



**Consultation on the Potential Removal of
the MSCI Venezuela Index from the MSCI
Emerging Markets Index**

March 15, 2006

Introduction

- MSCI Barra, a leading provider of benchmark indices and risk management analytics products, announced today that it is proposing to remove the MSCI Venezuela Index from the MSCI Emerging Markets Index
- MSCI Barra welcomes any feedback from the investment community on this proposal, and plans to contact market participants to solicit feedback.
- Please note that this consultation may or may not result in any changes to the status of the MSCI Venezuela Index in the Emerging Markets Index. Changes, if any, will be announced in advance.

Rationale for the Proposal

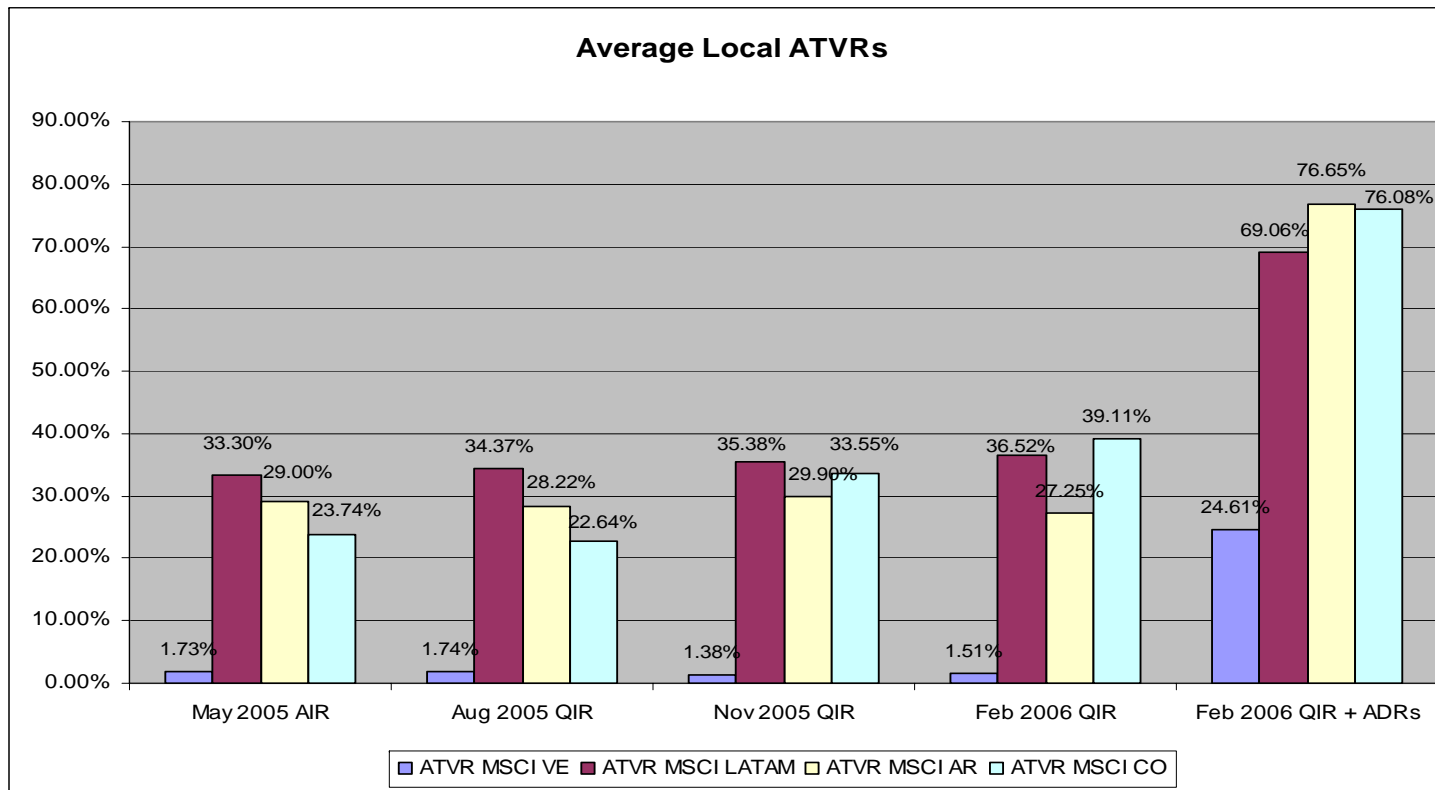
- MSCI Equity Index Series are constructed and managed with a view to being fully investable from the perspective of international institutional investors. MSCI strives to achieve this objective by providing indices that are replicable. This includes representing constituents in the index that can easily and cost effectively be reflected in global institutional portfolios of reasonable size.
- Consequently, this proposal has been put forward in light of:
 - The continued presence of investability restrictions linked to the foreign exchange regime put in place in the country in February 2003,
 - The lack of liquidity of most of its constituents,
 - The continued weight decrease of the MSCI Venezuela Index in the MSCI Emerging Markets Index over the last several years.
- As of the close of February 28, 2006, the weight of the MSCI Venezuela Index in the MSCI Emerging Markets Index was 0.085%.

Current Situation – Foreign Exchange Control

- There are currently controls on foreign exchange in effect under Venezuelan law which restrict the access of companies and individuals to foreign exchange
- CADIVI (Foreign Exchange Administration Commission), was created to coordinate, manage, control and establish the set of requirements for the distribution of foreign currencies
- Since the exchange of VEB for foreign currencies is restricted, repatriation of sales proceeds and dividend payments are halted. However, CANTV has been receiving approval from CADIVI for the conversion of VEB to US dollars for repatriation of dividends.
- Additionally, CADIVI has allowed the ADR/Bond Swap parallel foreign exchange market to function.

Current Situation – Liquidity Profile

- The MSCI Venezuela (VE) shows extremely low market liquidity compared to the MSCI Argentina (AR), MSCI Colombia (CO) and MSCI LATAM
- The chart below outlines the average Annualized Traded Volume Ratios (ATVR) of the constituents of the MSCI Venezuela and other selected Indices at the most recent Quarterly Index Reviews (QIR) and Annual Index review (AIR)



Current Situation – Liquidity Profile (Cont'd)

- MSCI Venezuela: Constituents and weights in selected indices
 - Poor liquidity (Local ATVR)
 - Only CANTV D has a Level 3 ADR program
 - Index replication via ADR does not provide diversification
 - High cost to replicate ~35% of the non ADR MSCI Venezuela

Security	FIF	Index Mcap	Local ATVR	ADR ATVR	Final ATVR	MSCI VE Weight	MSCI EM Weight
CANTV Telefonos Venez. D	0.95	1,052	2.03%	117.25%	119.29%	65.35%	0.058%
Mercantil Svcs Fin B	0.60	244	3.28%		3.28%	15.14%	0.013%
Mercantil Svcs Fin A	0.40	225	5.18%		5.18%	13.97%	0.012%
Banco Provincial	0.13	58	0.99%		0.99%	3.62%	0.003%
Banco Venez. de Credito	0.25	31	2.47%		2.47%	1.93%	0.002%
Total		1,609				100.00%	0.088%

Data as of February 28, 2006. Market Cap data in USD Million.

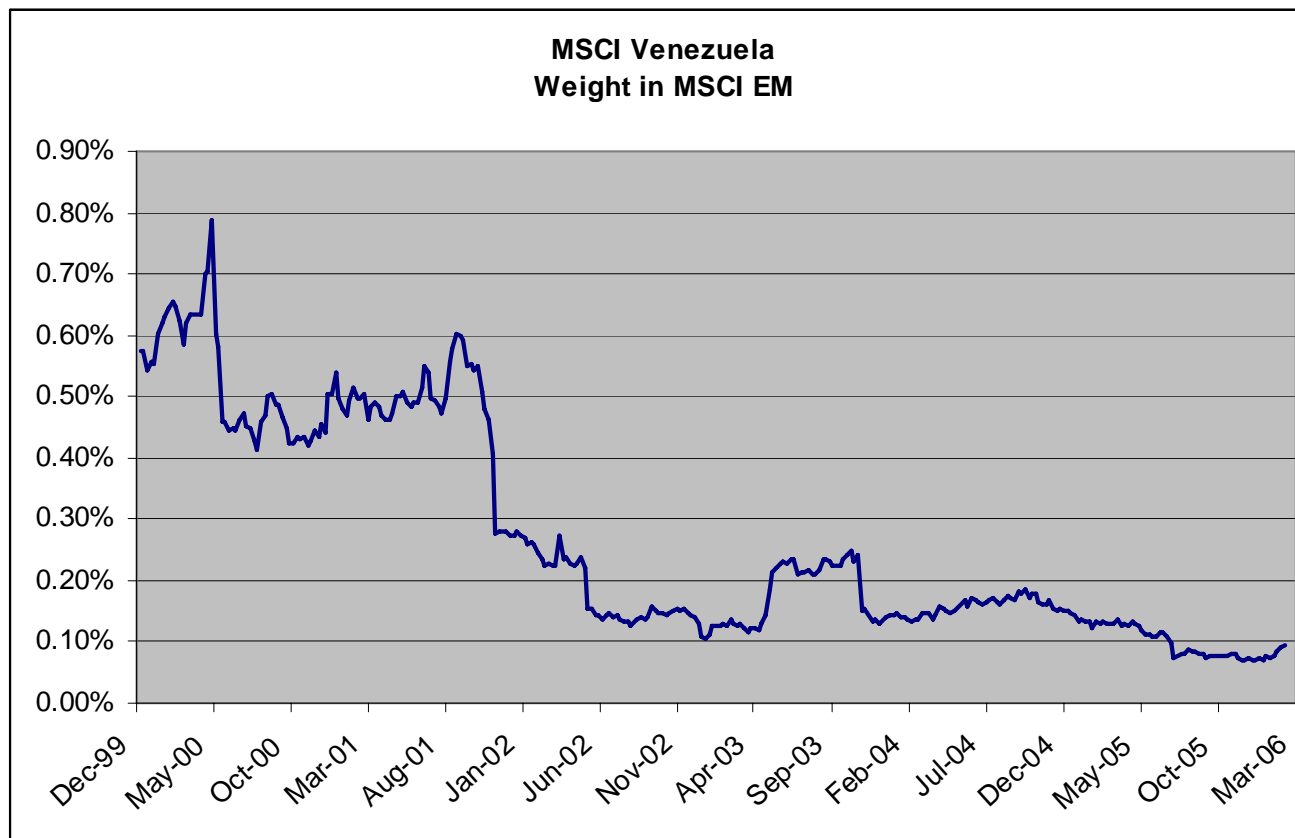
Current Situation – Country Index Relative Sizes

- MSCI Venezuela - smallest weight of the MSCI EM Index during 2004- 2005
- MSCI Colombia – smallest weight of the MSCI EM Index during 2001 – 2003

	Lowest Weights in MSCI EM				
	30-Dec-05	31-Dec-04	31-Dec-03	31-Dec-02	31-Dec-01
Venezuela	0.07%	0.15%	0.13%	0.15%	0.28%
Morocco	0.22%	0.32%	0.23%	0.29%	0.26%
Jordan	0.27%	0.18%	0.17%	0.18%	0.18%
Pakistan	0.28%	0.16%	0.18%	0.28%	0.16%
Colombia	0.37%	0.17%	0.11%	0.11%	0.14%
Philippines	0.47%	0.48%	0.50%	0.48%	0.69%
Peru	0.49%	0.45%	0.57%	0.51%	0.39%
Argentina	0.60%	0.54%	0.59%	0.46%	1.10%
Egypt	0.80%	0.44%	0.25%	0.22%	0.19%
Czech Republic	0.87%	0.83%	0.52%	0.50%	0.61%
Hungary	1.22%	1.58%	1.01%	1.26%	0.93%
Indonesia	1.41%	1.86%	1.53%	1.12%	0.74%
Chile	1.68%	1.94%	2.06%	1.61%	2.61%
Poland	1.69%	1.96%	1.29%	1.28%	1.13%
Thailand	1.84%	2.48%	3.23%	1.72%	1.54%

Current Situation – Country Index Relative Sizes (Cont'd)

- The table below outlines the weekly weight of the MSCI Venezuela Index in the MSCI Emerging Markets Index from January 2000 through March 2006.



Proposal / Alternatives

Proposal

- Remove the MSCI Venezuela Index from the MSCI Emerging Markets Index and reclassify it as a stand-alone index

Other Alternatives

- Delete illiquid constituents from the MSCI Venezuela, potentially resulting in a single stock Country Index member of the MSCI Standard Equity Index Series.
- Keep the status of the MSCI Venezuela Index unchanged at this point in time.

Investor Feedback

- MSCI Barra now invites our clients and investors to comment on the proposals presented in this consultation paper. To participate in this consultation please contact:
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 - Aatish Suchak, MSCI, London + 44 20 7425 6660
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