

## PRESS RELEASE

### **S&P Dow Jones Indices Announces Country Classification Consultation Results**

**New York, October 30th, 2013:** S&P Dow Jones Indices has announced the results of its Country Classification consultation initiated in August 2013. Based on feedback received, S&P Dow Jones Indices will make the following country reclassifications:

<b>Country</b>	<b>Current Classification</b>	<b>New Classification</b>
Greece	Developed Market	Emerging Market
Qatar	Frontier Market	Emerging Market
UAE	Frontier Market	Emerging Market

Additionally, South Korea and Taiwan will be designated as developed and emerging markets, respectively, across all global benchmarks bringing consistency across S&P and Dow Jones branded indices. Egypt and Morocco will remain emerging markets. Bahrain, Kuwait and Oman will remain frontier markets. Saudi Arabia will remain classified as a standalone market. Furthermore, no changes will be made to the treatment of Chinese A-Shares. S&P Dow Jones Indices will continue to monitor these markets closely for any future changes.

S&P Dow Jones Indices will issue further updates to inform clients of implementation procedures and timelines. All changes will be effective at the annual reconstitution in September 2014.

#### **Reclassification Rationale**

**Greece:** S&P Dow Jones Indices will reclassify Greece as an emerging market. The general consensus among participants is that emerging market status is a more appropriate classification due to the following reasons:

- The Greek equity market lags behind the advancements in market practices typical of other developed markets.
- Dramatic and consistent reduction in market size over the past few years.
- Failed minimum credit ratings criteria: Greece is currently rated as B-; minimum is BB+
- Failed market accessibility criteria:
  - Restrictive securities borrowing and lending facilities.
  - Lack of ease in transferability - market participants pointed out the difficulties in dealing with in-kind transfer and with off-exchange transaction-like facilities that make trading in the local market extremely challenging and impractical.

**Qatar:** S&P Dow Jones Indices will reclassify Qatar as an emerging market as it meets enough quantitative criteria for qualification. Promotion is supported by the following reasons:

- The foreign ownership limit, while still viewed as below the standards of most other emerging markets, has become a point of emphasis for change in Qatar as several large companies have increased their limits to encourage further foreign investment. Continued dedication to increase the limits is an expectation from most market participants.
- DVP (Delivery Versus Payment) settlement system was introduced in 2011 and enhanced twice in 2012 to ensure full protection of investors' assets in case of rejection by the seller.

- Securities lending and borrowing facilities have been launched at the Qatar Exchange. The facilities are currently only available for use by liquidity providers and as a mechanism to prevent settlement failures.
- Market participation in Qatar is viewed as robust and ease of entry into the market is in line with the standards set by other emerging markets.

**United Arab Emirates (UAE):** S&P Dow Jones Indices will reclassify the UAE as an emerging market as it meets all quantitative criteria for qualification. In addition, the consensus among market participants is that emerging market status is the correct classification for UAE for the following reasons:

- The current foreign ownership limit of 49% is considered satisfactory and in line with a few other countries currently designated as emerging. There is an expectation that this limit will be relaxed in the coming years.
- All three UAE exchanges now use DVP (Delivery Versus Payment) settlement. DFM and ADX have enhanced the new procedure on DVP settlement and started to implement the new procedures of Buyer Cash Settlement for trades starting May 5, 2013. The new procedure means that a buying investor will be paid cash compensation in an unlikely event where securities are unavailable for delivery to the buying investor.
- The board of directors of the United Arab Emirates Securities and Commodities Authority (SCA) approved a market-maker regulation along with related regulations for securities lending and borrowing, short selling and liquidity in October 2012.

**South Korea:** S&P Dow Jones Indices confirms the classification of South Korea as a developed market. Dow Jones benchmark indices will therefore classify South Korea as a developed market. Legacy S&P-branded indices already classify it as a developed market. South Korea meets all criteria to be a developed market, except for the lack of ease of currency trading. The general consensus among participants was that while this remains a challenge, moving the market to emerging status may cause greater disruption among passive and active investors. In addition, participants expressed a desire for consistency across S&P Dow Jones Indices benchmarks. (Note: South Korea will continue to be included in the S&P/IFCI Composite.)

**Taiwan:** S&P Dow Jones Indices confirms the classification of Taiwan as an emerging market. Therefore, Dow Jones benchmark indices will classify Taiwan as an emerging market. Legacy S&P-branded indices already classify it as an emerging market. Similar to South Korea, Taiwan also meets all criteria to be a developed market, except for the limits on currency convertibility. While several participants voted to move it to developed market status, twice as many viewed Taiwan as an emerging market. The general consensus was also for consistency across all S&P Dow Jones Indices benchmark indices.

**Egypt:** S&P Dow Jones Indices will continue to classify Egypt as an emerging market as it currently satisfies the minimum criteria. However, market participants have expressed a general concern with foreign exchange repatriation given the recent political turmoil within the country. S&P Dow Jones Indices will not engage in speculation on the political situation. However, a move to a frontier classification may be justified if the market participation issues continue to the point where they are no longer viewed as temporary.

**Morocco:** S&P Dow Jones Indices will continue to classify Morocco as an emerging market as it currently meets the minimum criteria. There is a general lack of market consensus on how Morocco should be classified going forward. However, the ongoing decline in liquidity was cause for concern across the board. If trading volume continues to decline to the point where Morocco's profile becomes similar to other frontier markets, reclassification may be suggested.

**About S&P Dow Jones Indices**

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