

MSCI WILL INCREASE THE WEIGHT OF CHINA A SHARES IN MSCI INDEXES

London – February 28, 2019 – MSCI Inc. (NYSE: MSCI), a leading provider of indexes, portfolio analytics, and services for global investors, announced today that it will increase the weight of China A shares in the MSCI Indexes by increasing the inclusion factor from 5% to 20% in three steps. This decision follows an extensive global consultation with a large number of international institutional investors, including asset owners, asset managers, broker/dealers and other market participants worldwide. The proposal to increase the weight of China A shares garnered overwhelming support from investors.

“Stock Connect has proven to be a robust channel to access A shares. The successful implementation of the initial 5% inclusion of China A shares has been a positive experience for international institutional investors and has fostered their appetite to increase further their exposure to the mainland China equity market,” said Remy Briand, MSCI Managing Director and Chairman of the MSCI Index Policy Committee. “The strong commitment by the Chinese regulators to continue to improve market accessibility, evidenced by, among other things, the significant reduction in trading suspensions in recent months, is another critical factor that has won the support of international institutional investors.”

The feedback gathered during the consultation indicated that international institutional investors prefer to see the weight of the China A Large Cap shares increased in three steps rather than in two steps, as originally proposed, to alleviate potential execution pressure on the implementation dates. In addition, a significant proportion of investors also highlighted that China A Mid Cap shares should be included in the MSCI Indexes jointly with the weight increase in Large Cap shares to allow for a smoother implementation. Finally, the proposal to add ChiNext to the list of eligible stock exchange segments for the MSCI Global Investable Market Indexes received wide acceptance.

Consequently, MSCI will increase the weight of China A shares in the MSCI Indexes according to the following schedule:

- Step 1: MSCI will increase the index inclusion factor of all China A Large Cap shares in the MSCI Indexes from 5% to 10% and add ChiNext Large Cap shares with a 10% inclusion factor coinciding with the May 2019 Semi Annual Index Review.
- Step 2: MSCI will increase the inclusion factor of all China A Large Cap shares in the MSCI Indexes from 10% to 15% coinciding with the August 2019 Quarterly Index Review.
- Step 3: MSCI will increase the inclusion factor of all China A Large Cap shares in the MSCI Indexes from 15% to 20% and add China A Mid Cap shares, including eligible ChiNext shares, with a 20% inclusion factor to the MSCI Indexes coinciding with the November 2019 Semi-Annual Index Review.

On completion of this three-step implementation, there will be 253 Large and 168 Mid Cap China A shares, including 27 ChiNext shares, on a pro forma basis in the MSCI Emerging Markets Index, representing a weight of 3.3% in the pro forma index.

As part of this consultation, international institutional investors also stressed that a future weight increase of China A shares in the MSCI Indexes beyond 20% would require Chinese authorities to address a number



of remaining market accessibility questions. MSCI is in contact with the appropriate regulatory authorities to discuss the highlighted market accessibility constraints, including restrictions on access to hedging and derivatives instruments as well as concerns regarding the short settlement cycle of China A shares, the trading holidays of Stock Connect and the availability of an Omnibus trading mechanism.

MSCI welcomes the progress Chinese authorities have made thus far to improve the accessibility of the China A shares market and their plans to actively promote the further opening and development of that market. We encourage the rapid realization of that goal, including permitting the listing of index futures and other derivatives on onshore and offshore exchanges to help address international institutional investors' growing needs for further risk management tools, as well as making further improvements in the settlement cycle, trading holidays and omnibus account structures. These developments would be welcomed by investors ahead of any future weight increases of China A shares in the MSCI Indexes.

MSCI will continue to monitor market developments to ensure that the weight of China A shares in the MSCI Indexes remains reflective of the improvement of market accessibility standards.

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Our line of products and services includes indexes, analytical models, data, real estate benchmarks and ESG research.

For more information, visit us at www.msci.com.

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