

# General Q&A

Potential impact on the MSCI Equity Indexes of the United Kingdom's exit from the European Union ("Brexit")

January 2020

## **Introduction**

The purpose of this document is to address commonly asked questions regarding the potential impact on the MSCI Equity Indexes in the event of the United Kingdom's exit from the European Union ("Brexit"). The content of this Q&A is based on the publicly available information as of January 9, 2020 and may be revised as new information becomes available.

The Brexit date is currently set for January 31, 2020.

MSCI will make further announcement as additional information is available.

## Potential Impact of Brexit on the MSCI Equity Indexes

### What would be the impact of Brexit on the MSCI Equity Indexes?

UK securities would be excluded from certain MSCI Equity Indexes using the EU region as a reference such as:

- MSCI EU Index (MSCI Code: 990600)
- MSCI EU Large Cap Index (MSCI Code: 650081)
- MSCI EU Mid Cap Index (MSCI Code: 652598)
- MSCI EU IMI (MSCI Code: 664228)
- MSCI EU Small Cap Index (MSCI Code: 655069)

There would be no impact on the MSCI Regional Indexes using other regions as a reference, such as the MSCI Europe Index or the MSCI EAFE Index.

### Would there be a change in the index maintenance rules for the MSCI UK Equity Indexes in case of Brexit?

No. There would be no impact from Brexit on the Index Review and Corporate Events maintenance rules.

### Would the UK be considered as a separate market for index maintenance purposes in case of Brexit?

No. All countries within Developed Markets Europe (including the UK) would continue to be considered as a single market for the purpose of index maintenance.

### Would there be any impact on the MSCI Hedged Indexes, the MSCI FX Hedge Indexes and the MSCI Global Currency Indexes?

No. Brexit would not result in any change in currency; hence there would be no impact on the MSCI Hedged Indexes, the MSCI FX Hedge Indexes and the MSCI Global Currency Indexes.

### Would there be any impact on the methodology for the MSCI Factor, Thematic, ESG and Capped Indexes (derived Indexes)?

No. There would be no impact on the methodology for the MSCI Factor, Thematic, ESG and Capped Indexes (derived Indexes).

### What would change for the MSCI Custom Indexes?

Similar to other MSCI Equity Indexes, UK securities would be excluded from MSCI Custom Indexes based on the EU region. In cases of indexes which in addition to the EU region include a customized selection of markets, MSCI will directly contact clients to establish whether UK securities should continue to be included in those indexes post removal from the EU region.

**Would there be any impact on the clearing of EU Securities?**

On February 18, 2019 the European Securities and Markets Authority (ESMA) had announced that, in the event of a “No Deal” Brexit, three central counter parties (CCPs) established in the UK – LCH Limited, ICE Clear Europe Limited, and LME Clear Limited – will be recognized as a third country CCPs to provide their services in the EU.

**Would there be any impact to the settlement of Irish Securities?**

On March 1, 2019 the European Securities and Markets Authority (ESMA) had announced that, in the event of a “No Deal” Brexit, the Central Securities Depository (CSD) established in the UK – Euroclear UK and Ireland Limited – will be recognized as a third country CSD to provide its services in the EU and continue to serve Irish securities.

**Would there be any impact in Foreign Ownership Limits?**

MSCI may review the Foreign Ownership Limits applicable to EU and UK companies based on relevant company disclosures following Brexit.

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