

CHINA A SHARES INCLUSION

Implementation Q&A

July 2018

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CHINA A SHARES PARTIAL INCLUSION IMPLEMENTATION Q&A

On June 20, 2017 MSCI announced the partial inclusion of China A shares in the MSCI China Index, the MSCI Emerging Markets Index and the MSCI ACWI Index.

The first phase of the implementation was completed as part of the May 2018 Semi-Annual Index Review (SAIR) as of the close of May 31, 2018. MSCI will implement the second phase of the inclusion of China A shares to the MSCI China Index as part of the August 2018 Quarterly Index Review (QIR) as of the close of August 31, 2018.

The purpose of this document is to address commonly asked questions regarding the implementation of the partial inclusion of China A Shares in various MSCI Indexes. The document also explains in some detail the MSCI China Index offering.

For further details please refer to Appendixes XIV, XV, XVI and XVII of the MSCI Global Investable Market Indexes methodology book available at: <https://www.msci.com/index-methodology>.

1 GENERAL QUESTIONS ON THE INCLUSION OF CHINA A SHARES

What type of securities was added to the MSCI China Index?

Large Cap China A shares were added to the MSCI China Index, the MSCI Emerging Markets (EM) Index and the MSCI ACWI Index at 5% of their FIF¹-adjusted market capitalization through the application of a Partial Inclusion Factor.

What is the Partial Inclusion Factor?

The Partial Inclusion Factor is used to represent the proportion of the FIF-adjusted market capitalization of China A shares included in the pro forma MSCI China Index.

Will the partial inclusion of China A shares be implemented in multiple phases?

Yes. A two-step inclusion process of 2.5% each will be implemented to account for the existing daily trading limits on Stock Connect.

When will the partial inclusion of China A shares in the MSCI Indexes take place?

The first inclusion step coincided with the May 2018 SAIR, effective on June 1, 2018 through the application of a Partial Inclusion Factor of 0.025. The second step, which increases the

¹ FIF stands for Foreign Inclusion Factor

Partial Inclusion Factor to 0.050, will take place as part of the August 2018 QIR, effective on September 3, 2018.

Has MSCI provided an indicative list of constituents of the MSCI China Index post inclusion of China A shares?

Yes. Clients may refer to the MSCI China Provisional Index. Index constituent data is delivered through the Integrated Client Files (ICF) upon request.

When will MSCI make available the final post-inclusion list of index constituents of the MSCI China Index as part of the second phase of inclusion in August 2018 QIR?

The final list of constituents for the MSCI China Index as part of the second phase of China A Shares inclusion will be announced on August 13, 2018, together with the announcement of the results of the Aug 2018 QIR.

How did MSCI derive the pro forma list of constituents for the MSCI China Index at the time of the May 2018 SAIR?

The MSCI China Index was made to converge with the pro forma MSCI China Provisional Index at the time of the May 2018 SAIR. A Partial Inclusion Factor of 0.025 was then applied on the China A shares included in the Index.

How did MSCI rebalance the MSCI China Provisional Index at the time of the May 2018 SAIR?

At the time of the May 2018 SAIR, the constituents of the MSCI China Provisional Indexes were derived from the pro-forma MSCI China All Shares Indexes by excluding:

- Mid Cap A shares²
- China A shares that are not accessible through the Shanghai and Shenzhen Stock Connect programs

How will MSCI rebalance the MSCI China Index at the time of the August 2018 QIR?

MSCI will apply the rules of the MSCI GIMI methodology on the integrated China Equity Universe and the Partial Inclusion Factor applied on the China A shares will then be increased to 0.050.

² Excludes also the Small Cap A shares for the IMI

What is the integrated MSCI China equity universe?

The integrated MSCI China equity universe comprises of A shares and B shares listed in China; H shares, Red chips and P chips listed in Hong Kong; as well as foreign listed Chinese companies.

How many China A shares were added to the MSCI China Index as part of the May 2018 SAIR?

226 China A shares were added to the MSCI China Index effective June 1, 2018 as part of the first phase of inclusion in the May 2018 SAIR.

2 MSCI CHINA INDEX OFFERING

MSCI offers a range of equity indexes providing China exposure which cater for different investment use cases. The table below outlines the full set of the MSCI China Index offering.

MSCI China Indexes	Share Class										
	B Shares	H Shares	Red Chips	P Chips	Foreign Listings	A Shares					
						All	Connect eligible only	Size-Segment	Listing	Partial Inclusion Factor	Free Float Inclusion Factor
Integrated China Equity Universe											
MSCI China All Shares Index	✓	✓	✓	✓	✓	✓		L/M/S	Onshore		FIF
MSCI China A International Index						✓		L/M/S	Onshore		FIF
MSCI China A Index							✓	L/M	Connect		FIF
MSCI China A RMB Index							✓	L/M	Onshore		FIF
MSCI China Indexes	✓	✓	✓	✓	✓	✓		L	Connect	5%	FIF
MSCI China A Inclusion Index							✓	L	Connect		FIF
MSCI China A Inclusion RMB Index							✓	L	Onshore		FIF
MSCI China Provisional Index	✓	✓	✓	✓	✓		✓	L	Connect	5%	FIF
Domestic China A Shares Equity Universe											
MSI China A Onshore Index						✓		L/M/S	Onshore		DIF

What Provisional Indexes are provided?

MSCI calculates the MSCI China A Large Cap Provisional Index, which represents China A shares to be included in the MSCI China Index, the MSCI China Provisional Indexes, as well as a series of Provisional Indexes as part of the MSCI ACWI Index series that include China A shares using the 5% Partial Inclusion Factor:

- MSCI ACWI Provisional Index
- MSCI ACWI IMI Provisional Index

- MSCI ACWI ex Japan Provisional Index
- MSCI EM Provisional Index
- MSCI EM IMI Provisional Index
- MSCI EM Asia Provisional Index
- MSCI EM Asia IMI Provisional Index
- MSCI AC Asia Provisional Index
- MSCI AC Asia IMI Provisional Index
- MSCI AC Asia ex Japan Provisional Index
- MSCI AC Asia ex Japan IMI Provisional Index
- MSCI AC Asia Pacific Provisional Index
- MSCI AC Asia Pacific IMI Provisional Index
- MSCI AC Asia Pacific ex Japan Provisional Index
- MSCI AC Asia Pacific ex Japan Provisional Index
- MSCI Golden Dragon Provisional Index
- MSCI Golden Dragon IMI Provisional Index
- MSCI ZhongHua Provisional Index
- MSCI ZhongHua IMI Provisional Index

What is the MSCI China All Shares Index?

The MSCI China All Shares Index is constructed by applying the MSCI GIMI methodology on the integrated MSCI China equity universe which comprises of A shares, B shares, H shares, Red-chips, P-chips and foreign listed Chinese companies and aims to reflect the complete investable opportunity set of mainland China A shares securities from an international investor’s perspective.

Does the MSCI China All Shares Index reflect Foreign Ownership Limits?

Yes. The security weight of the MSCI China All Shares Index is determined based on the security free float-adjusted market capitalization, adjusted using the Foreign Inclusion Factor (FIF) which is subject to a Foreign Ownership Limit (FOL).

Is Foreign Ownership Limit and Foreign Room calculation applicable to China A shares?

Yes. Currently, MSCI applies FOL of 30% to China A shares and monitors the foreign room following the MSCI GIMI Methodology.

How does the MSCI China Index differ from the MSCI China All Shares Index?

The MSCI China Index represents the Chinese securities that are part of the MSCI Emerging Markets and the MSCI ACWI Indexes while the MSCI China All Shares Index aims to represent a potential scenario where China A shares are fully included in the MSCI China Index. Currently, only Large Cap China A shares that are Stock Connect eligible are included at 5% of their free float-adjusted market capitalization in the MSCI China Index. This index is not indicative in any way of future action by MSCI with respect to the future inclusion of any stock into a particular index.

What is the MSCI China A International Index?

The constituents of the MSCI China A International Index are the China A share constituents of the MSCI China All Shares Index. The MSCI China A International Index represents the China A share component of the MSCI Emerging Markets Index in the theoretical event of full inclusion of China A shares in the MSCI China Index. This index is not indicative in any way of future action by MSCI with respect to the future inclusion of any stocks into a particular index.

What is the MSCI China A Onshore Index³?

Unlike the MSCI China A International Index, the MSCI China A Onshore Index is a standalone index constructed based on an equity universe comprised only of China A shares and the weight is determined by the security free float-adjusted market capitalization, adjusted using the Domestic Inclusion Factor (DIF) which is not subject to the 30% FOL.

What indexes cover only the China A shares that are included in the MSCI China Index?

The MSCI China A Inclusion Indexes represent the China A share component of the MSCI China, MSCI Emerging Markets and the MSCI ACWI Indexes. The MSCI China A Large Cap Provisional Index also represents this portion of China A shares, however it will be discontinued. The MSCI China A Inclusion Index will continue to be calculated and reflect the evolution of potential future inclusion steps of China A shares.

³ The MSCI China A Onshore Index is known as the MSCI China A Index prior to March 1, 2018.

What indexes reflect the China A shares portion of the MSCI China A International Indexes that are investable through the Stock Connect program?

The MSCI China A Indexes represent the component of the MSCI China A International Indexes that is accessible through the Stock Connect program.

Why do the MSCI China A and the MSCI China A Inclusion have an RMB variant?

The MSCI China A and the MSCI China A Inclusion Indexes are calculated using the Stock Connect listing based on the offshore RMB exchange rate (CNH).

The MSCI China A RMB and the MSCI China A Inclusion RMB Indexes are calculated using China A local listings based on the onshore RMB exchange rate (CNY). These indexes are designed for domestic investors and represent the same opportunity set as the MSCI China A and the MSCI China A Inclusion Indexes respectively.

3 INDEX MAINTENANCE OF MSCI CHINA INDEXES FOLLOWING THE PARTIAL INCLUSION OF CHINA A SHARES

What methodology is applicable to the MSCI China Indexes following the partial inclusion of China A shares?

Starting from the May 2018 Semi-Annual Index Review, the MSCI China Index were reviewed based on the integrated MSCI China equity universe, comprised of A shares and B shares listed in China; H shares, Red chips and P chips listed in Hong Kong; as well as foreign listed Chinese companies, under the Emerging Markets thresholds described in the MSCI Global Investable Market Indexes (GIMI) methodology book.

Which other MSCI Indexes are reviewed based on the integrated MSCI China equity universe?

The following Indexes are reviewed based on the integrated MSCI China equity universe:

- MSCI China All Shares Indexes
- MSCI China A International Indexes
- MSCI China A Indexes
- MSCI China A RMB Indexes
- MSCI China A Inclusion Index
- MSCI China A Inclusion RMB Index

What prices and exchange rate are used for China A shares at the time of the Index Review?

For the purpose of index rebalancing of the MSCI Global Investable Market Indexes, the security market capitalization of all the China A shares in the integrated China equity universe is converted to US Dollars (USD) using onshore RMB exchange rate (CNY) for all China Indexes.

What prices and exchange rate are used for China A shares for calculating indexes based on Stock Connect listings?

An MSCI Index is calculated based on the offshore RMB exchange rate (CNH) rate if the China A share component is included using “Stock Connect” listings. Examples: MSCI China Index and MSCI China A Inclusion Index.

What prices and exchange rate are used for China A shares for calculating indexes based on onshore listings of A shares?

An MSCI Index is calculated based on the onshore RMB exchange rate (CNY) rate if the China A share component is included using onshore listings. Examples: MSCI China All Shares Index and MSCI China A International Index.

Did the calculation of the Market Size-Segment Cutoffs as well as assigning companies to the Size-Segments for the MSCI China Indexes change following the partial inclusion of China A shares?

Yes. After the partial inclusion of China A shares, the Market Size-Segment Cutoffs of the MSCI China Indexes are derived on the basis of the integrated MSCI China equity universe. Company level allocation to Size-Segments within the MSCI China Indexes is now identical to the MSCI China All Shares Indexes.

How is the final index constituents determined for the MSCI China Indexes?

Like for any other market, once companies are assigned to each size-segment, the securities of companies in each segment are evaluated for conformity with the additional size-segment investability requirements for each size-segment. However, in addition to this, China A shares are further screened on the basis of their Stock Connect eligibility and Size-Segment allocation status. More specifically, China A shares not available through the Stock Connect as well as China A shares of companies allocated to the Mid and Small Cap Size-Segments will not be added to the MSCI China Indexes or the MSCI Emerging Markets Index.

Which securities does MSCI consider to be Stock Connect eligible?

China A Shares that are eligible for both buy and sell under either the Shanghai Connect or the Shenzhen Connect program are eligible for inclusion to the MSCI China Indexes.

What is the data cutoff date for Stock Connect Eligibility Screen?

Stock Connect eligibility is reviewed on a quarterly basis coinciding with the regular MSCI Index Reviews. A China A share will only be considered for inclusion to the MSCI China Indexes if it becomes accessible through the Stock Connect program on or prior to the Index Review Price Cutoff Date.

For example, a China A share becoming accessible through the Stock Connect programs after the Price Cutoff Date of the May SAIR will not be considered for the May SAIR.

Is the Partial Inclusion Factor taken into consideration during the Index Review for constituent selection?

No. The Partial Inclusion Factor is not taken into consideration in the Index Maintenance process at the time of the Index Review for determining pro-forma list of constituents of the MSCI China Indexes. However, it is applied in addition to the FIF in the calculation of the security index weights.

Does the Partial Inclusion Factor impact the Annualized Traded Values Ratios (ATVRs)?

No. ATVRs are not impacted by the Partial Inclusion Factor.

Does the Partial Inclusion Factor impact free float-adjusted market capitalization used in the additional size-segment investability requirements?

No. The free float-adjusted market capitalization used in the additional size-segment investability requirements is not impacted by the Partial Inclusion Factor.

What is the treatment of China A Shares that are constituents of the MSCI China All Shares Indexes but are not constituents of the MSCI China Indexes during Index Reviews?

China A shares that are not constituents of the MSCI China Indexes are assessed as part of the index review based on their status in the MSCI China All Shares Indexes. More specifically, as long as the China A share is a constituent of the MSCI China All Shares Indexes, it will be subject to all the buffer rules (including buffers for investability requirements, size-segment allocation and final size-segment investability requirements).

Were there any enhancements to the policy regarding trading suspensions during Index Reviews in the context of the inclusion of China A shares?

Yes. Additions of Chinese securities to all MSCI Indexes⁴ (including pro forma MSCI China Indexes, MSCI China A Inclusion Indexes, MSCI China All Shares Indexes and MSCI China A Onshore Indexes) will be cancelled instead of postponed if the securities are suspended on the day prior to the effective implementation of the Index Review. The inclusion of the security will be re-evaluated at the next Index Review.

In case of suspensions, would the increase in weight for China A shares at the time of the August 2018 QIR (i.e., Phase II of the implementation) be postponed?

In the context of the inclusion of China A shares, changes in the Partial Inclusion Factor, if any (e.g. increase in weight due to the two-step inclusion process as part of the August 2018 QIR), will be postponed when the affected securities are suspended. The postponed changes will be implemented 2 days after the security resumes trading.

In case of breach of the Stock Connect daily limit, will MSCI postpone the implementation of Index Review changes?

No. MSCI will not postpone the implementation of Index Review changes for Stock Connect listings of China A shares when the Stock Connect daily limit is breached on the effective implementation date.

4 ONGOING EVENT MAINTENANCE METHODOLOGY IMPACT ON THE MSCI CHINA INDEXES

The ongoing event-related changes to the MSCI China Indexes primarily follow the MSCI GIMI Methodology and the MSCI Corporate Events Methodology⁵. However, in order to reflect accessibility of securities trading on Stock Connect and to keep the MSCI Indexes that contains Stock Connect listings replicable, methodologies were enhanced in order to more precisely reflect the investment process of Stock Connect investors.

⁴ Non-current IMI constituent

⁵ The MSCI China A Onshore Indexes will also continue to follow the MSCI GIMI Methodology and MSCI Corporate Events Methodology.

What is the treatment for IPOs of China A shares?

IPOs of China A shares will only be reviewed for addition to the MSCI China Index at subsequent Index Reviews in order to assess the Stock Connect eligibility of the security.

What is the treatment for other early inclusions of China A shares?

Other early inclusion of China A shares (for example but not limited to spin off, merger, acquisition) will only be considered for inclusion in the MSCI China Indexes

- if the event involves an existing constituent of the index,
- if the new security is allocated to an eligible size-segment
- and if the Stock Connect eligibility of the security is announced on or before the day of MSCI sending “Confirmed” corporate event announcement for the relevant event.

What Partial Inclusion Factor is applicable for early inclusions of China A shares?

The applicable Partial Inclusion Factor to a newly added security will be the same as the Partial Inclusion Factor of the Parent security. The treatment for such cases, if any, would be communicated to clients with sufficient advance notice through the regular channels.

What treatment is applicable to the MSCI China Indexes when there is a corporate event that triggers a migration of a China A share in the MSCI China All Shares Indexes?

Migrations of China A shares to the Large Cap Size-Segment from the Mid Cap or Small Cap Size-Segments of the MSCI China All Shares Indexes outside regular Index Reviews will not be added to the MSCI China Index. However, migrations of China A shares from the Large Cap Size-Segment to the Mid Cap or Small Cap Size-Segments of the MSCI China All Shares Indexes will be simultaneously deleted from the MSCI China Index.

What is the treatment for existing constituents of the MSCI China Indexes that become Stock Connect ineligible?

Existing A share constituents of the MSCI China Indexes that are no longer accessible through the Stock Connect programs will be deleted from the indexes with a notice period of at least two full business days.

If the impacted securities are suspended on the day prior to the implementation date, MSCI will postpone the implementation. The postponed deletions will be implemented two days after the securities resume trading.

What is the treatment for new additions to the MSCI China Indexes that become ineligible for Stock Connect?

All pro forma China A share additions to the MSCI China Indexes that subsequently become Stock Connect ineligible will be cancelled.

Will MSCI apply special treatment for the implementation of corporate events for Stock Connect securities?

Yes. MSCI will generally implement corporate events as per the current Corporate Events Methodology for all types of events except for cases when Stock Connect is closed but the onshore Chinese domestic market is trading. In such scenario, MSCI will either postpone or prepone the implementation date based on type of corporate event.

In which cases will MSCI apply special treatment for the implementation of corporate events for Stock Connect securities?

The effective date of the event will be postponed for non-market neutral PAF event (example: Rights Issue, Spin-off, Special Dividend, etc.) and non-market neutral non-PAF event (example: Placement, Acquisition, etc.). However, market-neutral PAF events (example: Stock Dividend, Split, Consolidation, etc.) will continue to be implemented on ex-date irrespective of stock connect holiday. Kindly note, for non-market neutral PAF events previous day's price will be carried forward for the security on the ex-date.

When will MSCI reinvest normal cash dividends, which has an ex-date coinciding with stock connect holiday?

MSCI will postpone the reinvestment of dividend to the next trading day, where Stock Connect has trading holiday on the ex-date of a dividend. This treatment is similar to the implementation that MSCI will follow for special dividends and capital repayment. The only difference in case of normal cash dividends is usage of the ex-date market price for the Stock Connect China A shares from exchange for index calculations.

As there are some Corporate Event treatments that may result in differences between the China A share component in the MSCI China Indexes and MSCI China All Shares Indexes, how will these indexes be assessed in the following index review?

All MSCI China Indexes that are based on the integrated MSCI China equity universe will be assessed in the following Index Review based on the MSCI China All Shares Indexes.

How does MSCI determine the Interim Market Size-Segment Cutoffs for daily maintenance for the pro forma MSCI China Index and other “China Indexes”?

The Interim Market Size-Segment Cutoffs of the MSCI China All Shares Indexes are applicable for the pro forma MSCI China Indexes and other MSCI China Indexes that are based on the integrated MSCI China equity universe.

In case of breach of the Stock Connect daily limit, will MSCI postpone the implementation of corporate events?

No. MSCI will not postpone the implementation of corporate events for Stock Connect listings of China A shares when the Stock Connect daily limit is breached on the effective implementation date.

5 IMPACT OF THE PARTIAL INCLUSION OF CHINA A SHARES ON OTHER MSCI INDEXES

What prices and exchange rate are used for the construction and maintenance of derived Indexes where China A shares will be included?

For derived index construction and rebalancing, the starting weights used for the derived indexes are computed using

- The offshore RMB exchange rate (CNH) if the China A share component is included using “Stock Connect” listings in the parent index
- The onshore RMB exchange rate (CNY) if the China A share component is included using onshore listings in the parent index.

What prices and exchange rate are used for the Index Calculation of derived Indexes where China A shares are included?

For the purpose of daily Index calculation:

- Derived index is calculated based on the offshore RMB exchange rate (CNH) if the China A share component is included using “Stock Connect” listings in the parent index. Examples: Derived indexes using pro forma MSCI China Index or MSCI China A Inclusion Index as parent index.
- Derived index is calculated based on the onshore RMB exchange rate (CNY) if the China A share component is included using onshore listings in the parent index.

Examples: Derived indexes using MSCI China All Shares Index or MSCI China A Inclusion RMB Index as the parent index.

Is there any impact on the MSCI China Free Index?

Yes. Both China A shares and China B shares became eligible for inclusion starting from the May 2018 Semi-Annual Index Review for the MSCI China Free Index.

Is the Partial Inclusion Factors applicable to the MSCI China Free Index?

Yes. China A shares in the MSCI China Free Index are subject to Partial Inclusion Factor of 0.025 from June 1, 2018 onwards and 0.050 from September 3, 2018 onwards similar to the MSCI China Index.

Is there be any impact on the MSCI China 50 Index?

Yes. Both China A shares and China B shares are eligible for inclusion starting from the May 2018 Semi-Annual Index Review for the MSCI China 50 Index.

Is there any impact on the MSCI EM 50 Index?

Yes. Both China A shares and China B shares are eligible for inclusion starting from the May 2018 Semi-Annual Index Review for the MSCI EM 50 Index.

Is there any impact on the MSCI All China Index?

No. MSCI did not include China A "Stock Connect" listings but retained the onshore China A Shares in the MSCI All China Indexes effective June 1, 2018. However, MSCI will transition the MSCI All China Indexes to the MSCI China All Shares Indexes effective June 1, 2019.

Will there be any impact on the MSCI Islamic indexes?

Yes. New additions to the MSCI Equity Indexes resulting from a Quarterly Index Review may be considered for inclusion to the Islamic Indexes at the following Quarterly Index Review. Hence, China A shares that are added to their parent MSCI China, MSCI EM and MSCI ACWI Indexes in the May 2018 SAIR may only be added to the respective MSCI Islamic Indexes as part of the August 2018 Quarterly Index Review at a 5% partial Inclusion Factor, in one step, provided they meet the relevant MSCI Islamic Screening requirements.

Is there any impact to the methodology and maintenance of the MSCI Factor, Capped, Thematic and ESG Indexes (Derived Indexes)?

The MSCI Factor, Capped, Thematic and ESG Indexes will use the adjusted weights (post application of the Partial Inclusion Factor for China A Stock Connect securities) from the

underlying MSCI Global Investable Market Indexes. The specific MSCI Derived Index rebalancing methodology will then be applied and no further adjustments will be made to the weight of the China A stock connect securities, post the Derived Index rebalancing.

In addition, MSCI will implement the following enhancements to the methodologies using an optimization approach:

- For the MSCI 25/50 and 35/65 Indexes, the weight of each China A security will be capped at a maximum of three times its weight in the Parent Index
- For other optimized indexes (Diversified Multi-Factor, Minimum Volatility, Low Carbon Leaders, Low Carbon Target, Factor ESG Target Series, ESG Focus and Minimum Volatility ESG Target), the specific country weight constraint in each methodology will also be applied on China A securities separately (within overall China country), in addition to the usual country weight constraint for China.

How would the MSCI Derived Indexes be impacted by the increase in Partial Inclusion Factor at the time of the August 2018 QIR?

At the time of the August 2018 QIR, any changes due to the increase in the Partial Inclusion Factor for China A securities will be neutralized by the application of the Variable Weighting Factor (VWF) for the non-market-capitalization weighted Indexes. For the market capitalization weighted Indexes, the changes will not be neutralized and will flow through from the parent index.

Does MSCI provide MSCI Global Value Growth (GVG) factors for China A Stock Connect securities?

Yes. The MSCI GVG Country Indexes are based on the underlying MSCI Global Investable Market Indexes. Following the inclusion of China A shares, MSCI China GVG Index continues to be constructed based on MSCI China Index which will then include the newly eligible China A shares.

Does MSCI provide Value and Growth Inclusion Factors for the provisional indexes?

No. MSCI does not provide Value and Growth Inclusion Factors for the provisional indexes.

Is there any impact on the MSCI Hedged Indexes (MSCI Hedged, Daily Hedged and Adaptive Hedge Indexes, as well as the MSCI FX Hedge and MSCI Global Currency Indexes)?

As China A shares were included in the MSCI Global Investable Market Indexes as of the close of May 31, 2018, offshore RMB spot and forward exchange rates (CNH) have been used in the calculation of the relevant MSCI Hedged Indexes since June 1, 2018.

Does MSCI provide provisional indexes for the MSCI Factor, Capped, Thematic and ESG Indexes?

No. MSCI does not provide provisional indexes in these categories.

What is the impact on the MSCI Custom Indexes?

MSCI Custom Indexes are based on the underlying MSCI Global Investable Market Indexes. There will be no impact on the methodology and maintenance of these indexes, other than reflecting the underlying index changes, resulting from the inclusion of China A shares in the parent indexes. For example for the MSCI EM+ Hong Kong Index, China A Stock Connect securities will be added to the MSCI EM Index and consequently to this index.

Custom indexes based on standard derived index methodologies will take the enhanced treatment outlined for the specific standard derived index methodologies as above.

What should a client do with regard to custom indexes that may be impacted by the inclusion of China A shares?

No specific action would be required. However clients who do not wish the China A inclusion to impact a custom index should contact an account representative for further details and requests for amending the custom index.

What new custom indexes may be potentially created?

On a custom basis, MSCI would be able to provide indexes calculated based on various composites including or excluding the reclassified markets upon request.

6 IMPACT ON MSCI PRODUCT FILES

Will there be any impact on product files?

The delivery of MSCI product files and formats will remain unaffected. Detailed changes to products have been communicated through technical communication, available on: <https://support.msci.com/msci-indexes/sample-files>.

Given that the MSCI China Provisional Indexes are derived from the MSCI China All Shares Indexes, will MSCI provide more details on the size-segment cutoffs of the MSCI China All Shares Indexes?

Yes. In order to provide more transparency to clients on the construction and maintenance of the MSCI China All Shares Indexes and hence the MSCI China Provisional Indexes at the

time of the May 2018 SAIR, MSCI has made available the Size-Segment Cutoffs as well as the securities that are part of the Standard Size-Segment of the MSCI China All Shares Indexes. The information can be found on:

https://www.msci.com/eqb/china_all_share_cut_off/china_all_share_performance.html.

When was the partial inclusion of China A shares reflected in the real time index calculations?

The partial inclusion of China A securities in the MSCI China, MSCI Emerging Market and MSCI ACWI Indexes was reflected effective at the open on June 1, 2018.

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