CONSULTATION ON THE CLOSING PRICE POLICY FOR SECURITIES TRADED ON THE MOSCOW EXCHANGE

July 2017
• **Proposal:** Use the Closing Auction Price for securities traded on the Moscow Exchange for the calculation of the MSCI Global Investable Market Indexes (GIMI)

  – MSCI welcomes feedback until **August 31, 2017** and will announce its final decision as well as the potential implementation date by **September 7, 2017**

  – This consultation may or may not result in changes in the MSCI Equity Indexes

• **Background:** MSCI already consulted on the use of the Closing Auction Price in February 2014, following the introduction of the Closing Auction by the Moscow Exchange in September 2013

  – At that time, some market participants raised concerns about the liquidity levels observed on the Closing Auction, and expressed the need for additional time to assess its operational efficiency

  – MSCI announced in February 2014 that it would continue using the Last Traded Price for calculation of the MSCI GIMI until further notice
LIQUIDITY AT THE CLOSING AUCTION SINCE 2014

• Since 2014, the trading liquidity observed at the Moscow Exchange’s Closing Auction has gradually increased.

• The liquidity remains generally lower compared to the levels observed at the closing auctions in Developed and Emerging Markets.

Source: Moscow Exchange
There have been a number of enhancements to the Closing Auction Price mechanism since 2014, such as:

- **Feb 2014**: Introduction of a price fluctuation limit for the Closing Auction Price of +/- 2.5% of the Last Traded Price
- **Apr 2014**: Introduction of a transparent order book with online disclosure of the Closing Auction parameters (e.g., on Bloomberg and Reuters)
- **Feb 2015**: Increase in the price fluctuation limit to +/- 3.5% in order to allow for larger trades
DISCUSSION POINTS

• Is the liquidity at the Closing Auction on the Moscow Exchange sufficient to support the potential use of the Closing Auction Price for the calculation of the MSCI GIMI?

• Are there any remaining issues that should be addressed by the exchange before MSCI changes its closing price policy for the MSCI Russia Indexes?
• Conditions for the Auction Price to be determined at the end of the call phase:
  – Auction order book is crossed (no spread exists)
  – Auction Price is within the price range (+/- 3.5% from the Last Traded Price)

• The Auction Price is the price that maximizes executable volume
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