

S&P Dow Jones Indices Announces Country Classification Consultation Results

NEW YORK, DECEMBER 15, 2016: S&P Dow Jones Indices (S&P DJI) today announced the results of the country classification consultation initiated in June 2016. Based on feedback received, S&P Dow Jones Indices is making the following country reclassification:

Country	Current Classification	New Classification
Pakistan	Frontier	Emerging

Saudi Arabia remains classified as a stand-alone country. Additionally, no change is being made to the treatment of Chinese A-Shares within the S&P DJI global benchmark indices at this time. All markets continue to be monitored closely for any future changes.

S&P DJI will issue further updates to inform clients of implementation procedures and timelines. The change in status of Pakistan will be effective at the annual reconstitution in September 2017.

Classification Rationale:

Pakistan: Pakistan was reclassified from emerging to frontier in November 2008 following deterioration in market conditions and a lack of investability. However, over the past several years, the market has grown substantially and liquidity has consistently increased after the removal of the market floor rule, eventually leading to market stability. Pakistan now meets all necessary requirements for emerging market status and a strong consensus of market participants are in agreement with the reclassification.

Saudi Arabia: S&P DJI is encouraged by the additional market liberalization steps announced in 2016 by the Saudi Arabian Capital Market Authority and the Saudi Stock Exchange (Tadawul) that are expected to be enacted in 2017. These steps include changes to the equities settlement cycle and removal of account prefunding requirements. However, more time is needed to assess the progression of these changes. They need to be fully implemented and tested by market participants prior to consideration of reclassification to emerging.

China A-Shares: S&P DJI recognizes the steps Chinese authorities have taken in 2016 to improve market accessibility including:

- Continued increase in QFI and RQFII quota availability
- More streamlined QFI and RQFII application and approval process
- Steps taken to address voluntary stock suspensions
- Clarification of beneficial ownership of assets
- Recent opening of the Shenzhen-Hong Kong Stock Connect

Despite the continued strides towards greater market accessibility, most market participants continue to cite the following concerns:

- More time needed to assess the functioning of the rules governing stock suspensions
- Limits on repatriation (particularly the 20% monthly repatriation limit on QFI funds)

Given the remaining concerns, S&P DJI will not include China A-shares broadly at this time, but will continue to closely monitor the China A-share market. Should additional market liberalization steps be enacted, an off-cycle market review may be conducted.

Additionally, recognizing that many global investors are able to access the A-share market and prefer benchmarks that incorporate them, S&P Dow Jones Indices does offer an alternative set of global benchmarks that include A-shares. This suite of indices includes the S&P Emerging BMI + China A, S&P Global BMI + China A, and S&P Total China BMI, among others.

For more information about S&P Dow Jones Indices, please visit www.spdji.com

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