

CONSULTATION ON MSCI HONG KONG-LISTED SOUTHBOUND INDEX

November, 2017

BACKGROUND

- The MSCI Hong Kong-Listed Southbound Indexes are designed to represent the performance of Large Cap and Mid Cap securities that are determined by the MSCI Hong Kong Indexes, Hong Kong-listed HSBC and the MSCI China Indexes excluding B shares and foreign listings.
- Currently, the indexes do not formally take into consideration of eligibility for Southbound Trading on Stock Connect system.
- In order to accurately reflect accessibility of securities trading on Stock Connect, MSCI proposes to exclude securities that are not accessible through the Stock Connect from the MSCI Hong Kong-listed Southbound Indexes starting from the November 2017 Semi-Annual Index Review (SAIR), effective December 1, 2017.
- MSCI welcomes feedback from the investment community on the proposal. MSCI will announce the results of the consultation on or before November 28, 2017.
- Please note that this consultation may or may not result in any changes to the MSCI Indexes or methodologies. Consultation feedback will remain confidential. MSCI may publicly disclose feedback if specifically requested by respective market participants. In that case, the relevant feedback would be published together with the final results of the consultation.

PROPOSAL

Quarterly Index Review:

- MSCI proposes not to include securities that are ineligible for Southbound trading on Stock Connect starting from the November 2017 SAIR, effective December 1, 2017.

On-going Events Maintenance:

- IPOs and other early inclusions (such as, spun-off companies, merger, acquisition) are only considered at the next Quarterly Index Review.
- Constituents of the MSCI Hong Kong-Listed Southbound Indexes that are no longer accessible through the Stock Connect programs would be deleted from the index with 2 days' notice.

SIMULATED IMPACT

Existing constituents of MSCI Hong Kong-Listed Southbound Index not eligible for the Stock Connect:

Security Name	Company Mkt Cap	Index Mkt Cap	Weight in Current Index
LINK REIT	18,254	18,254	1.01%
HKT TRUST AND HKT	9,240	4,620	0.26%
HK ELECTRIC INVESTMENTS	8,076	2,423	0.13%

Note: All market caps are in USD millions. Data as of the close of November 1, 2017

Simulated Impact:

	Current Index		Pro forma Index		# Securities		One Way Index Turnover*
	Index Market Cap	# Sec.	Index Market Cap	# Sec.	Add	Del	
MSCI Hong Kong-Listed Southbound Index	1,808,131	174	1,782,834	171	0	3	1.4%
MSCI Hong Kong-Listed Southbound IMI	2,000,627	571	1,921,746	373	0	198	3.9%

Note: All market caps are in USD millions. Data as of the close of November 1, 2017

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