

S&P Dow Jones Indices' Follow-Up Consultation on the Country Classification of Saudi Arabia

NEW YORK, MAY 16, 2018: S&P Dow Jones Indices ("S&P DJI") is conducting a consultation with members of the investment community on potential changes to the country classification status of Saudi Arabia within S&P DJI's global benchmark indices. S&P DJI is considering changing the country classification of Saudi Arabia to reflect the progress made with regard to financial market reforms including greater foreign accessibility and alignment with global standards.

Saudi Arabia has been under consideration for inclusion in S&P DJI global benchmark indices for several years due to its market size and liquidity, its regional economic importance, and the progress that has been made to improve accessibility to foreign investors. Currently, Saudi Arabia is considered a stand-alone country within S&P DJI's global benchmark indices. As a result of last year's annual country classification consultation, S&P DJI decided to leave its status unchanged, due to remaining concerns over the Qualified Foreign Investor (QFI) program as well as custodial requirements that were posing challenges to foreign investors.

Over the last year, the Saudi Arabia Stock Exchange (Tadawul) and Capital Market Authority of Saudi Arabia have made some key changes to market regulations in order to facilitate foreign investment. These changes include, but are not limited to the following:

- Minimum assets under management for QFI reduced to US\$ 500 million
- Individual foreign ownership limit for QFI increased to 10%
- Improvement of independent custody rules
- Accounting required to follow IFRS standards
- Trade settlement cycle changed to T+2
- Expected implementation of a reliable price auction process by the second half of 2018
- Announcement of plans for a central counterparty clearinghouse (CCP) fully operational by the second half of 2019

All of these reforms are expected to support the continuing trend of market liberalization, foreign investor accessibility, and alignment with global standards. In addition, the anticipated initial public offering of Saudi Aramco has drawn significant foreign investor interest. All of these developments reinforce the need to appropriately reflect the status of Saudi Arabia in global investment portfolios.

S&P DJI is gathering feedback from the investment community to determine the most suitable plan for inclusion of Saudi Arabia in our global benchmark indices. If its status is changed from stand-alone to emerging market, the integration could happen at one time, or using a phased approach. Table 1 on the following page shows the hypothetical country representation under these possible scenarios.

Table 1:

Benchmark Index ¹	Hypothetical Weights of Saudi Arabia at	
	Full Inclusion	50% Inclusion
S&P Emerging BMI	2.57%	1.30%
S&P Global BMI	0.28%	0.14%

In addition, tables 2 and 3 below show notable constituent data and summary statistics for the S&P Saudi Arabia BMI.

Table 2:

Twenty Largest Stocks in the S&P Saudi Arabia BMI ¹		
Stock Name	Market Cap (\$M)	
	Total	Float-Adjusted
SAUDI BASIC INDUSTRIES CORP	91,626	21,990
Al Rajhi Banking & Investment Corp.	36,402	17,837
National Commercial Bank	35,838	12,902
Samba Financial Group	15,492	7,591
Saudi Telecom	44,120	7,059
Saudi Arabian Mining Company	17,697	6,194
Saudi Electricity Company	25,465	4,838
Riyadh Bank	11,991	4,317
Alinma Bank	8,339	4,086
Almarai Co. Ltd.	15,991	3,998
Yanbu National Petrochemicals Company	10,426	3,858
Banque Saudi Fransi	10,606	3,606
Saudi Arabian Fertilizer Company	7,273	3,273
SAVOLA Group	5,956	2,918
Saudi Kayan Petrochemical Company	5,752	2,818
Jarir Marketing Company	4,115	2,016
Dar Al Arkan Real Estate Development	3,997	1,959
Bank Al Bilad	3,902	1,873
National Industrialization Company	3,658	1,793
Etihad Etisalat Co.	3,529	1,729

Table 3:

Size Category ¹	Constituent Count	Market Cap (\$M)	
		Total	Float-Adjusted
LargeCap	23	374,671	118,997
MidCap	20	41,737	18,455
SmallCap	73	33,793	15,109
Total	116	450,202	152,562

¹ Data as of May 1, 2018.

QUESTIONS

Please answer the following questions and provide S&P DJI with the reasoning behind your answers:

1. **Should S&P DJI change the country classification for Saudi Arabia from stand-alone to emerging market?**
 - Yes, the reclassification should be made all at once
 - Yes, the reclassification should be made gradually using a phased approach
 - No, Saudi Arabia should not be reclassified
2. **If you supported reclassifying Saudi Arabia to emerging market status in Question 1 above, when do you think the change should first be implemented?**
 - At the September 2018 reconstitution
 - In March 2019
 - In September 2019
 - At a later date
3. **If you did not support reclassifying Saudi Arabia in Question 1 above, what are the remaining concerns that you feel need to be addressed before you would support reclassifying Saudi Arabia to emerging market status?**
4. **Do you have any other comments or feedback regarding the proposed changes outlined above?**

Your participation in this consultation is important as we gather information from various market participants in order to properly evaluate your views and preferences. S&P DJI will make responses to consultations freely available upon request.² If you do not want your response to be made available, you must clearly state that in your response. Please respond to this survey by **June 15, 2018**. After this date, S&P DJI will no longer accept survey responses. Prior to the Index Committee's final review, S&P DJI will consider the issues and may request clarifications from respondents as part of that review. Alternative options to the proposed questions after the deadline require that the consultation be re-opened to the public.

To participate in this consultation, please visit the online survey available [here](#).

For further information about this consultation, please contact S&P Dow Jones Indices at index_services@spglobal.com.

Please be advised that all comments from this consultation will be reviewed and considered before a final decision is made; however, S&P DJI makes no guarantees or is under any obligation to comply with any of the responses. The survey may result in no changes or outcome of any kind. If S&P DJI decides to change the index methodology, an announcement will be posted on our website.

Thank you for taking the time to complete this survey.

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

² Individual and company names as well as contact details will be redacted.

ABOUT S&P DOW JONES INDICES

S&P Dow Jones Indices is the largest global resource for essential index-based concepts, data and research, and home to iconic financial market indicators, such as the S&P 500[®] and the Dow Jones Industrial Average[®]. More assets are invested in products based on our indices than products based on indices from any other provider in the world. Since Charles Dow invented the first index in 1884, S&P DJI has become home to over 1,000,000 indices across the spectrum of asset classes that have helped define the way investors measure and trade the markets.

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