

CONSULTATION ON METHODOLOGY ENHANCEMENT FOR THE MSCI ALL MARKET INDEXES

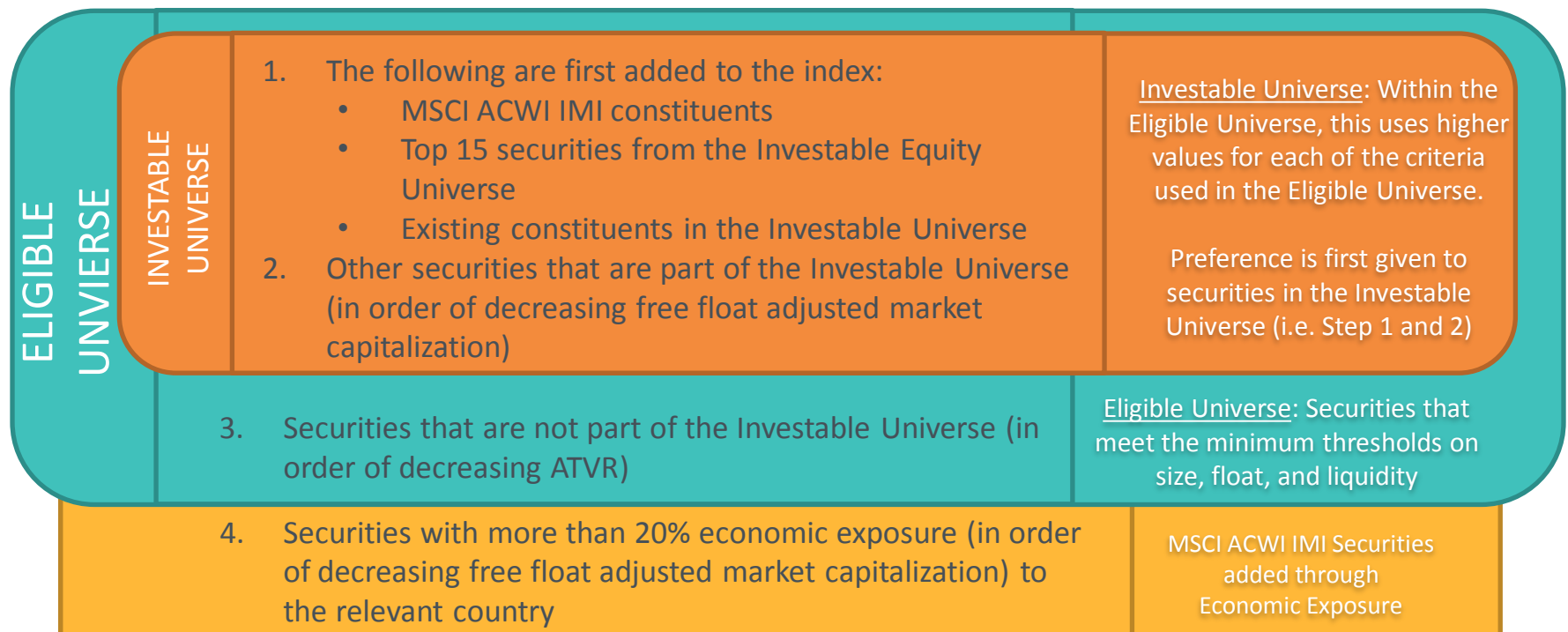
December 2016

BACKGROUND

- The MSCI All Market Indexes are designed to represent the investable equity universe of markets while including a minimum number of constituents.
- The indexes are constructed for individual countries and target a minimum of 25 securities and 20 issuers during annual rebalancing (23 securities and 18 issuers during quarterly rebalancing).
- In order to meet the minimum number of securities/issuers requirements, these country indexes may cover securities not included in the respective MSCI Country Indexes, governed by the MSCI Global Investable Market Indexes methodology.
- MSCI proposes to enhance specific selection criteria rules for the MSCI All Market Indexes in order to further broaden the pool of potentially eligible securities. Such enhancements may be essential for maintaining the required target number of constituents in smaller markets.
- Please note that this consultation may or may not result in the implementation of any or all of the proposals mentioned in this consultation.

SUMMARY OF THE CURRENT METHODOLOGY

- The MSCI All Market Index includes securities that are a part of the Broad Country Equity Universe, which may include securities that are not necessarily classified in the country based on the MSCI Global Investable Market Indexes Methodology
- The selection criteria for securities to be included follows the priority steps until the target number of constituents are met:



PROPOSAL

- In order to further expand the pool of eligible securities for potential inclusion in the MSCI All Market Indexes, only when it is required to reach the target number of constituents, MSCI proposes to:
 1. Add smaller securities, not meeting the full or free float-adjusted size requirements for the eligible universe set at 25% and 12.5% of the relevant MSCI Country IMI Cutoff respectively, until the target number of constituents are reached
 - More specifically, securities not meeting the size requirement for the eligible universe but with full company market capitalization of at least 12.5% of the MSCI Country IMI Cutoff and free float adjusted market capitalization of at least 6.25% of the MSCI Country IMI Cutoff, in order of decreasing free float adjusted market capitalization
 2. Add securities with economic exposure between 10% to 20%, in order of decreasing economic exposure until the target number of constituents are reached, while limiting their weight to 1%
 - Existing constituents previously added through economic exposure will be maintained if their economic exposure is at least 5%

SUMMARY OF THE PROPOSED METHODOLOGY

- The proposed changes to the All Market Indexes Methodology are shown below:



5. Securities not meeting the size requirement* for the eligible universe but with full mcap and float mcap of at least 12.5% and 6.25% of the MSCI Country IMI Cutoff , respectively (in order of decreasing free float adjusted market capitalization)

6. Securities with economic exposure to the relevant country between 10% to 20% (in order of decreasing economic exposure)

- For existing constituents, they may be maintained if economic exposure is at least 5%

PROPOSAL IMPACT: LOWER SIZE

- Simulated impact on the pool of potentially eligible securities for the MSCI All Market Indexes as of the November 2016 Annual Index Review (AIR)
 - Expands the eligible pool in most markets
 - No impact on the existing indexes if applied at the Nov 2016 AIR

	Eligibility Requirement as of Nov 2016 AIR		Current	Proposed			Additional Securities
	Full Mcap 25% of IMI Market Size- Segment Cutoff	Float Mcap 12.5% of IMI Market Size- Segment Cutoff	Count of Eligible Securities	Full Mcap 12.5% of IMI Market Size- Segment Cutoff	Float Mcap 6.25% of IMI Market Size- Segment Cutoff	Count of Eligible Securities	
Ireland	64M	32M	30	32M	16M	31	+1
Colombia	74M	37M	27	37M	18M	28	+1
Peru	74M	37M	24	37M	18M	26	+2
Greece	45M	22M	56	22M	11M	67	+11
Qatar	74M	37M	33	37M	18M	36	+3
UAE	74M	37M	42	37M	18M	43	+1
Pakistan	37M	18M	94	18M	9M	95	+1
Argentina	37M	18M	21	18M	9M	21	0
Nigeria	16M	8M	49	8M	4M	51	+2

PROPOSAL IMPACT: LOWER ECONOMIC EXPOSURE

- Simulated impact on the pool of potentially eligible securities for the MSCI All Market Indexes as of the November 2016 Annual Index Review (AIR)
 - Expands the eligible pool in most markets
 - No impact on the existing indexes if applied at the Nov 2016 AIR

Table: Count of securities with varying Economic Exposure % (cumulative)

		AE	QA	PE	CO	AR	PK	IE	NG	GR
	>50%	1	0	0	4	1	0	1	0	0
Current	>20%	4	0	10	9	9	1	5	5	0
	>12%	10	1	13	11	12	2	10	9	0
Proposed	>10%	11	5	14	12	17	2	11	12	0
Buffer	>5%	22	13	28	20	40	5	29	34	1
	>3%	42	14	34	33	68	6	45	57	2
	>1%	177	42	64	103	328	24	141	199	23
	EE Securities already in the Indexes	-	-	3	2	8	-	-	-	-

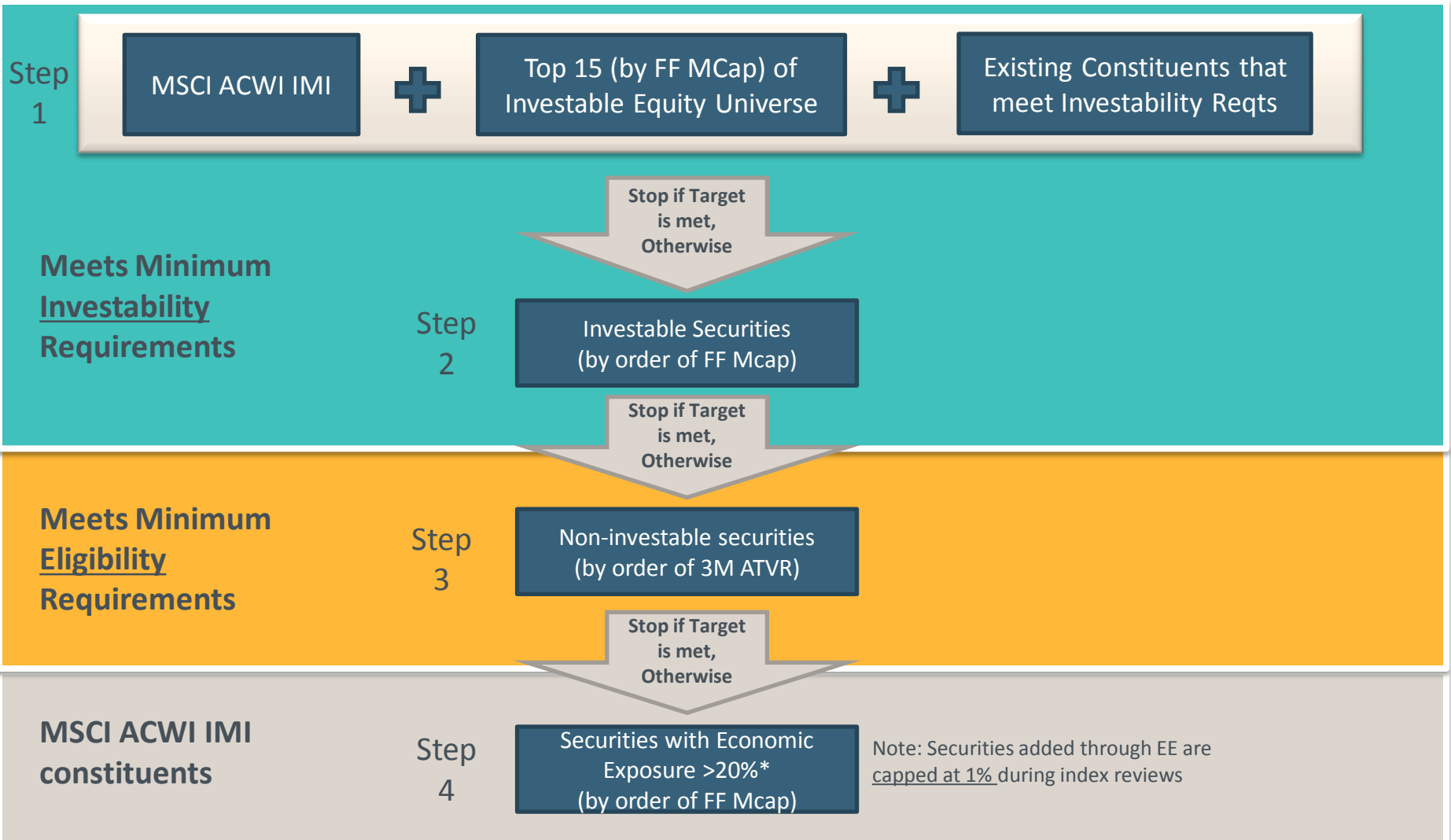
*Based on data from the Nov 2016 AIR

DISCUSSION POINTS

- Is lowering the full market capitalization and free float adjusted market capitalization requirements a reasonable way to expand the equity universes for MSCI All Market Indexes in case the target is still not met?
 - Would an absolute minimum size threshold (e.g. USD10 million) be more appropriate than a threshold based on a percentage of the MSCI Country IMI Market Size-Segment Cutoff?
- Is including securities with economic exposure of at least 10% an appropriate way to add securities to the MSCI All Market Indexes in case the target is still not met?
 - What is the minimum level of economic exposure appropriate for a security to be eligible to an All Market Index?
 - Is maintaining existing constituents with economic exposure of at least 5% appropriate to reduce the index turnover?
- Between size requirement and economic exposure, which should be given more priority?

APPENDIX

CURRENT PROCESS: SELECTION PRIORITY



CURRENT ELIGIBILITY REQUIREMENTS

- The MSCI All Market Indexes currently apply the following eligibility requirements:

	Market	Full Mcap		Float Mcap		FIF		3M ATVR		12M ATVR		3M FOT	
		New	Existing	New	Existing	New	Existing	New	Existing	New	Existing	New	Existing
		25% of IMI Market Size-Segment Cutoff	12.5% of IMI Market Size-Segment Cutoff	12.5% of IMI Market Size-Segment Cutoff	6.25% of IMI Market Size-Segment Cutoff	>= 0.15, except if FF mcap > 1.8x the FF Mcap Cutoff							
Ireland	DM	64	32	32	16	58	29	2.5%	1.0%	2.5%	1.0%	20%	10%
Colombia	EM	74	37	37	18	66	33	2.5%	1.0%	2.5%	1.0%	20%	10%
Peru	EM	74	37	37	18	66	33	2.5%	1.0%	2.5%	1.0%	20%	10%
Greece	EM	45	22	22	11	40	20	2.5%	1.0%	2.5%	1.0%	20%	10%
Qatar	EM	74	37	37	18	66	33	2.5%	1.0%	2.5%	1.0%	20%	10%
UAE	EM	74	37	37	18	66	33	2.5%	1.0%	2.5%	1.0%	20%	10%
Pakistan	FM	37	18	18	9	33	17	2.5%	1.0%	2.5%	1.0%	20%	10%
Argentina	FM	37	18	18	9	33	17			1.0%	1.0%	10%	10%
Nigeria	FM	16	8	8	4	14	7			1.0%	1.0%	10%	10%

*Eligibility Requirements as of Nov 2016 AIR
Market capitalization is in mln USD

CURRENT INVESTABILITY REQUIREMENTS

- The MSCI All Market Indexes currently apply the following investability requirements:

		Full Mcap		Float Mcap		FIF		3M ATVR		12M ATVR		3M FOT	
	Market	New	Existing	New	Existing	New	Existing	New	Existing	New	Existing	New	Existing
		50% of IMI Market Size-Segment Cutoff	25% of IMI Market Size-Segment Cutoff	25% of IMI Market Size-Segment Cutoff	12.5% of IMI Market Size-Segment Cutoff	>= 0.15, except if FF mcap > 1.8x the FF Mcap Cutoff							
Ireland	DM	128	64	64	32	115	58	10.0%	2.5%	10.0%	2.5%	40%	20%
Colombia	EM	147	74	74	37	132	66	7.5%	2.5%	7.5%	2.5%	40%	20%
Peru	EM	147	74	74	37	132	66	7.5%	2.5%	7.5%	2.5%	40%	20%
Greece	EM	90	45	45	22	81	40	7.5%	2.5%	7.5%	2.5%	40%	20%
Qatar	EM	147	74	74	37	132	66	7.5%	2.5%	7.5%	2.5%	40%	20%
UAE	EM	147	74	74	37	132	66	7.5%	2.5%	7.5%	2.5%	40%	20%
Pakistan	FM	74	37	37	18	66	33	7.5%	2.5%	7.5%	2.5%	40%	20%
Argentina	FM	74	37	37	18	66	33			2.5%	1.0%	25%	10%
Nigeria	FM	32	16	16	8	29	14			2.5%	1.0%	25%	10%

*Investability Requirements as of Nov 2016 AIR
Market capitalization is in mln USD

LIST OF SECURITIES IMPACTED BY LOWER SIZE REQTS PROPOSAL

Country	Security Name	Full MCap	Float MCap	FIF	3M ATVR	12M ATVR	3M FOT
IE	DONEGAL INVESTMENT GROUP	58	58	1	3%	4%	59%
CO	TEXTILES FABRICATO TEJIC	40	26	0.65	8%	9%	86%
PE	ACEROS AREQUIPA INV	183	29	0.95	16%	30%	100%
PE	CIA MINERA ATACOCHA B	95	33	0.8	9%	23%	92%
GR	DIAGNOSTIC & THERAPEUTIC	49	15	0.3	7%	9%	98%
GR	DIANA CONTAINERSHIPS	49	20	0.4	101%	59%	100%
GR	HALCOR	36	13	0.35	3%	3%	98%
GR	IASO	31	28	0.9	3%	4%	100%
GR	INTRACOM HOLDINGS	45	29	0.65	14%	12%	100%
GR	J&P AVAX	36	15	0.4	24%	14%	100%
GR	KLEEMAN HELLAS	51	18	0.35	27%	12%	84%
GR	KORRES NATURAL PRODUCTS	50	18	0.35	3%	7%	88%
GR	NIREFS AQUACULTURE	52	16	0.3	6%	14%	100%
GR	PLAISIO COMPUTERS	91	18	0.2	11%	14%	100%
GR	QUEST HOLDINGS	72	18	0.25	4%	3%	81%
QA	AL-KHALEEJ TAKAFUL GROUP	140	35	0.25	11%	24%	86%
QA	ISLAMIC HOLDING GROUP	85	21	0.25	225%	1050%	100%
QA	QATAR & OMAN INVESTMENT	86	21	0.25	77%	149%	100%
AE	FINANCE HOUSE	148	30	0.2	4%	3%	34%
PK	ENGRO POLYMER & CHEM	81	16	0.2	588%	177%	100%
NG	CEMENT CO OF NORTHERN NG	18	5	0.3	3%	5%	95%
NG	UACN PROPERTY DEV	15	7	0.45	2%	4%	100%

*Based on data from the Nov 2016 AIR

LIST OF SECURITIES IMPACTED BY ECONOMIC EXPOSURE PROPOSAL

All Market Country	Security Name	Economic Exposure	Float Mcap	Country of Classification
ARGENTINA	DIA	17.2%	3,029	ES
ARGENTINA	ENERSIS AMERICAS	15.4%	4,573	CL
ARGENTINA	EMPRESAS CMPC	11.5%	2,512	CL
ARGENTINA	ENDESA AMERICAS	10.8%	1,457	CL
ARGENTINA	YAMANA GOLD	10.6%	2,873	CA
ARGENTINA	KLABIN UNIT	10.1%	2,636	BR
ARGENTINA	LATAM AIRLINES GROUP	10.1%	2,605	CL
COLOMBIA	GROUP LEASE	16.0%	530	TH
COLOMBIA	CITIZENS A	14.0%	442	US
COLOMBIA	PRICESMART	11.5%	1,758	US
IRELAND	MAN GROUP	18.7%	2,629	GB
IRELAND	OPKO HEALTH	16.1%	3,501	US
IRELAND	HARVEY NORMAN HOLDINGS	15.4%	1,859	AU
IRELAND	3I GROUP	14.3%	7,736	GB
IRELAND	KEPPEL DC REIT	14.1%	615	SG
IRELAND	KONINKLIJKE BAM GROEP NV	10.8%	1,000	NL
NIGERIA	OCEANEERING INTL	16.5%	2,459	US
NIGERIA	SHIKUN & BINUI	16.4%	337	IL
NIGERIA	BRISTOW GROUP	14.4%	461	US
NIGERIA	BOURBON CORPORATION	12.3%	316	FR
NIGERIA	SEADRILL LTD	11.5%	815	NO
NIGERIA	SUBSEA 7	10.8%	3,053	NO
NIGERIA	TIGER BRANDS	10.5%	4,197	ZA

All Market Country	Security Name	Economic Exposure	Float Mcap	Country of Classification
PAKISTAN	ZORLU ENERJI	12.6%	123	TR
PERU	ENTEL	17.3%	1,574	CL
PERU	ENERSIS AMERICAS	17.0%	4,573	CL
PERU	SILVER WHEATON	16.5%	8,238	CA
PERU	GOLD FIELDS	11.5%	2,709	ZA
QATAR	ENERGY RECOVERY	13.0%	390	US
QATAR	OMAN CEMENT CO	12.0%	116	OM
QATAR	OCCIDENTAL PETROLEUM	11.6%	52,115	US
QATAR	ARABTEC HOLDING	11.4%	770	AE
QATAR	GULF FINANCE HOUSE (AE)	10.0%	1,130	BH
UAE	AHLI UNITED BANK (KW)	18.5%	2,420	BH
UAE	SALAM INTERNATIONAL INV	18.5%	254	QA
UAE	MEZZAN HOLDING	17.9%	401	KW
UAE	EZION HOLDINGS	16.5%	377	SG
UAE	MEDICLINIC INTL	15.6%	3,424	GB
UAE	RAYSUT CEMENT CO	12.9%	278	OM
UAE	AVANCE GAS HOLDING	12.2%	55	NO
UAE	INPEX CORP	10.2%	8,989	JP
UAE	ENERGY RECOVERY	10.0%	390	US

*Based on data from the Nov 2016 AIR

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