

Q&A: Impact of the U.S. Presidential Executive Order, dated Nov 12, 2020 on MSCI Indexes

December 2020

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General Questions

What was announced on December 15, 2020?

On December 15, 2020, MSCI announced its decision with regards to the impact of the Executive Order dated November 12, 2020 (EO) on MSCI Indexes.

What treatment will MSCI apply on securities impacted by the EO?

MSCI will delete the securities of the Chinese companies referenced in the EO as of the close of January 5, 2021 (effective January 6, 2021) in one step from the MSCI Global Investable Market Indexes (GIMI).

When will changes be reflected in the MSCI Advance Corporate Events (ACE) files?

Changes will be reflected in the MSCI Advance Corporate Events (ACE) files starting December 16, 2020.

Which securities will be deleted from the MSCI Global Investable Market Indexes?

MSCI will delete securities currently included in the MSCI GIMI that are directly issued by the entities explicitly referenced by the EO.

MSCI Security Code	RIC	Security Name
29098.01	0981.HK	SMIC
35946.01	1800.HK	CHINA COMMUNIC CONST H
35946.04	601800.SH	CHINA COMMU CON A (HK-C)
36812.02	600118.SH	CHINA SPACESAT A (HK-C)
60088.02	1186.HK	CHINA RAILWAY CONST H
60088.03	601186.SH	CHINA RAIL CONST A(HK-C)
61687.02	1766.HK	CRRC CORP H
61687.03	601766.SH	CRRC CORP A (HK-C)
64314.02	002415.ZK	HANGZHOU HIKVIS A (HK-C)
77520.02	603019.SH	DAWNING INFO A (HK-C)

Did MSCI seek feedback from clients with regards to the EO?

MSCI extended a broad outreach and collected feedback from market participants globally from November 20 to December 4, 2020 in relation to the EO.

Based on feedback from more than 100 U.S. and non-U.S. market participants, the Order may have a significant impact on the investment processes of global investors. Consultation participants highlighted that the ramifications of the Order would effectively challenge the investability of the impacted securities from the perspective of international institutional investors. In particular, non-U.S. market participants noted that the extensive presence of US entities, such as commercial banks, broker-dealers, and custodians, within their chain of financial intermediaries would significantly limit their ability to transact in the impacted securities.

What will MSCI do should there be further clarifications from official sources?

Any updates or modifications to the above referenced list of securities, made through a communication released by the Office of Foreign Assets Control (OFAC) or any other relevant U.S. authority and received by 4:00pm ET on December 29, 2020, will also be deleted from the MSCI GIMI, from related non-market capitalization weighted indexes and from relevant custom indexes as of the close of business of January 5, 2021. MSCI will announce the final list of security deletions on December 30, 2020.

Any updates, as noted above, that are received after 4:00pm ET December 29, 2020, will be evaluated and implemented at a date to-be-determined. MSCI would issue a separate announcement detailing the treatment related to these updates.

Will the MSCI China All Shares Indexes be applied the same treatment as the MSCI GIMI?

Yes. MSCI will delete the impacted securities as of the close of January 5, 2021 (effective January 6, 2021) in one step from the MSCI China All Shares Indexes.

Which securities will be deleted from the MSCI China All Shares Indexes?

MSCI will delete securities currently included in the MSCI China All Shares Indexes that are directly issued by the entities explicitly targeted by the EO.

MSCI Security Code	RIC Code	Security Name
29098.01	0981.HK	SMIC
29098.03	688981.SS	SMIC A
35946.01	1800.HK	CHINA COMMUNIC CONST H
35946.03	601800.SS	CHINA COMMUNIC CONST A
36812.01	600118.SS	CHINA SPACESAT A
60088.01	601186.SS	CHINA RAILWAY CONST A
60088.02	1186.HK	CHINA RAILWAY CONST H
61687.01	601766.SS	CRRRC CORP A
61687.02	1766.HK	CRRRC CORP H
64314.01	002415.SZ	HANGZHOU HIKVISION DIG A
77520.01	603019.SS	DAWNING INFORMATION A

Will the securities be removed from the MSCI Factor, ESG, Thematic and Capped Indexes?

Yes. The securities will be removed from the MSCI Factor, ESG, Thematic and Capped Indexes that have the MSCI GIMI or the MSCI China All Shares Indexes as underlying or parent index.

Will the securities be removed from the MSCI Custom Indexes?

Yes. The securities will be removed from the Custom Indexes that have the MSCI GIMI or the MSCI China All Shares Indexes as underlying or parent index

If another treatment is requested, parallel versions of current custom indexes will also be available upon request.

Will the same treatment be applied on the MSCI China A and China A RMB Indexes?

Yes. MSCI will delete securities that are issued by the entities explicitly referenced by the EO from the MSCI China A and China A RMB Indexes.

Will the same treatment be applied on the MSCI China A Onshore Indexes?

No. MSCI will not delete securities that are issued by the entities explicitly referenced by the EO from the MSCI China A Onshore Indexes.

Has MSCI made available a list of impacted indexes?

The list of impacted MSCI Indexes are available on: <https://www.msci.com/index-consultations>

How will MSCI treat similar sanctions in the future?

One of the central objectives of the MSCI GIMI is to provide a strong emphasis on investability and replicability for the global investment community. While the treatment highlighted in this document is specific to the impact of the U.S. Presidential Executive Order dated November 12, 2020, MSCI will further evaluate the inclusion of explicit methodological directives to address sanctions from a broader perspective. As appropriate, MSCI will consult with global market participants on any proposals related to address these within the scope of the MSCI GIMI methodology.

Will MSCI provide indexes that include names excluded from the MSCI GIMI due to the EO?

MSCI will launch a number of global, regional and country indexes, (e.g., ACWI, Emerging Markets, China) that will continue to retain the securities of Chinese companies referenced in the Order.

Parallel versions of current custom indexes will also be available upon request.

Why is MSCI initially deleting only 10 securities from the MSCI Global Investable Market Indexes out of the 35 companies referenced by the EO?

As announced, MSCI will only delete securities directly issued by the companies explicitly named in the EO, but not any securities of subsidiaries or affiliated companies. For example, securities such as CHINA MOBILE (941 HK), CNOOC (883 HK), CGN POWER CO H (1816 HK) and CHINA NATL CHEM A (HK-C) (601117 SH) are not being deleted from the MSCI GIMI since they are not issued directly by the companies explicitly named in the EO, but rather are securities issued by subsidiaries or affiliated companies. Additionally, some of the companies referenced by the EO are not publicly listed companies.

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