatories, a certificate of appointment of the directors and a certificate of legal address. In addition, an approval from the tax authorities is required to open a cash account. The full registration and account setup process may be lengthy.

*Market Regulations:* There is an absence of clarity in certain areas of market regulation (e.g., formally there are no foreign ownership limits but companies can impose a variety of restrictions on foreign

investors in their by-laws). Additionally, legislation updates and related press releases are not always available in English.

*Information Flow:* Stock market information is often not complete as well as not always disclosed in English. There is no central source for this type of information. In addition, the concept of dividend ex-date does not exist in Russia and most Russian companies disclose the dividend amounts after the dividend record date.

*Clearing and Settlement:* The settlement cycle is set at T+0 on the Moscow Interbank Currency Exchange (MICEX). In addition, there is no nominee status and omnibus structures are not available.

*Registry / Depository:* There is no central registry and the central depository (Central Securities Depository) is in the process of being set up.

*Trading:* The short settlement cycle and the resulting potential counterparty risk can lead to relatively higher trading cost.

*Transferability:* In-kind transfers are prohibited.

*Stock Lending:* Is allowed but is not an established market practice due to the absence of a formal stock lending regulation.

*Short Selling:* Short selling is allowed, but with some restrictions and it is not yet a common practice.

## Turkey

*Equal Rights for Foreign Investors:* Company related information is not always readily available in English.

*Investor Registration & Account Setup:* Registration is mandatory but the process is efficient.

*Market Regulations:* Not all regulations can be found in English.

*Competitive Landscape:* Anti-competitive measures or practices partially restrict the use of stock market data.

*Clearing and Settlement:* There is no nominee status and omnibus structures are not available.

*Transferability:* In-kind transfers are prohibited.

*Short Selling:* Is allowed but is not an established market practice. In addition, there are neither legal nor technical measures preventing naked short selling.

## Upgrades

*Information Flow:* -/? to +. A central source for stock market information is now available. The information remains incomplete and it is not always disclosed in English.

## Egypt

*Foreign Ownership Limit Level:* In general, there are no foreign ownership limits but one of the largest Egyptian companies, Telecom Egypt, applies a 20 percent limit.

*Market Regulations:* There is an absence of clarity in certain areas of market regulation (e.g., formally there are no foreign ownership limits but companies can impose limits in their by-laws).

*Information Flow:* Lack of robustness and enforcement of local accounting standards.

*Clearing and settlement:* There is no nominee status and omnibus structures are not available. In addition, the official trading days are different from international standards.

*Transferability:* In-kind and off-exchange transfers are prohibited.

*Stock Lending:* Is prohibited.

*Short Selling:* Is prohibited.

### **Downgrades**

*Foreign Exchange Market Liberalization Level:* ++ to +. Further examination shows that there is a lack of efficiency on the offshore currency market.

*Investor Registration & Account Set Up:* ++ to +. Introduction of restricted investors list delays the registration process. Also, the process of setting up accounts may be lengthy.

*Trading:* ++ to +. Limited level of competition among brokers which can lead to relatively higher trading cost.

*Stability of Institutional Framework:* + to -/?. The recent change in political regime resulted in the closure of the equity market for nearly 40 consecutive business days.

## **Morocco**

*Equal Rights for Foreign Investors:* Company related information is not always readily available in English.

*Capital Flow Restriction Level:* In general, there are no capital flow restrictions but the absence of evidence of foreign currency inflows may result in restrictions on the capital outflows.

*Investor Registration & Account Setup:* The process of setting up accounts may be lengthy.

*Market Regulations:* Not all regulations can be found in English.

*Information Flow:* Detailed stock market information is not always disclosed in English.

*Transferability:* Off-exchange transactions are prohibited.

*Stock Lending:* Is allowed but is not an established market practice due to the absence of a formal stock lending regulation.

*Short Selling:* Is prohibited.

### **Downgrades**

*Clearing and Settlement:* + to -/?. Additional information shows that there are restrictions on overdraft facilities for foreign investors

*Trading:* ++ to +. The limited level of competition among brokers may lead to relatively higher trading cost.

## **South Africa**

*Clearing and Settlement:* The settlement cycle for equities on the Johannesburg Stock Exchange is set a T+5 which is different from international standards.

*Transferability:* Off-exchange transactions and in-kind transfers are allowed but with some restrictions.

### **Upgrades**

*Short Selling:* -/? to ++. Based on additional information, it has been learned that short selling is allowed.

## Asia Pacific

### China (international)

The assessment of the accessibility of the China (international) market takes into account only the Hong Kong listed portion of the China market (e.g., H-shares, Red-Chips and P-Chips).

*Foreign Ownership Limit Level:* The proportion of Chinese companies' share capital freely accessible to foreign investors is in general very limited. Foreign investors can primarily acquire shares of Chinese companies on the Hong Kong Stock exchange. The available portion represents 45 percent of the total market capitalization of Chinese companies listed in Hong Kong.

*Equal Rights for Foreign Investors:* Foreign investors have in general limited voting power as Chinese companies are primarily controlled by the Chinese government or Chinese enterprises. In addition, the corporate governance standards of Chinese companies have often been questioned by international institutional investors.

*Market Regulations:* There is an absence of clarity in the regulations applying the dividend withholding tax.

### India

*Investor Qualification Requirement:* Large investors can apply for a Foreign Institutional Investor (FII) qualification and others need to apply for a FII sub-account.

*Foreign Ownership Limit Level:* Most listed companies are subject to foreign ownership limits that run from 0 to 74 percent. These limitations affect more than 58 percent of the Indian equity market.

*Foreign Room Level:* The equity market is significantly impacted by foreign room issues and there is no active formal foreign board allowing foreign investors to trade among themselves. The Reserve Bank of India monitors foreign ownership levels and issues a warning once the levels are close to being breached.

*Equal Rights for Foreign Investors:* The rights for foreign investors are limited as a result of the stringent foreign ownership limits.

*Foreign Exchange Market Liberalization Level:* There is no offshore currency market and there are constraints on the onshore currency market (e.g., foreign exchange transactions must be linked to security transactions).

*Investor Registration & Account Setup:* Registration is mandatory and subject to Securities and Exchange Board of India approval. The registration process takes in general 14 days.

*Competitive Landscape:* Anti-competitive measures or practices partially restrict the use of stock market data.

*Clearing and Settlement:* There is no nominee status and omnibus structures are not available. In addition, overdraft facilities are prohibited.

*Transferability:* In-kind and off-exchange transfers are prohibited.

*Short Selling:* Is allowed but all transactions must be reported to the Securities and Exchange Board of India.

### Upgrades

*Stock Lending:* + to ++. The lending contracts period has been increased from one week to 52 weeks.

**Indonesia**

*Equal Rights for Foreign Investors:* Company related information is not always readily available in English.

*Foreign Exchange Market Liberalization Level:* There is no efficient offshore currency market and there are constraints on the onshore currency market (e.g., foreign exchange transactions must be linked to security transactions).

*Information Flow:* Detailed stock market information is not always disclosed in English.

*Transferability:* In-kind transfers are prohibited.

*Stock Lending:* Is allowed but is restricted to a fixed number of stocks and to 90-day lending contracts.

*Short Selling:* Is allowed but is restricted to a fixed number of stocks.

**Downgrades**

*Clearing and Settlement:* ++ to +. Additional information shows that overdraft facilities for foreign investors are prohibited.

**Korea**

*Foreign Ownership Limits:* The aviation, broadcasting, telecommunication and utilities industries are impacted by foreign ownership limits. These limitations affect approximately four percent of the Korean equity market.

*Equal Rights for Foreign Investors:* Information disclosure in English has improved but is not always readily available. Company related information is not always readily available in English. In addition, the corporate governance standards of Korean companies have often been questioned by international institutional investors.

*Foreign Exchange Market Liberalization Level:* There is no offshore currency market. The adjustment of equity market settlement timing to alleviate frictions due to limited onshore currency trading hours is seen as a positive improvement, but is yet to be fully assessed by international investors.

*Investor Registration & Account Setup:* Registration is mandatory and requires a significant amount of supporting paperwork (IRC system).

*Competitive Landscape:* Anti-competitive measures or practices restrict the use of stock market data.

*Information Flow:* Information disclosure in English has improved but is not always readily available. In addition, Korean companies disclose dividend amounts after the ex-date of the dividends, which is different from international standards. The amendment to the "Commercial Act" to encourage companies to determine a dividend amount at a board of directors meeting could potentially help bring this to be more in line with the international practices. Such a change would be considered for assessment once effective.

*Clearing and Settlement:* Despite the recent revision of the Banking Act to provide additional funding options for foreign investors, overdraft facilities remain unavailable for securities settlement purposes. Omnibus trading for equities is not permissible due to the rigidity of the IRC system. The "Lead IRC" account structure has not effectively addressed the problem.

*Transferability:* The possibilities to carry out in-kind transfers and off-exchange transactions remain very limited and is impractical due to the rigidity and the approval process.

**Upgrades**

*Stock Lending:* + to ++. The lending contracts period has been increased from six months to twelve months.

**Downgrades**

*Foreign Room Level:* ++ to -/?. Prolonged low level of foreign room is found in securities within the telecommunication industry, such as KT Corporation and SK Telecom.

**Malaysia**

*Foreign Ownership Limits:* Industries that are of strategic importance, including the brokerage, insurance and telecommunication industries, are subject to foreign ownership restrictions ranging from 30% to 70%. These limitations affect more than 12 percent of the Malaysian equity market.

*Equal Rights for Foreign Investors:* Foreign investors holding shares that exceed the Foreign Ownership Limits are not treated equally in terms of voting rights compared with domestic investors holding the same shares in the same company.

*Foreign Exchange Market Liberalization Level:* There is an absence of an efficient offshore currency market and there are constraints on the onshore currency market (e.g., foreign exchange transactions must be linked to security transactions).

*Transferability:* Off-exchange transactions are prohibited.

*Stock Lending:* Is allowed but is restricted to a fixed number of stocks.

*Short Selling:* Is allowed but is restricted to a fixed number of stocks.

**Philippines**

*Foreign Ownership Limits:* All industries are in general subject to a 40 percent foreign ownership limit.

*Equal Rights for Foreign Investors:* The rights for foreign investors are limited as a result of the stringent foreign ownership limits.

*Foreign Exchange Market Liberalization Level:* There is no offshore currency market and there are constraints on the onshore currency market (e.g., foreign exchange transactions must be linked to security transactions).

*Clearing and Settlement:* Omnibus structures are not available and overdraft facilities for foreign investors are prohibited.

*Stock Lending:* Is allowed but is not an established market practice due to low capacity.

*Short Selling:* Is allowed but is not an established market practice due to low capacity.

**Taiwan**

*Investor Qualification Requirement:* Foreign investors must formally apply for a Foreign Institutional Investors (FINI) or a Foreign Individual Investor (FIDI) qualification but the process is efficient.

*Foreign Ownership Limits:* The media, transportation, telecommunication and utilities industries are impacted by foreign ownership limits ranging from 0 to 50 percent. These limitations affect approximately four percent of the Taiwanese equity market.

*Equal Rights for Foreign Investors:* Company related information is not always readily available in English.

*Foreign Exchange Market Liberalization Level:* The New Taiwan Dollar (TWD) is not freely convertible and in particular, there is no offshore currency market.

*Investor Registration & Account Setup:* Registration is mandatory and requires a significant amount of paperwork (ID system).

*Information Flow:* Detailed stock market information is not always disclosed in English.

*Clearing and Settlement:* Overdraft facilities are prohibited and pre-funding practices may still be used by local brokers even though the authorities implemented a T+2 DVP settlement cycle. In addition, the ID system makes it difficult for investors and brokers to use omnibus structures.

*Transferability:* Off-exchange transactions and in-kind transfers are allowed but in some cases they are difficult to use.

*Stock Lending:* Is allowed but is restricted to designated FINIs.

*Short Selling:* Is allowed but is restricted to designated FINIs.

## Thailand

*Foreign Ownership Limits:* All industries are in general subject to a 49 percent foreign ownership limit. These restrictions affect a very large proportion of the equity market. However, foreign investors can obtain access to Thai companies through Non Voting Depository Receipts (NVDRs).

*Equal Rights for Foreign Investors:* By definition, foreign investors holding NVDRs are not treated equally in terms of voting rights compared with domestic investors holding common stock in the same company. In addition, company related information is not always readily available in English.

*Foreign Exchange Market Liberalization Level:* There is an offshore currency market but there have been instances of interventions by the authorities restricting the functioning of foreign exchange market.

*Clearing and Settlement:* There is an absence of a real DVP system on the Stock Exchange of Thailand.

*Stock Lending:* Is allowed but restricted to the stocks included in the SET 100 Index.

*Short Selling:* Is allowed but restricted to the stocks included in the SET 100 Index.

*Stability of Institutional Framework:* There have been instances of government interventions that challenged the stability of the “free-market” economy.



## VI - Frontier Markets

The following comments should be read in conjunction with the country-by-country assessment results that can be found on pages 43 and 44.

Stock lending and short selling are activities that either are not developed or are completely prohibited in all Frontier Market countries and the summary does not highlight these issues on a country-by-country basis.

Estonia and Lithuania are the two Frontier Market countries that exhibit shortfalls only in terms of stock lending and short selling and are therefore not mentioned in the summary.

### Americas

#### Argentina

*Equal Rights for Foreign Investors:* Company related information is not always readily available in English.

*Capital Flow Restriction Level:* Cash reserves requirements are applied to capital inflows and time and size limitations are applied to capital outflows.

*Foreign Exchange Market Liberalization Level:* There is no offshore currency market.

*Market Regulations:* Not all regulations can be found in English.

*Competitive Landscape:* Anti-competitive measures or practices restrict the use of stock market data.

*Information Flow:* Detailed stock market information is not always disclosed in English.

*Clearing and Settlement:* There is an absence of a real DVP system and overdraft facilities on the Merval (Mercados de Valores de Buenos Aires).

*Trading:* Limited level of competition among brokers which can lead to relatively higher trading cost.

*Transferability:* In-kind transfers and off-exchange transactions are restricted to domestic investors.

*Stability of Institutional Framework:* There have been instances of government interventions that challenged the stability of the “free-market” economy, including with respect to investment activities of foreign investors.

#### Downgrades

*Investor Registration & Account Setup:* + to -/?. Registration is mandatory and all documents must be filed in Spanish. The full process can take up to ten days.<sup>1</sup>

### Europe

#### Bulgaria

*Foreign Exchange Market Liberalization Level:* There is no offshore currency market.

*Information Flow:* Stock market information is occasionally not disclosed in a timely manner.

<sup>1</sup> The rating for the “Investor Registration & Account Setup” measure for Argentina on last year’s review should read “-/?” rather than “+”.



*Custody:* There is no formal segregation between custody and trading accounts.

*Registry / Depository:* There is a lack of efficiency in terms of communication between the central registry / central depository and the custodians / brokers.

#### **Downgrades**

*Stock Lending:* + to -/?. Based on additional information, it has been learned that stock lending is allowed to cover only short selling positions and it is not an established market practice.

*Short Selling:* + to -/?. Further analysis shows that short selling is allowed but it is restricted to very liquid stocks and it is not an established market practice.

### **Croatia**

*Investor Registration & Account Setup:* Process to set up an account can take up to five days.

*Registry / Depository:* There is no central registry.

*Trading:* Limited level of competition among brokers which can lead to relatively higher trading cost.

#### **Downgrades**

*Clearing and Settlement:* ++ to +. Based on additional information, it has been learned that there is an absence of a real DVP system on the Zagreb Stock Exchange.

### **Kazakhstan**

*Foreign Exchange Market Liberalization Level:* There is no offshore currency market and the Kazakh lower house approved in 2009 a bill that could potentially lead to temporary foreign currency restrictions. In addition, the liquidity on the onshore currency market has been relatively low in the recent past.

*Clearing and Settlement:* The settlement cycle for equities on the Kazakhstan Stock Exchange is set at T+0.

*Registry / Depository:* There is no central registry.

*Trading:* There is a limited level of competition among brokers which can lead to relatively higher trading cost.

*Stability of Institutional Framework:* There have been instances of government interventions that challenged the stability of the “free-market” economy.

#### **Upgrades**

*Equal Rights for Foreign Investors:* + to ++. Most company related information is readily available in English.

*Information Flow:* -/? to +. New Stock Exchange website provides detailed stock market information in English.

#### **Downgrades**

*Investor Registration & Account Set Up:* ++ to +. According to additional information, it has been learned that the process to set up accounts can take up to two weeks.

### **Romania**

*Equal Rights for Foreign Investors:* Company related information is not always readily available in English.

*Market Regulations:* Not all regulations can be found in English.

*Information Flow:* Detailed stock market information is not always disclosed in English.

*Clearing and Settlement:* There is an absence of a real DVP system on the Bucharest Stock Exchange. There is no nominee status and omnibus structures are not available.

*Custody:* There is no formal segregation between custody and trading accounts.

*Registry / Depository:* There is no central registry.

*Trading:* Very limited level of competition among brokers which can lead to high trading costs.

*Transferability:* In-kind transfers and off-exchange transactions are prohibited.

## Serbia

*Equal Rights for Foreign Investors:* Company related information is not always readily available in English.

*Capital Flow Restriction Level:* Due to some administrative requirements, repatriation of funds can take up to two weeks.

*Foreign Exchange Market Liberalization Level:* There is no offshore currency market.

*Investor Registration & Account Setup:* Registration is mandatory and all foreign investors need to appoint a legal and tax representative. All documents must be filed in Serbian.

*Market Regulations:* Not all regulations can be found in English.

*Information Flow:* Detailed stock market information is not always disclosed in English and occasionally is not disclosed in a timely manner.

*Clearing and Settlement:* Overdraft facilities are restricted to foreign banks.

*Trading:* Limited level of competition among brokers which can lead to high trading costs.

*Transferability:* Off-exchange transactions are allowed but require approval from the authorities.

## Slovenia

*Clearing and Settlement:* There is an absence of a real DVP system on the Ljubljana Stock Exchange.

*Registry / Depository:* There is no central registry.

*Trading:* There is a limited level of competition among brokers which can lead to relatively higher trading cost.

## Ukraine

*Equal Rights for Foreign Investors:* Company related information is not always readily available in English.

*Foreign Exchange Market Liberalization Level:* There is no offshore currency market. In addition, the liquidity on the onshore currency market has been relatively low in the recent past.

*Investor Registration & Account Setup:* Registration is mandatory and requires a significant amount of manual paperwork. The process is difficult and requires a lot of time to complete.

*Market Regulations:* Regulations are not fully enforced by the supervisory authority resulting in many investors trading over the counter. In addition, not all relevant information can be found in English.

*Information Flow:* Stock market information is often not complete and is often not disclosed in timely manner. In addition, the information is often not in English.

*Clearing and Settlement:* The settlement cycle is not fixed (from T+0 to T+10) and there are no overdraft facilities on the PFTS Stock Exchange. In addition, there is no nominee status and omnibus structures are not available.

*Custody:* There is no formal segregation between custody and trading accounts.

*Registry / Depository:* There is neither a central registry nor a central depository.

*Trading:* There is a very limited level of competition among brokers which can lead to high trading costs.

*Transferability:* Off-exchange transactions are allowed but require approval from the authorities.

*Stability of Institutional Framework:* There have been instances of government interventions that challenged the stability of the “free-market” economy.

## Africa

### Kenya

*Foreign Ownership Limits:* Listed companies are subject to a general 75 percent foreign ownership limit.

*Foreign Exchange Market Liberalization Level:* There is no offshore currency market. In addition, the liquidity on the onshore currency market has been relatively low in the recent past.

*Clearing and Settlement:* There is an absence of a real DVP system and the settlement cycle for equities is set at T+4 on the Nairobi Stock Exchange.

*Registry / Depository:* Not all listed shares are dematerialized.

*Trading:* There is a very limited level of competition among brokers which can lead to high trading costs.

*Transferability:* Off-exchange transactions are allowed but require approval from the authorities.

### Mauritius

*Foreign Ownership Limits:* Listed companies are generally subject to a 51 percent foreign ownership limit. Companies in the sugar business are subject to a specific foreign ownership limit of 15 percent.

*Equal Rights for Foreign Investors:* The rights for foreign investors are limited as a result of the stringent foreign ownership limits.

*Foreign Exchange Market Liberalization Level:* There is no offshore currency market.

*Clearing and Settlement:* There is no nominee status and omnibus structures are not available.

*Registry / Depository:* There is no central registry.

*Trading:* There is a very limited level of competition among brokers which can lead to high trading costs.

*Transferability:* In-kind transfers and off-exchange transactions are prohibited.

### Nigeria

*Equal Rights for Foreign Investors:* In general, the rights of minority shareholders are negatively impacted by the scarcity of relevant information.

*Capital Flow Restriction Level:* A certificate of foreign currency inflow is required for any capital repatriation.

*Foreign Exchange Market Liberalization Level:* There is no offshore currency market and there are constraints on the onshore currency market (e.g., foreign exchange transactions must be linked to security transactions and interbank foreign exchange rates are set by the authorities). In addition, the liquidity on the onshore currency market has been relatively low in the recent past.

*Market Regulations:* Regulations may distort the free functioning of stock market activity (e.g., narrow and frequently changing trading limits). In addition, not all relevant information is readily available to foreign investors.

*Information Flow:* There is a lack of robustness and enforcement of local accounting standards. In addition, the availability of shareholder information for Nigerian Banks is limited.

*Trading:* Very limited level of competition among brokers which can lead to high trading costs.

*Transferability:* In-kind transfers and off-exchange transactions are prohibited.

*Stability of Institutional Framework:* There have been instances of government interventions that challenged the stability of the “free-market” economy as illustrated by frequently changing market regulations.

### **Downgrades**

*Registry / Depository:* ++ to +. Based on additional information it has been learned that there is no central registry.

## **Tunisia**

*Foreign Ownership Limits:* Listed companies are subject to a 50 percent foreign ownership limit.

*Equal Rights for Foreign Investors:* Company related information is not always readily available in English. In addition, the rights of foreign investors are limited as a result of the stringent foreign ownership limits.

*Foreign Exchange Market Liberalization Level:* There is no offshore currency market. In addition, the liquidity on the onshore currency market has been relatively low in the recent past.

*Investor Registration & Account Setup:* Registration is mandatory and all documents must be filed in French. The full process can take up to five days.

*Market Regulations:* Not all regulations can be found in English.

*Information Flow:* There is a lack of robustness in and enforcement of local accounting standards. In addition, detailed stock market information is not always disclosed in English.

*Clearing and Settlement:* There is an absence of a real DVP system on the Tunis Stock Exchange. There is no nominee status and omnibus structures are not available.

*Custody:* There is no formal segregation between custody and trading accounts.

*Registry / Depository:* There is no central registry.

*Trading:* Very limited level of competition among brokers which can lead to high trading costs.

*Transferability:* In-kind transfers and off-exchange transactions are prohibited.

## Middle East

### Bahrain

*Foreign Ownership Limits:* Listed companies are generally subject to a 49 percent foreign ownership limit. Some companies are either fully open or fully closed to foreign investments.

*Equal Rights for Foreign Investors:* The rights of foreign investors are limited as a result of the stringent foreign ownership limits.

*Investor Registration & Account Setup:* Registration is mandatory but the process is efficient.

*Information Flow:* Stock market information is often not complete and often is not disclosed in a timely manner.

*Clearing and Settlement:* There is an absence of a real DVP system on the Bahrain Stock Exchange.<sup>2</sup> There is no nominee status and omnibus structures are not available. In addition, the official trading days are different from international standards.

*Custody:* Segregated custody and trading accounts are required in order to mitigate the risk deriving from local brokers having unlimited access to the trading accounts. In addition, there are only two active custodians available to foreign investors.

*Registry / Depository:* There is no central registry.

*Transferability:* In-kind transfers and off-exchange transactions are prohibited.

### Jordan

*Equal Rights for Foreign Investors:* In general, the rights of minority shareholders are limited due to the presence of large strategic shareholders in Jordanian companies.

*Investor Registration & Account Setup:* Registration is mandatory but the process is efficient.

*Information Flow:* There is a lack of robustness in and enforcement of local accounting standards. In addition, detailed stock market information is not always disclosed in English.

*Clearing and Settlement:* There is an absence of a real DVP system on the Amman Stock Exchange. There is no nominee status and omnibus structures are not available. In addition, the official trading days are different from international standards.

*Custody:* There is only one active custodian.

*Transferability:* In-kind transfers and off-exchange transactions are prohibited.

### Downgrades

*Trading:* ++ to +. Limited level of competition among brokers which can lead to relatively higher trading cost.<sup>3</sup>

### Kuwait

*Foreign Ownership Limits:* The banking industry is subject to a 49 percent foreign ownership limit. These limitations affect more than 25 percent of the Kuwaiti equity market.

*Equal Rights for Foreign Investors:* In general, the rights of minority shareholders are limited due to the presence of large strategic shareholders in Kuwaiti companies.

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<sup>2</sup> There have been recently some indications that a true DVP model could be implemented in the coming 12 months.

<sup>3</sup> The rating for the "Trading" measure for Jordan on last year's review should read "+" rather than "++".

*Investor Registration & Account Setup:* Registration is mandatory and some documents must be filed in Arabic. The process can take up to two weeks.

*Market Regulations:* A formal financial market authority has been created but regulation is not fully enforced yet. In addition, not all relevant information can be found in English.

*Information Flow:* Stock market information is often not complete and is often not disclosed in timely manner.

*Clearing and Settlement:* There is an absence of a real DVP system and overdraft facilities on the Kuwait Stock Exchange.<sup>4</sup> There is no nominee status and omnibus structures are not available. In addition, the official trading days are different from international standards.

*Registry / Depository:* There is no central registry.

*Transferability:* In-kind transfers and off-exchange transactions are prohibited.

### **Downgrades**

*Custody: + to -/?.* Segregated custody and trading accounts are required in order to mitigate the risk deriving from local brokers having unlimited access to the trading accounts.<sup>5</sup>

## **Lebanon**

*Investor Qualification Requirement:* Israeli nationals are formally prohibited from investing in Lebanese companies.

*Equal Rights for Foreign Investors:* Company related information is not always readily available in English.

*Foreign Exchange Market Liberalization Level:* There is no offshore currency market and there are constraints on the onshore currency market (e.g., foreign investors are not allowed to hold Lebanese pound balances).

*Investor Registration & Account Setup:* Registration is mandatory and may take up to five days.

*Market Regulations:* Not all regulations can be found in English.

*Information Flow:* Detailed stock market information is not always disclosed in English.

*Clearing and Settlement:* There is an absence of a real DVP system on the Beirut Stock Exchange. There is no nominee status and omnibus structures are not available.

*Custody:* Segregated custody and trading accounts are required in order to mitigate the risk deriving from local brokers having unlimited access to the trading accounts. In addition, there is only one active custodian available to foreign investors.

*Registry / Depository:* Not all listed shares are dematerialized, and there is no central registry.

*Transferability:* In-kind transfers and off-exchange transactions are prohibited.

### **Upgrades**

*Trading: + to ++.* A higher level of competition among brokers has led to relatively lower trading cost.

<sup>4</sup> There have been recently some indications that a true DVP model could be implemented in the coming 12 months.

<sup>5</sup> The rating for the "Custody" measure for Kuwait on last year's review should read "-/?" rather than "+".

**Oman**

*Foreign Ownership Limits:* Listed companies are in general subject to a foreign ownership limit of 70 percent but companies may choose to set a lower limit.

*Equal Rights for Foreign Investors:* In general, the rights of minority shareholders are limited due to the presence of large strategic shareholders in Omani companies.

*Investor Registration & Account Setup:* Registration is mandatory but the process is efficient.

*Information Flow:* Stock market information is often not complete as well as not disclosed in a timely manner.

*Clearing and Settlement:* There is an absence of a real DVP system on the Muscat Stock Exchange. There is no nominee status and omnibus structures are not available. In addition, the official trading days are different from international standards.

*Custody:* Segregated custody and trading accounts are required in order to mitigate the risk deriving from local brokers having unlimited access to the trading accounts. In addition, there are only two active custodians available to foreign investors.

*Transferability:* In-kind transfers and off-exchange transactions are prohibited.

**Qatar**

*Foreign Ownership Limits:* Listed companies are subject to a foreign ownership limit of 25 percent.

*Foreign Room Level:* The equity market is significantly impacted by foreign room issues.

*Equal Rights for Foreign Investors:* The rights of foreign investors are limited as a result of the stringent foreign ownership limits.

*Investor Registration & Account Setup:* Registration is mandatory but the process is efficient.

*Market Regulations:* There is an absence of clarity on the foreign ownership limit regulation.

*Clearing and Settlement:* There is no nominee status and omnibus structures are not available. In addition, the official trading days are different from international standards. Although a new DVP model has been introduced its impact still needs to be assessed.

*Custody:* Segregated custody and trading accounts are required in order to mitigate the risk deriving from local brokers having unlimited access to the trading accounts. The new DVP model is expected to contribute to the elimination of the need of segregation between custody and trading accounts.

*Transferability:* In-kind transfers and off-exchange transactions are prohibited.

**United Arab Emirates**

*Foreign Ownership Limits:* Listed companies are in general subject to a foreign ownership limit of 49 percent, but companies may choose the set a lower limit.

*Foreign Room Level:* The equity market is significantly impacted by foreign room issues.

*Equal Rights for Foreign Investors:* The rights of foreign investors are limited as a result of the stringent foreign ownership limits.

*Investor Registration & Account Setup:* Registration is mandatory but the process is efficient.

*Clearing and Settlement:* There is no nominee status and omnibus structures are not available. In addition, the official trading days are different from international standards. Although a new DVP model has been introduced its impact still needs to be assessed.



*Custody:* Segregated custody and trading accounts are required in order to mitigate the risk deriving from local brokers having unlimited access to the trading accounts. The new DVP model is expected to contribute to the elimination of the need of segregation between custody and trading accounts.

*Transferability:* Off-exchange transactions are now available. In-kind transfers remain prohibited.

## Asia Pacific

### Bangladesh

*Foreign Exchange Market Liberalization Level:* There is no efficient offshore currency market and there are constraints on the onshore currency market (e.g., foreign exchange transactions must be linked to security transactions).

*Investor Registration & Account Set Up:* There is a need to apply for a registration certificate with relatively heavy documentation requirement.

*Market Regulations:* Not all regulations can be found in English.

*Clearing and Settlement:* Overdraft facilities are prohibited.

*Custody:* There are only two active custodian available to foreign investors.

*Trading:* There is a limited level of competition among brokers which can lead to higher trading cost.

*Transferability:* Off-exchange transactions are prohibited.

### Pakistan

*Foreign Exchange Market Liberalization Level:* There is no offshore currency market and there are constraints on the onshore currency market (e.g., currency can only be bought / sold through a Special Convertible Rupee Account).

*Investor Registration & Account Set Up:* The process to set up accounts can take from four business days up to five business days.

*Market Regulations:* Regulations have frequently changed over the past few years. In particular, trading on the Pakistani equity market was practically suspended for five months following the implementation of a price floor rule in August 2008.

*Clearing and Settlement:* Nominee status and omnibus structures are available. Overdraft facilities remain prohibited.

*Stability of Institutional Framework:* There have been instances of interventions that challenged the stability of the “free-market” economy as illustrated by the frequently changing market regulations.

### Sri Lanka

*Investor Qualification Requirement:* International institutional investors are required to obtain an approval from the Sri Lanka Securities Exchange Commission (SEC) prior to entering the market.

*Foreign Exchange Market Liberalization Level:* There are constraints on the onshore currency market (e.g., foreign exchange transactions must be linked to security transactions).

*Investor Registration & Account Setup:* Registration is mandatory and the account setup requires approval from the Central Depository for Securities. The full process can last up to three weeks.

*Clearing and Settlement:* There is an absence of a real DVP system and overdraft facilities on the Colombo Stock Exchange.



*Trading:* There is a very limited level of competition among brokers which can lead to high trading costs.

*Transferability:* Off-exchange transactions are prohibited and in-kind transfers require prior approval from the SEC.

## **Vietnam**

*Foreign Ownership Limits:* Listed companies are generally subject to a 49 percent foreign ownership limit. However, the banking industry is subject to a lower limit set at 30 percent.

*Foreign Room Level:* The equity market is significantly impacted by foreign room issues.

*Equal Rights for Foreign Investors:* Company related information is not always readily available in English. In addition, the rights of foreign investors are limited as a result of the stringent foreign ownership limits.

*Foreign Exchange Market Liberalization Level:* There is no offshore currency market and there are constraints on the onshore currency market (e.g., foreign exchange transactions must be linked to security transactions). In addition, the liquidity on the onshore currency market has been relatively low in the recent past.

*Investor Registration & Account Setup:* Registration is mandatory and account setup requires the approval of the Vietnam Securities Depository for Securities (VSD). All documents must be filed in Vietnamese.

*Market Regulations:* Not all regulations can be found in English.

*Information Flow:* Stock market information is not always disclosed in English and occasionally is not detailed enough.

*Clearing and Settlement:* There is no formal clearing house and the VSD acts as the clearing agent. In addition, there are no overdraft facilities and the prefunding of trades is required.

*Transferability:* Off-exchange transactions are prohibited and in-kind transfers are significantly restricted (e.g., in cases of the closing of an account, gifting or an inheritance).

## VII - Standalone Markets

The following comments should be read in conjunction with the country-by-country assessment results that can be found on page 45.

Standalone Markets include all country markets covered by MSCI but not included in the MSCI International Indices. This category includes potential candidates for the MSCI Frontier Markets Indices that currently do not meet the minimum liquidity requirements as well as markets that are currently partially or fully closed to foreign investors such as the China A market.

Stock lending and short selling are activities that are either not developed or completely prohibited in all Standalone Market countries and the summary does not highlight these issues on a country-by-country basis.

### Americas

#### Jamaica

*Market Regulations:* Information on regulations is not centralized.

*Clearing and Settlement:* There is no formal clearing house and the Jamaica Central Securities Depository Limited acts as the clearing agent.

*Registry / Depository:* There is no central registry.

*Trading:* Very limited level of competition among brokers which can lead to high trading costs.

*Transferability:* Off-exchange transactions are prohibited.

#### Trinidad and Tobago

*Foreign Exchange Market Liberalization Level:* There is an absence of an offshore currency market and there are constraints on the onshore currency market (e.g., foreign exchange transactions must be executed by the local custodian).

*Investor Registration & Account Setup:* Registration is mandatory and approval from the Ministry of Finance is required. The process can take up to five days.

*Market Regulations:* Information on regulations is not centralized.

*Information Flow:* Stock market information is occasionally not disclosed in a timely manner.

*Clearing and Settlement:* There is an absence of a real DVP system and overdraft facilities on the Trinidad and Tobago Stock Exchange. In addition, there is no nominee status and omnibus structures are not available.

*Custody:* The Trinidad and Tobago Central Depository is the only registered custodian.

*Registry / Depository:* It can take up to eight weeks for investors to have their shares registered at the central registry.

*Trading:* There is a very limited level of competition among brokers which can lead to high trading costs.

*Transferability:* In-kind transfers and off-exchange transactions are prohibited.

## Europe, Middle East and Africa

### Bosnia and Herzegovina

*Foreign Exchange Market Liberalization Level:* There is no offshore currency market.

*Market Regulations:* Not all regulations can be found in English.

*Information Flow:* Stock market information, including dividend information, is often not complete and is not always disclosed in English. There is no central source for this type of information.

*Clearing and Settlement:* There is an absence of a real DVP system and the prefunding of trades is required.

*Custody:* There are only two active custodians available to foreign investors.

*Registry / Depository:* There are two central depositories, each of them acting as central registry.

*Trading:* There is a very limited level of competition among brokers which can lead to high trading costs.

*Transferability:* In-kind transfers and off-exchange transactions are prohibited.

### Botswana

*Foreign Exchange Market Liberalization Level:* There is no offshore currency market. In addition, the liquidity on the onshore currency market has been relatively low in the recent past.

*Market Regulations:* Regulations are not always enforced by the financial authority (e.g., the use of omnibus structures is permitted in practice even if regulations do not formally allow them).

*Information Flow:* Stock market information is occasionally not disclosed in a timely manner.

*Clearing and Settlement:* The settlement cycle for equities is set at T+4 on the Botswana Stock Exchange. There is no nominee status.

*Registry / Depository:* There is no central registry.

*Trading:* There is a very limited level of competition among brokers which can lead to high trading costs.

*Transferability:* In-kind transfers and off-exchange transactions are prohibited.

### Ghana

*Foreign Exchange Market Liberalization Level:* There is no offshore currency market. In addition, the liquidity on the onshore currency market has been relatively low in the recent past.

*Investor Registration & Account Setup:* Registration is mandatory and requires a significant amount of manual paperwork. The process can last up to ten days.

*Information Flow:* Lack of robustness and enforcement of local accounting standards.

*Clearing and Settlement:* There is an absence of a real DVP system and the prefunding of trades is required.

*Registry / Depository:* Not all listed shares are dematerialized and there is no central registry.

*Trading:* There is a very limited level of competition among brokers which can lead to high trading costs.

*Transferability:* Off-exchange transactions are allowed but require approval from the authorities.

### Zimbabwe

*Foreign Ownership Limits:* Listed companies are subject to a 40 percent foreign ownership limit.

*Equal Rights for Foreign Investors:* The rights for foreign investors are limited as a result of the stringent foreign ownership limits.

*Market Regulations:* Not all regulations are publicly available.

*Information Flow:* There is a lack of robustness in and enforcement of local accounting standards. In addition, stock market information is often not complete.

*Clearing and Settlement:* There is an absence of a real DVP and T+5 settlement cycle on the stock exchange.

*Custody:* There are only two active custodians.

*Registry / Depository:* There is neither a central depository nor a central registry.

*Trading:* There is a very limited level of competition among brokers which can lead to high trading costs.

*Transferability:* In-kind transfers and off-exchange transactions are prohibited.

*Stability of Institutional Framework:* There is a lack of enforcement of the rule of law.

## Asia Pacific

### China A Market

*Investor Qualification Requirement:* The China A market is characterized by the absence of a level playing field for foreign investors. In general, only fund houses, insurance companies, securities firms, commercial banks and pension funds, each of appropriate size with sufficient track records, are eligible to apply for a Qualified Foreign Institutional Investor (QFII) license. Once the license has been obtained, a foreign investor must also apply for an investment quota that is subject to a discretionary approval from the Chinese authorities.

*Foreign Ownership Limits:* Listed companies are subject to a 20 percent foreign ownership limit.

*Equal Rights for Foreign Investors:* Company related information is not always readily available in English. In addition, the corporate governance standards of Chinese companies have often been questioned by international institutional investors.

*Capital Flow Restriction Level:* The time limitation applied to capital outflows ranges from three months to one year.

*Foreign Exchange Market Liberalization Level:* There is no offshore currency market and there is a regulated onshore currency market.

*Investor Registration & Account Setup:* Registration is mandatory and account setup requires a significant amount of manual paperwork. The full process can last up to 30 days.

*Market Regulations:* Not all regulations can be found in English.

*Competitive Landscape:* Anti-competitive measures or practices restrict the use of stock market data.

*Information Flow:* Detailed stock market information is not always disclosed in English.

*Clearing and Settlement:* There is an absence of a real DVP and T+0 settlement cycle on the Shanghai Stock Exchange and the Shenzhen Stock Exchange.

*Transferability:* Off-exchange transactions are prohibited.

## VIII - Appendices

### Appendix I: MSCI Market Classification Framework

The classification of markets is a key input in the process of index construction as it drives the composition of the investment opportunity sets to be represented. The approach used by MSCI aims to reflect the views and practices of the international investment community by striking a balance between a country's economic development and the accessibility of its market while preserving index stability.

The MSCI Market Classification Framework consists of following three criteria: economic development, size and liquidity as well as market accessibility.

In order to be classified in a given investment universe, a country must meet the requirements of all three criteria as described in the table below.

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 505 mm USD 35 mm 2.5% ATVR	3 USD 1010 mm USD 505 mm 15% ATVR	5 USD 2020 mm USD 1010 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 Efficiency of the operational framework	Modest	Good and tested	Very high
C.4 Stability of the institutional framework	Modest	Modest	Very high

\* High income threshold for 2009: GNI per capita of USD 12,196 (World Bank, Atlas method)

\*\* Minimum in use for the May 2011 Semi-Annual Index Review, updated on a semi-annual basis

The economic development criterion is only used in determining the classification of Developed Markets while that distinction is not relevant between Emerging and Frontier Markets given the very wide variety of development levels within each of these two universes.

The size and liquidity requirements are based on the minimum investability requirements for the MSCI Global Standard Indices. Emerging Markets country indices with fewer than three companies meeting the Emerging Markets size and liquidity requirements for four consecutive Semi-Annual Index Reviews will be reclassified as Frontier Markets.

Market accessibility aims to reflect international investors' experience in investing in a given market and as a result, this criterion includes several sub-criteria. These criteria are generally based on qualitative measures that are reviewed for all markets at least once a year during the MSCI Global Market Accessibility Review.

MSCI regularly reviews the market classification of all countries included in the MSCI Indices to ensure that they remain reflective of the evolution of the different markets. In particular, changes in the assessments under the classification framework serve as the basis for determining the markets that will be reviewed for potential market reclassification as part of the Annual Market Classification Review. MSCI will only consider these markets for reclassification for which a change in classification status can be viewed as irreversible. 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.

## Appendix II: Assessment Results

### Developed Markets

	Americas		EMEA									
	USA	Canada	Austria	Belgium	Denmark	Finland	France	Germany	Greece	Ireland	Israel	Italy
Openness to foreign ownership												
Investor qualification requirement	++	++	++	++	++	++	++	++	++	++	++	++
Foreign ownership limit (FOL) level	++	+	++	++	++	++	++	++	++	+	++	++
Foreign room level	++	++	++	++	++	++	++	++	++	++	++	++
Equal rights to foreign investors	++	++	++	++	++	++	++	++	++	++	++	++
Ease of capital inflows / outflows												
Capital flow restriction level	++	++	++	++	++	++	++	++	++	++	++	++
Foreign exchange market liberalization level	++	++	++	++	++	++	++	++	++	++	++	++
Efficiency of the operational framework												
Market entry												
Investor registration & account set up	++	++	++	++	++	++	++	++	++	++	++	++
Market organization												
Market regulations	++	++	++	++	++	++	++	++	++	++	++	++
Competitive landscape	++	++	++	++	++	++	++	++	++	++	++	++
Information flow	++	++	++	++	++	++	++	++	++	++	+	++
Market infrastructure												
Clearing and Settlement	++	++	++	++	++	++	++	++	+	++	+	++
Custody	++	++	++	++	++	++	++	++	++	++	++	++
Registry / Depository	++	++	++	++	++	++	++	++	++	++	++	++
Trading	++	++	++	++	++	++	++	++	++	++	++	++
Transferability	++	++	++	++	++	++	++	++	-/?	++	++	++
Stock lending	++	++	++	++	++	++	++	++	-/?	++	++	++
Short selling	++	++	++	++	++	++	++	++	-/?	++	++	++
Stability of institutional framework	++	++	++	++	++	++	++	++	++	++	++	++

++: no issues; +: no major issues, improvements possible; -/? : improvements needed / extent to be assessed.

## Developed Markets

	EMEA							Asia Pacific				
	Netherlands	Norway	Portugal	Spain	Sweden	Switzerland	United Kingdom	Australia	Hong Kong	Japan	New Zealand	Singapore
Openness to foreign ownership												
Investor qualification requirement	++	++	++	++	++	++	++	++	++	++	++	++
Foreign ownership limit (FOL) level	++	++	++	++	++	++	++	+	++	++	++	++
Foreign room level	++	++	++	++	++	++	++	++	++	++	++	++
Equal rights to foreign investors	++	++	++	++	++	++	++	++	++	+	++	++
Ease of capital inflows / outflows												
Capital flow restriction level	++	++	++	++	++	++	++	++	++	++	++	++
Foreign exchange market liberalization level	++	++	++	++	++	++	++	++	++	++	++	++
Efficiency of the operational framework												
Market entry												
Investor registration & account set up	++	++	++	++	++	++	++	++	++	++	++	++
Market organization												
Market regulations	++	++	++	++	++	++	++	++	++	++	++	++
Competitive landscape	++	++	++	++	++	++	++	++	++	++	++	++
Information flow	++	++	++	++	++	++	++	++	++	+	++	++
Market infrastructure												
Clearing and Settlement	++	++	++	++	++	++	++	++	++	++	++	++
Custody	++	++	++	++	++	++	++	++	++	++	++	++
Registry / Depository	++	++	++	++	++	++	++	++	++	++	++	++
Trading	++	++	++	++	++	++	++	++	++	++	++	++
Transferability	++	++	++	++	++	++	++	++	++	++	++	++
Stock lending	++	++	+	++	++	++	++	++	++	++	++	++
Short selling	++	++	+	+	+	++	++	++	++	++	++	++
Stability of institutional framework	++	++	++	++	++	++	++	++	++	++	++	++

++: no issues; +: no major issues, improvements possible; -/?: improvements needed / extent to be assessed.



## Emerging Markets

	Americas					EMEA					
	Brazil	Chile	Colombia	Mexico	Peru	Czech Republic	Hungary	Poland	Russia	Turkey	Egypt
Openness to foreign ownership											
Investor qualification requirement	++	++	++	++	++	++	++	++	++	++	++
Foreign ownership limit (FOL) level	-/?	++	++	-/?	++	++	++	++	++	++	+
Foreign room level	++	++	++	++	++	++	++	++	++	++	++
Equal rights to foreign investors	-/?	+	+	-/?	+	+	+	+	+	+	++
Ease of capital inflows / outflows											
Capital flow restriction level	++	+	+	++	++	++	++	++	++	++	++
Foreign exchange market liberalization level	-/?	++	-/?	++	++	++	++	++	-/?	++	+
Efficiency of the operational framework											
Market entry											
Investor registration & account set up	-/?	-/?	-/?	+	+	+	++	++	-/?	+	+
Market organization											
Market regulations	+	+	+	++	+	+	+	+	+	+	+
Competitive landscape	-/?	++	++	++	++	++	++	++	++	+	++
Information flow	+	+	-/?	+	+	+	+	+	-/?	+	+
Market infrastructure											
Clearing and Settlement	+	++	++	+	+	+	++	+	-/?	+	+
Custody	++	++	++	++	++	++	++	++	++	++	++
Registry / Depository	++	++	++	++	++	+	+	+	-/?	++	++
Trading	++	++	+	++	+	++	++	++	+	++	+
Transferability	+	-/?	-/?	++	+	++	++	+	+	+	-/?
Stock lending	++	-/?	-/?	++	+	+	+	+	-/?	++	-/?
Short selling	++	-/?	-/?	+	-/?	+	+	+	-/?	+	-/?
Stability of institutional framework	+	++	-/?	+	+	++	++	++	+	+	-/?

++: no issues; +: no major issues, improvements possible; -/? : improvements needed / extent to be assessed.

## Emerging Markets

	EMEA		Asia Pacific							
	Morocco	South Africa	China (internat.)	India	Indonesia	Korea	Malaysia	Philippines	Taiwan	Thailand
Openness to foreign ownership										
Investor qualification requirement	++	++	++	+	++	++	++	++	+	++
Foreign ownership limit (FOL) level	++	++	-/?	-/?	++	+	-/?	-/?	+	-/?
Foreign room level	++	++	++	-/?	++	-/?	++	++	++	++
Equal rights to foreign investors	+	++	+	+	+	+	+	+	+	-/?
Ease of capital inflows / outflows										
Capital flow restriction level	+	++	++	++	++	++	++	++	++	++
Foreign exchange market liberalization level	++	++	++	-/?	+	-/?	+	-/?	-/?	+
Efficiency of the operational framework										
Market entry										
Investor registration & account set up	+	++	++	-/?	++	-/?	++	++	-/?	++
Market organization										
Market regulations	+	++	+	++	++	++	++	++	++	++
Competitive landscape	++	++	++	+	++	-/?	++	++	++	++
Information flow	+	++	++	++	+	-/?	++	++	+	++
Market infrastructure										
Clearing and Settlement	-/?	+	++	-/?	+	-/?	++	-/?	-/?	+
Custody	++	++	++	++	++	++	++	++	++	++
Registry / Depository	++	++	++	++	++	++	++	++	++	++
Trading	+	++	++	++	++	++	++	++	++	++
Transferability	-/?	+	++	-/?	+	-/?	+	++	+	++
Stock lending	-/?	++	++	++	+	++	+	+	+	+
Short selling	-/?	++	++	+	+	++	+	+	+	+
Stability of institutional framework	+	+	+	+	+	+	+	+	+	-/?

++: no issues; +: no major issues, improvements possible; -/? : improvements needed / extent to be assessed.

## Frontier Markets

	Americas Argentina	EMEA									
		Bulgaria	Croatia	Estonia	Kazakhstan	Lithuania	Romania	Serbia	Slovenia	Ukraine	Kenya
Openness to foreign ownership											
Investor qualification requirement	++	++	++	++	++	++	++	++	++	++	++
Foreign ownership limit (FOL) level	++	++	++	++	++	++	++	++	++	++	-/?
Foreign room level	++	++	++	++	++	++	++	++	++	++	++
Equal rights to foreign investors	+	++	++	++	++	++	+	+	++	+	++
Ease of capital inflows / outflows											
Capital flow restriction level	-/?	++	++	++	++	++	++	+	++	++	++
Foreign exchange market liberalization level	-/?	+	++	++	-/?	++	++	+	++	-/?	-/?
Efficiency of the operational framework											
Market entry											
Investor registration & account set up	-/?	++	+	++	+	++	++	-/?	++	-/?	++
Market organization											
Market regulations	+	++	++	++	++	++	+	+	++	-/?	++
Competitive landscape	-/?	++		++	++	++	++		++		
Information flow	+	+	++	++	+	++	+	-/?	++	-/?	++
Market infrastructure											
Clearing and Settlement	-/?	++	+	++	-/?	++	-/?	+	+	-/?	-/?
Custody	++	-/?	++	++	++	++	-/?	++	++	-/?	++
Registry / Depository	++	+	+	++	+	++	+	++	+	-/?	-/?
Trading	+	++	+	++	+	++	-/?	+	+	-/?	-/?
Transferability	+	++	++	++	++	++	-/?	+	++	+	+
Stock lending	-/?	-/?	+	+	+	+	+	-/?	+	+	-/?
Short selling	-/?	-/?	+	-/?	+	+	+	-/?	+	-/?	-/?
Stability of institutional framework	-/?	+	+	+	-/?	+	+	+	+	-/?	+

++: no issues; +: no major issues, improvements possible; -/? : improvements needed / extent to be assessed.  
Competitive landscape for some Frontier Market countries is still being assessed.

## Frontier Markets

	EMEA										Asia Pacific			
	Mauritius	Nigeria	Tunisia	Bahrain	Jordan	Kuwait	Lebanon	Oman	Qatar	United Arab Emirates	Bangladesh	Pakistan	Sri Lanka	Vietnam
Openness to foreign ownership														
Investor qualification requirement	++	++	++	++	++	++	+	++	++	++	++	++	+	++
Foreign ownership limit (FOL) level	-/?	++	-/?	-/?	++	-/?	++	-/?	-/?	-/?	++	++	++	-/?
Foreign room level	++	++	++	++	++	++	++	++	-/?	-/?	++	++	++	-/?
Equal rights to foreign investors	+	+	+	+	+	+	+	+	+	+	++	++	++	+
Ease of capital inflows / outflows														
Capital flow restriction level	++	-/?	++	++	++	++	++	++	++	++	++	++	++	++
Foreign exchange market liberalization level	+	-/?	+	++	++	++	-/?	++	++	++	-/?	+	-/?	-/?
Efficiency of the operational framework														
Market entry														
Investor registration & account set up	++	++	-/?	+	+	-/?	-/?	+	+	+	-/?	+	-/?	-/?
Market organization														
Market regulations	++	+	+	++	++	-/?	+	++	+	++	+	+	++	+
Competitive landscape				++	++	++		++	++	++				
Information flow	++	-/?	-/?	-/?	-/?	-/?	+	-/?	++	++	++	++	++	-/?
Market infrastructure														
Clearing and Settlement	+	++	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	+	+	-/?	-/?
Custody	++	++	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	+	++	++	++
Registry / Depository	+	+	+	+	++	+	-/?	++	++	++	++	++	++	++
Trading	-/?	-/?	-/?	++	+	++	++	++	++	++	-/?	++	++	++
Transferability	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	+	+	++	-/?	-/?
Stock lending	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?
Short selling	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?	-/?
Stability of institutional framework	+	-/?	+	+	+	+	+	+	+	+	+	-/?	+	+

++: no issues; +: no major issues, improvements possible; -/? : improvements needed / extent to be assessed.  
Competitive landscape for some Frontier Market countries is still being assessed.

## Standalone Markets

	Americas		EMEA				Asia Pacific
	Jamaica	Trinidad & Tobago	Bosnia and Herzegovina	Botswana	Ghana	Zimbabwe	China A
Openness to foreign ownership							
Investor qualification requirement	++	++	++	++	++	++	-/?
Foreign ownership limit (FOL) level	++	++	++	++	++	-/?	-/?
Foreign room level	++	++	++	++	++	++	++
Equal rights to foreign investors	++	++	++	++	++	+	+
Ease of capital inflows / outflows							
Capital flow restriction level	++	++	++	++	++	++	-/?
Foreign exchange market liberalization level	++	-/?	+	+	+	++	-/?
Efficiency of the operational framework							
Market entry							
Investor registration & account set up	++	-/?	++	++	-/?	++	-/?
Market organization							
Market regulations	+	+	+	-/?	++	-/?	+
Competitive landscape		++					-/?
Information flow	++	+	-/?	+	+	-/?	+
Market infrastructure							
Clearing and Settlement	-/?	-/?	-/?	-/?	-/?	-/?	-/?
Custody	++	-/?	+	++	++	+	++
Registry / Depository	+	+	+	+	-/?	-/?	++
Trading	-/?	-/?	-/?	-/?	-/?	-/?	++
Transferability	+	-/?	-/?	-/?	+	-/?	-/?
Stock lending	-/?	-/?	+	+	+	-/?	-/?
Short selling	-/?	-/?	-/?	+	+	-/?	-/?
Stability of institutional framework	+	+	+	+	+	-/?	+

++: no issues; +: no major issues, improvements possible; -/? : improvements needed / extent to be assessed.  
Competitive landscape for some Frontier Market countries is still being assessed.

## Appendix III: Market Accessibility Measures

	Definition
Openness to foreign ownership	
Investor qualification requirement	Existence of qualifying conditions for international investors. Existence of a level playing field for all international investors.
Foreign ownership limit (FOL) level	Proportion of the market being accessible to non-domestic investors.
Foreign room level	Proportion of shares still available for non-domestic investors. Existence of a foreign board where non-domestic investors could trade with each other.
Equal rights to foreign investors	Equal economic and voting rights as well as availability of information in English. Equal rights for minority shareholders.
Ease of capital inflows / outflows	
Capital flow restriction level	Existence of restriction on inflows and outflows of foreign capital to/from the local stock market (excluding foreign currency exchange restrictions).
Foreign exchange market liberalization level	Existence of a developed onshore and offshore foreign exchange market.
Efficiency of the operational framework	
Market entry	
Investor registration & account set up	Existence/level of complexity of registration requirements for international investors such as Tax IDs as well as ease/complexity for setting up local accounts (e.g., documents to be provided, approvals required). The time to complete the process includes the preparation of the documents.
Market organization	
Market regulations	Level of advancement of the legal and regulatory framework governing the financial market, the stock exchange and the various other entities involved in the financial markets, an important weight is assigned to: ease of access (including in English), lack of ambiguity and prompt enforcement of laws and regulations, as well as consistency over time.
Competitive landscape	Existence of anti-competitive clauses restricting investors' access to derived stock exchange information, data and investment products, including, for example the provision of independently calculated indices or the creation of baskets of securities used in the creation of financial products.
Information flow	Timely disclosure of complete stock market information items (e.g., stock exchange alerts, corporate news, float information, dividend information) in English and under reasonable commercial terms, as well as the robustness and enforcement of accounting standards.
Market infrastructure	
Clearing and Settlement	Well functioning clearing and settlement system based on international standards including delivery versus payment (DVP), the absence of pre-funding requirements/practices and the possibility to use overdrafts. Availability of real omnibus structures.
Custody	Level of competition amongst local custodian banks as well as the presence of global custodian banks. Existence of an efficient mechanism that prevents brokers to have unlimited access to the investor's accounts and guarantees the safekeeping of its assets.
Registry / Depository	Well functioning central registry and central depository.
Trading	Level of competition amongst brokers ensuring high quality services (e.g., cost efficient trading, ability to execute grouped trades at the same price for the various accounts of a fund manager).
Transferability	Possibility of off-exchange transactions and "in-kind" transfers.
Stock lending	Existence of a regulatory framework as well as an efficient mechanism allowing extensive use of stock lending.
Short selling	Existence of a regulatory and practical framework allowing short selling.
Stability of institutional framework	Basic institutional principles such as the rule of law and its enforcement as well as the stability of the "free-market" economic system. Track record of government intervention with regards to foreign investors.

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