

IMPLEMENTATION Q&A: INCLUSION OF THE MSCI ARGENTINA, THE MSCI SAUDI ARABIA INDEXES AND CHINA A SHARES IN THE MSCI EMERGING MARKETS INDEXES

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INTRODUCTION

On June 20, 2018, MSCI announced that the MSCI Argentina and the MSCI Saudi Arabia Indexes would be reclassified to Emerging Markets from Frontier Markets and Standalone Markets, respectively.

While MSCI will implement the inclusion of the MSCI Argentina Indexes in the MSCI Emerging Markets Index in one step coinciding with the May 2019 Semi-Annual Index Review (SAIR), the inclusion of the MSCI Saudi Arabia Indexes will be implemented in two equal steps coinciding with the May 2019 SAIR and August 2019 Quarterly Index Review (QIR).

In addition, on February 28, 2019, MSCI announced that it would increase the weight of China A shares in the MSCI Emerging Markets Indexes according to the following schedule:

- increase the Index Inclusion Factor (IIF) of all China A Large Cap shares in the MSCI Emerging Markets Indexes from 5% to 10% and add ChiNext Large Cap shares with a 10% IIF coinciding with the May 2019 SAIR.
- increase the IIF of all China A Large Cap shares, including the ChiNext Large Cap shares, in the MSCI Emerging Markets Indexes from 10% to 15% coinciding with the August 2019 QIR.
- increase the IIF of all China A Large Cap shares, including the ChiNext Large Cap shares, in the MSCI Emerging Markets Indexes from 15% to 20% and add China A Mid Cap shares, including eligible ChiNext shares, with a 20% IIF coinciding with the November 2019 SAIR.

The purpose of this document is to address commonly asked questions related to these changes in the MSCI Equity Indexes.

For further details please refer to Appendixes XIII through XVIII of the MSCI Global Investable Market Indexes (GIMI) methodology book available at: <https://www.msci.com/index-methodology>.

1 ARGENTINA RECLASSIFICATION

1.1 GENERAL QUESTIONS ON THE RECLASSIFICATION OF ARGENTINA

What will be the key impact of the reclassification of Argentina to Emerging Markets?

As a result of the reclassification, the MSCI Argentina Indexes will be deleted from the MSCI Frontier Markets Indexes and will simultaneously be added to the MSCI Emerging Markets (EM) Indexes as well as the MSCI ACWI Indexes, which include both Emerging Markets and Developed Markets.

When will the inclusion of the MSCI Argentina Indexes to the MSCI Emerging Markets Indexes take place?

The MSCI Argentina Indexes will be added to the MSCI Emerging Markets Indexes in one step as part of the May 2019 SAIR, to be implemented as of the close of May 28, 2019¹.

What type of securities will be eligible for the MSCI Argentina Indexes?

Only foreign listings of Argentinian companies, such as American Depositary Receipts, will continue to be eligible for inclusion in the MSCI Argentina Indexes post reclassification. Domestic listings, or securities listed in the local exchange, will remain ineligible until further notice.

Has MSCI provided an indicative list of Argentinian securities that will be added to the MSCI Emerging Markets Indexes?

Yes. Clients may refer to the MSCI Provisional Argentina Indexes, which were launched on September 6, 2018. The MSCI Provisional Argentina Indexes were constructed by applying EM index maintenance rules (including buffers) on the MSCI Argentina Indexes at the time of the May 2018 SAIR. A list of the provisional indexes available can be found in Section 1.5 of this document.

Index constituent data of the provisional indexes are delivered through Integrated Client Files (ICF) upon request.

A snapshot of the list of constituents for the MSCI Provisional Argentina IMI can also be found on <https://www.msci.com/market-classification>

¹ As announced on March 7, 2019, MSCI has amended the Announcement Date and Effective Date of the May 2019 Semi-Annual Index Review to May 13, 2019 and May 29, 2019, respectively (from May 14, 2019 and June 3, 2019, respectively). In addition, MSCI has amended the Announcement Date and Effective Date of the August 2019 Quarterly Index Review to August 8, 2019 and August 29, 2019, respectively (from August 12, 2019 and September 2, 2019, respectively).

How will MSCI rebalance the MSCI Argentina Indexes at the time of the May 2019 SAIR?

MSCI will apply the index maintenance rules of the MSCI GIMI methodology on the MSCI Provisional Argentina Indexes using Emerging Markets size and liquidity requirements as part of the May 2019 SAIR. The MSCI Argentina Indexes will then converge with the MSCI Provisional Argentina Indexes at the May 2019 SAIR.

May MSCI still review its decision to reclassify the MSCI Argentina Indexes prior to the implementation of the reclassification?

MSCI closely monitors developments that may have impact on the accessibility of equity markets. As previously announced, should authorities introduce significant market accessibility restrictions in Argentina, such as capital or foreign exchange controls, MSCI may review its reclassification decision.

1.2 INDEX MAINTENANCE OF THE MSCI ARGENTINA INDEXES

Are there differences in the index maintenance requirements applied to the MSCI Argentina Indexes prior to and after the reclassification?

Following the reclassification, the MSCI Argentina Indexes will be rebalanced using Emerging Markets size and liquidity requirements instead of the current Frontier Markets requirements.

What Global Minimum Size References will be applicable to the MSCI Argentina Indexes post reclassification?

The Global Minimum Size References that will be applied to the MSCI Argentina Indexes post-reclassification correspond to 50% of the Developed Markets Global Minimum Size References instead of 25% under the current Frontier Markets classification.

What free float-adjusted market capitalization requirement will be applicable to the MSCI Argentina Indexes post reclassification?

Post reclassification, the minimum free float-adjusted market capitalization threshold will be 50% of the Market Size-Segment Cutoff for each Size-Segment as defined in Section 2.3.5.1 of the MSCI GIMI Methodology. Currently, the minimum free float-adjusted market capitalization threshold for the MSCI Argentina Indexes is 25% of the Equity Universe Minimum Size Requirement.

What liquidity requirements will be applicable to the MSCI Argentina Indexes post reclassification?

Argentinian securities will be assessed against Emerging Markets liquidity requirements as described in Section 2.2.5 of the MSCI GIMI Methodology.

In case of trading suspensions of individual securities, will the inclusion of the securities in the MSCI Emerging Markets be postponed?

At the time of the inclusion of the MSCI Argentina Indexes to the MSCI Emerging Markets Indexes, MSCI will apply suspension treatment from the perspective of the MSCI Emerging Markets Indexes. The details of the treatment are described in Appendix XVIII of the MSCI GIMI methodology.

1.3 ONGOING EVENT MAINTENANCE METHODOLOGY IMPACT ON THE MSCI INDEXES

Is MSCI applying any special treatment related to corporate events in the period leading to the inclusion in the MSCI Emerging Markets Indexes?

Yes. As previously announced on January 24, 2019, to prevent potential reverse turnover once the indexes start using the Emerging Markets size and liquidity requirements, IPOs will not be added to the MSCI Argentina Indexes before the effective date of the May 2019 SAIR (May 29, 2019). However, additions of securities due to spin-offs and mergers/ acquisitions will continue to be reflected during this period.

Is MSCI applying any special treatment on the MSCI Provisional Argentina Indexes?

No. The provisional indexes follow the MSCI GIMI Methodology and the MSCI Corporate Events Methodology. All IPOs or newly eligible securities that meet the necessary inclusion requirements (based on Emerging Markets rules) may be added to the MSCI Provisional Argentina Indexes.

1.4 IMPACT OF THE INCLUSION OF ARGENTINA ON SELECTED MSCI INDEXES

Will there be any impact on the MSCI Islamic Indexes?

Yes. The MSCI Argentina Islamic Index will be deleted from the MSCI Frontier Markets Islamic Index and added to the MSCI Emerging Markets Islamic Index as part of the May 2019 SAIR after applying index maintenance rules as per the MSCI Islamic Index Methodology. In addition, current Small Cap constituents of the parent MSCI Argentina IMI

will be reviewed using thresholds for new securities for potential inclusion in the MSCI Emerging Markets IMI Islamic Index.

Will there be any impact on the MSCI Islamic M Series Indexes?

Yes. MSCI will rebalance the MSCI Provisional Emerging Markets Islamic M Series with SA and AR Index as per the MSCI Islamic Methodology as part of the May 2019 SAIR. The pro forma Argentinian constituents will then be included in the MSCI Emerging Markets Islamic M Series Indexes.

Will there be any impact on the MSCI All Argentina Index?

Yes. Starting from the May 2019 QIR, the MSCI All Argentina Index will be rebalanced using the Emerging Markets liquidity requirements (see table below) for MSCI All Market Indexes. Furthermore, the universe of securities eligible for addition due to economic exposure will change from the MSCI ACWI + FM IMI to the MSCI ACWI IMI.

	Eligibility		Investability	
	New Securities	Existing Constituents	New Securities	Existing Constituents
3-month ATVR	2.5%	1.0%	7.5%	2.5%
12-month ATVR	2.5%	1.0%	7.5%	2.5%
3-month Frequency of Trading	20%	10%	40%	20%

Will there be any impact on the MSCI Frontier Markets 100, MSCI Frontier Markets 15% Capped and the MSCI Frontier Markets ex GCC 15% Capped Indexes?

Yes. Starting from the May 2019 SAIR, Argentinian securities will no longer be eligible for the MSCI Frontier Markets 100, the MSCI Frontier Markets 15% Capped, and the MSCI Frontier Markets ex GCC 15% Capped Indexes. As announced on April 5, 2019, the changes resulting from the May 2019 SAIR for the abovementioned indexes will be implemented over four successive months, with 40% of the security index weight impact resulting from the May 2019 SAIR changes to be implemented in the first phase in conjunction with the May 2019 SAIR. The implementation of the remaining 60% of the changes will occur in equal phases, measured by security index weight impact, over the subsequent three months as of the close of June 27, 2019 and July 31, 2019, with the final phase coinciding with the August 2019 QIR. For each phase, MSCI will use data as of the close of the tenth business day prior to the effective date to derive the pro forma weights.

Additionally, and specifically for the MSCI Frontier Markets 15% Capped and the MSCI Frontier Markets ex GCC 15% Capped Indexes, in order to facilitate implementation during the period between the May 2019 SAIR and August 2019 QIR, early inclusions will not be

implemented, except for spin-offs and mergers or acquisitions. This treatment is in line with the current methodology for the MSCI Frontier Markets 100 Index.

Will there be any impact on the MSCI Frontier Emerging Markets Index?

As announced on February 19, 2019, MSCI will exceptionally retain the MSCI Argentina Index in the MSCI Frontier Emerging Markets (FEM) Index following its reclassification from Frontier Markets to Emerging Markets as part of the May 2019 SAIR. MSCI will review the eligibility of the MSCI Argentina Index for inclusion in the MSCI FEM Index as part of the Emerging Markets Annual Eligibility Review, the results of which would be announced as part of the August 2019 QIR.

Will there be any impact on the MSCI Hong Kong Mandatory Provident Fund (MPF) Indexes?

Yes. As only foreign listings of Argentinian companies such as American Depositary Receipts will be eligible for inclusion in the MSCI Argentina Indexes post reclassification, constituents of the MSCI Argentina Index listed on stock exchanges approved by the MPFA will be included in the relevant MSCI Hong Kong MPF Indexes, subject to the capping described in section 2.3 of the MSCI Hong Kong MPF Indexes methodology.

Will there be any impact on the methodology and maintenance of the MSCI Factor, Capped, Thematic and ESG Indexes (Derived Indexes)?

There will be no methodology change for the MSCI Factor, Capped, Thematic and ESG Indexes following the reclassification. The derived indexes will use the weights from the underlying MSCI Global Investable Market Indexes. The specific MSCI Derived Index rebalancing methodology will then be applied, and no further adjustments will be made to the weight of the Argentinian securities post the Derived Index rebalancing.

What is the timeline for inclusion of Argentinian securities in the MSCI ESG Indexes?

Argentinian securities will be eligible for inclusion in the MSCI ESG Indexes starting from the May 2019 SAIR.

Will MSCI provide simulated snapshots for the MSCI Factor, Capped, Thematic and ESG Indexes?

Yes, simulated snapshots for certain derived indexes may be available upon client request subject to feasibility.

Will there be any impact on the Index Review schedule for the MSCI Hedged Indexes (MSCI Hedged, Daily Hedged and Adaptive Hedge Indexes, as well as the MSCI FX Hedge and MSCI Global Currency Indexes) for the May 2019 SAIR and the August 2019 QIR?

As announced on March 7, 2019, MSCI has amended the effective dates of the May 2019 SAIR and the August 2019 QIR to May 29, 2019 and August 29, 2019, respectively. MSCI will still calculate the MSCI Hedged, MSCI Daily Hedged, MSCI Adaptive Hedge, MSCI FX Hedge and MSCI Global Currency Indexes using the regular month-end rebalancing cycle on May 31, 2019 and August 30, 2019.

Will there be any impact on the MSCI Hedged Indexes?

Since currently only foreign listings of Argentinian securities, such as American Depositary Receipts are eligible to be included in the MSCI Global Investable Market Indexes, the exchange rates corresponding to the currency of quotation of constituents of the MSCI Argentina Index – typically U.S. Dollars (USD) spot and forward exchange rates – will be used to represent Argentinian securities in the calculation of the MSCI Hedged, MSCI Daily Hedged, MSCI Adaptive Hedge and MSCI FX Hedge Indexes starting from the May 2019 SAIR.

Argentine Peso (ARS) spot and forward exchange rates will be used to represent Argentinian securities in the calculation of the MSCI Global Currency Indexes starting from the May 2019 SAIR.

Will there be any impact on the MSCI EM 50 Index?

There will be no change to the MSCI EM 50 Index methodology. Following inclusion in the MSCI Emerging Markets Indexes in May 2019 SAIR, Argentinian securities will be eligible for potential inclusion in the MSCI EM 50 Index.

Will MSCI provide MSCI Global Value Growth (GVG) factors for Argentinian securities?

Yes. The MSCI GVG Country Indexes are based on the underlying MSCI Global Investable Market Indexes. Following the inclusion of Argentinian securities, MSCI Argentina GVG Indexes will be constructed based on the MSCI Argentina Indexes post reclassification.

Does MSCI provide Value and Growth Inclusion Factors for the provisional indexes?

No. MSCI does not provide Value and Growth Inclusion Factors for the provisional indexes.

What should a client do with regard to custom indexes that may be impacted by the inclusion of Argentinian securities?

Clients who do not wish the inclusion or exclusion of Argentinian securities to impact a custom index should contact an account representative for further details and requests for amending the custom index.

What new custom indexes may potentially be created?

On a custom basis, MSCI may provide indexes calculated based on various composites including or excluding Argentinian securities upon request.

1.5 MSCI PROVISIONAL ARGENTINA INDEXES

MSCI has made available the following provisional indexes containing Argentinian securities:

- MSCI Provisional Argentina Index
- MSCI Provisional Argentina IMI
- MSCI Provisional ACWI with SA and AR Index
- MSCI Provisional ACWI IMI with SA and AR
- MSCI Provisional EM with SA and AR Index
- MSCI Provisional EM IMI with SA and AR
- MSCI Provisional EM Latin America with AR Index
- MSCI Provisional EM Latin America IMI with AR
- MSCI Provisional FM (Frontier Markets) ex AR Index
- MSCI Provisional FM (Frontier Markets) IMI ex AR
- MSCI Provisional EM Islamic M Series with SA and AR

2 SAUDI ARABIA RECLASSIFICATION

2.1 GENERAL QUESTIONS ON THE RECLASSIFICATION OF SAUDI ARABIA

What will be the key impact of the reclassification of Saudi Arabia to Emerging Markets?

As a result of the reclassification, the existing MSCI Saudi Arabia Indexes will be added to the MSCI Emerging Markets (EM) Indexes as well as the MSCI ACWI Indexes, which include both Emerging Markets and Developed Markets.

How will the inclusion of the MSCI Saudi Arabia Indexes in the MSCI Emerging Markets Indexes take place?

The MSCI Saudi Arabia Indexes will be added to the MSCI Emerging Markets Indexes in two steps, with an inclusion weight of 50% at each step.

When will the inclusion of the MSCI Saudi Arabia Indexes in the MSCI Emerging Markets Indexes take place?

The first inclusion step will coincide with the May 2019 SAIR, to be implemented as of the close of May 28, 2019² through the application of an Index Inclusion Factor (IIF) of 0.5. The second and final inclusion step will take place as part of the August 2019 QIR, to be implemented as of the close of August 28, 2019².

Does MSCI provide an indicative list of Saudi Arabian securities that will be added to the MSCI Emerging Markets Indexes?

Clients may refer to the MSCI Saudi Arabia Indexes that are currently maintained using EM size and liquidity requirements as these would be the basis for the pro forma indexes that will be included in the MSCI Emerging Markets Indexes. Index constituent data are currently delivered through Integrated Client Files (ICF).

A snapshot of the list of constituents for the MSCI Saudi Arabia IMI can also be found on <https://www.msci.com/market-classification>

MSCI has also provided a range of provisional composite indexes containing Saudi Arabian securities, delivered through ICF upon request. A list of the provisional indexes available can be found in Section 2.5 of this document.

² As announced on March 7, 2019, MSCI has amended the Announcement Date and Effective Date of the May 2019 Semi-Annual Index Review to May 13, 2019 and May 29, 2019, respectively (from May 14, 2019 and June 3, 2019, respectively). In addition, MSCI has amended the Announcement Date and Effective Date of the August 2019 Quarterly Index Review to August 8, 2019 and August 29, 2019, respectively (from August 12, 2019 and September 2, 2019, respectively).

How will MSCI rebalance the MSCI Saudi Arabia Indexes at the time of the May 2019 SAIR?

MSCI will apply index maintenance rules on the existing MSCI Saudi Arabia Indexes using Emerging Markets size and liquidity requirements as part of the May 2019 SAIR. The Index Inclusion Factor (IIF) of 0.5 will then be applied on the Saudi Arabian securities for inclusion to the MSCI Emerging Markets Indexes.

How will MSCI rebalance the MSCI Saudi Arabia Indexes at the time of the August 2019 QIR?

MSCI will apply index maintenance rules on the existing MSCI Saudi Arabia Indexes based on Emerging Markets size and liquidity requirements and the Index Inclusion Factor (IIF) applied on the Saudi Arabian securities will be increased to 1.

2.2 INDEX MAINTENANCE OF THE MSCI SAUDI ARABIA INDEXES

Are there differences in the index maintenance requirements applied to the MSCI Saudi Arabia Indexes prior to and after the reclassification?

No. The MSCI Saudi Arabia Indexes are already maintained based on Emerging Markets requirements.

Will the Index Inclusion Factor be taken into consideration as part of the index maintenance process for constituent selection?

No. The Index Inclusion Factor (IIF) is not taken into consideration in the index maintenance process in determining the pro forma list of constituents of the MSCI Saudi Arabia Indexes at the time of the May 2019 SAIR. However, it will be applied in addition to the Foreign Inclusion Factor (FIF) in the calculation of security index weights in the MSCI Emerging Markets Indexes as well as other relevant composite indexes.

Does the Index Inclusion Factor impact the Annualized Traded Values Ratios (ATVRs)?

No. ATVRs are not impacted by the Index Inclusion Factor (IIF).

Does the Index Inclusion Factor impact the assessment of additional size-segment investability requirements?

No. In evaluating securities against additional size-segment investability requirements, the free float-adjusted market capitalization is not impacted by the Index Inclusion Factor (IIF).

Is Foreign Ownership Limit and Foreign Room calculation applicable to Saudi Arabian securities?

Yes. MSCI generally applies a Foreign Ownership Limit of 49% for Saudi Arabian securities³ and monitors foreign room level according to the MSCI GIMI Methodology.

Will MSCI apply special treatment for Saudi Arabian securities with low foreign room or liquidity at the time of the reclassification?

No. MSCI is currently monitoring the situation and may issue further communication if needed.

Will the new additions to the MSCI Saudi Arabia Indexes at the August 2019 QIR be included in the MSCI Emerging Markets Indexes at full weight?

Yes. New additions at the time of the August 2019 QIR will no longer be subject to the two-step inclusion process and will instead be included at full weight.

In case of trading suspensions of individual securities, will the inclusion of the securities in the MSCI Emerging Markets be postponed?

At the time of the inclusion of the MSCI Saudi Arabia Indexes to the MSCI Emerging Markets Indexes, MSCI will apply suspension treatment from the perspective of the MSCI Emerging Markets Indexes. The details of the treatment are described in Appendix XIII of the MSCI GIMI methodology.

2.3 ONGOING EVENT MAINTENANCE METHODOLOGY IMPACT ON THE MSCI INDEXES

Is MSCI applying special treatment related to corporate events in the period leading to the inclusion in the MSCI Emerging Markets Indexes?

No. The ongoing event-related changes to the MSCI Saudi Arabia Indexes will continue to follow the MSCI GIMI Methodology and the MSCI Corporate Events Methodology. All IPOs or newly eligible securities that meet the necessary inclusion requirements may be added to the MSCI Saudi Arabia Indexes.

³ Companies in Saudi Arabia may exceptionally increase Foreign Ownership Limits subject to approval by authorities. For example, Bupa Arabia for Cooperative Insurance currently has a Foreign Ownership Limit of 60%.

What Index Inclusion Factor will be applicable for early inclusions in the period between the effective dates of the May 2019 SAIR and August 2019 QIR?

An Index Inclusion Factor (IIF) of 0.5 will be applied to determine the index weight of newly added securities. The Index Inclusion Factor, however, will not impact the assessment for potential early inclusion.

2.4 **IMPACT OF THE INCLUSION OF SAUDI ARABIAN SECURITIES ON OTHER MSCI INDEXES**

Will there be any impact on the MSCI Saudi Arabia Domestic Indexes?

Yes. Following the inclusion of the MSCI Saudi Arabia Indexes to the MSCI Emerging Markets Indexes, the MSCI Saudi Arabia Domestic Indexes will be maintained based on Emerging Markets requirements for size and liquidity starting at the May 2019 SAIR, instead of the current Frontier Markets requirements.

Will there be any impact on regional composite indexes that currently include the MSCI Saudi Arabia Domestic Indexes?

As announced on February 13, 2019, in the context of the inclusion of Saudi Arabia to Emerging Markets, MSCI will rename the following composite indexes containing Saudi Arabian securities:

- 'MSCI GCC Countries Indexes' to 'MSCI GCC Countries Combined Indexes'
- 'MSCI GCC Countries International Indexes' to 'MSCI GCC Countries Indexes'
- 'MSCI Arabian Markets Indexes' to 'MSCI Arabian Markets Combined Indexes'

Does MSCI provide provisional indexes for the MSCI Saudi Arabia Domestic Indexes and related composites?

No. MSCI does not provide provisional indexes for the MSCI Saudi Arabia Domestic Index Series and related regional composites (e.g. the MSCI Arabian Markets Combined Indexes).

Will the Index Inclusion Factor impact other MSCI Equity Indexes?

The Index Inclusion Factor (IIF) will only be applied for Saudi Arabian securities in composite indexes where it will be included starting at the May 2019 SAIR, for example, the MSCI Emerging Markets Indexes. The IIF will not impact composite indexes where Saudi Arabian securities are already included prior to the reclassification, for example the MSCI GCC Countries Combined Indexes.

Will there be any impact on the MSCI Hong Kong Mandatory Provident Fund (MPF) Indexes?

No. Currently, the Tadawul Stock Exchange is not on the list of stock exchanges approved by the Hong Kong Mandatory Provident Fund Schemes Authority (MPFA). As such, constituents of the MSCI Saudi Arabia Indexes will not be included in the relevant MSCI Hong Kong MPF Indexes.

Will there be any impact on the MSCI Islamic Indexes?

Yes. MSCI will rebalance the MSCI Saudi Arabia IMI Islamic Index as per the MSCI Islamic Methodology, and will include it in the MSCI Emerging Market IMI Islamic Index, as part of the May 2019 SAIR.

Will there be any impact on the MSCI Islamic M Series Indexes?

Yes. MSCI will rebalance the MSCI Saudi Arabia Islamic M Series Index as per the MSCI Islamic Methodology, and include it in the MSCI Emerging Markets Islamic M Series Index as part of the May 2019 SAIR.

Will there be any impact on the methodology and maintenance of the MSCI Factor, Capped, Thematic and ESG Indexes (Derived Indexes)?

There will be no methodology change for the MSCI Factor, Capped, Thematic and ESG Indexes following the reclassification. The derived indexes will use the weights from the underlying MSCI Global Investable Market Indexes. The specific MSCI Derived Index rebalancing methodology will then be applied, and no further adjustments will be made to the weight of the Saudi Arabian securities post the Derived Index rebalancing.

What is the timeline for inclusion of Saudi Arabian securities in the MSCI ESG Indexes?

Saudi Arabian securities will be eligible for inclusion in the MSCI ESG Indexes starting from the May 2019 SAIR. In line with the treatment of Derived Indexes, the MSCI ESG Indexes will be maintained using the adjusted weights from the underlying MSCI Global Investable Market Indexes (i.e., post application of the Index Inclusion Factor for Saudi Arabian securities).

Will MSCI provide simulated snapshots for the MSCI Factor, Capped, Thematic and ESG Indexes?

Yes, simulated snapshots for certain derived indexes may be available upon client request subject to feasibility.

Will there be any impact on the Index Review schedule for the MSCI Hedged Indexes (MSCI Hedged, Daily Hedged and Adaptive Hedge Indexes, as well as the MSCI FX Hedge and MSCI Global Currency Indexes) for the May 2019 SAIR and the August 2019 QIR?

As announced on March 7, 2019, MSCI has amended the effective dates of the May 2019 SAIR and the August 2019 QIR to May 29, 2019 and August 29, 2019, respectively. MSCI will still calculate the MSCI Hedged, MSCI Adaptive Hedge, MSCI FX Hedge and MSCI Global Currency Indexes using the regular month-end rebalancing cycle on May 31, 2019 and August 30, 2019.

Will there be any impact on the MSCI Hedged Indexes?

Saudi Arabian Riyal (SAR) spot and forward exchange rates will be used to represent Saudi Arabian securities in the calculation of the MSCI Hedged Indexes starting from the May 2019 SAIR.

Will there be any impact on the MSCI EM 50 Index?

There will be no change to the MSCI EM 50 Index methodology. Following inclusion in the MSCI Emerging Markets Indexes, Saudi Arabian securities will be eligible for potential inclusion in the MSCI EM 50 Index starting from the May 2019 SAIR.

At the time of the May 2019 SAIR, Saudi Arabia will be assessed for potential eligibility in the MSCI EM 50 Index based on its pro forma country weight assuming full inclusion, i.e. prior to the application of the Index Inclusion Factor. Selection of Saudi Arabian securities for potential addition to the MSCI EM 50 Index will also be based on free float-adjusted market capitalization prior to the application of the Index Inclusion Factor (IIF). However, the IIF of 0.5 will be applied in addition to FIF to determine the final weight of Saudi Arabian securities, if any, in the MSCI EM 50 Index. The IIF will then be increased to 1 as part of the August 2019 QIR.

Will MSCI provide MSCI Global Value Growth (GVG) factors for Saudi Arabian securities?

Yes. The MSCI GVG Country Indexes are based on the underlying MSCI Global Investable Market Indexes. Following the inclusion of Saudi Arabian securities, MSCI Saudi Arabia GVG Indexes will be constructed based on the MSCI Saudi Arabia Indexes post reclassification.

Does MSCI provide Value and Growth Inclusion Factors for the provisional indexes?

No. MSCI does not provide Value and Growth Inclusion Factors for the provisional indexes.

What should a client do with regard to custom indexes that may be impacted by the inclusion of Saudi Arabia securities?

Clients who do not wish the inclusion of Saudi Arabian securities to impact a custom index should contact an account representative for further details and requests for amending the custom index.

What new custom indexes may be potentially created?

On a custom basis, MSCI may provide indexes calculated based on various composites including or excluding Saudi Arabian securities upon request.

2.5 MSCI PROVISIONAL SAUDI ARABIA INDEXES

Currently, MSCI calculates the following indexes that are maintained based on Emerging Markets requirements as per the MSCI GIMI methodology:

- MSCI Saudi Arabia Index
- MSCI Saudi Arabia IMI

In addition, MSCI has made available the following provisional indexes which include the MSCI Saudi Arabia Index or the MSCI Saudi Arabia IMI:

- MSCI Provisional ACWI with SA and AR Index
- MSCI Provisional ACWI IMI with SA and AR
- MSCI Provisional EM with SA and AR Index
- MSCI Provisional EM IMI with SA and AR
- MSCI Provisional EM EMEA with SA Index
- MSCI Provisional EM EMEA IMI with SA
- MSCI Provisional EM Islamic M Series with SA and AR

3 CHINA A WEIGHT INCREASE

3.1 GENERAL QUESTIONS ON THE INCLUSION OF CHINA A SHARES

What will be the key impact of the weight increase of China A shares in the MSCI Indexes

The Index Inclusion Factor (IIF) of China A shares included in the MSCI China, the MSCI Emerging Markets and the MSCI ACWI Indexes, will be increased from 5% to 20%. In addition, ChiNext stocks will become eligible in the MSCI China equity universe, and Mid Cap China A shares will become eligible in the MSCI China, the MSCI Emerging Markets and the MSCI ACWI Indexes.

How will the weight increase of China A shares be implemented?

MSCI will increase the weight of China A shares in the MSCI Indexes through a three-step process coinciding with the following Index Reviews:

- May 2019 SAIR: increase the Index Inclusion Factor (IIF) of all China A Large Cap shares in the MSCI Emerging Markets Indexes from 5% to 10% and add ChiNext Large Cap shares with a 10% IIF
- August 2019 QIR: increase the IIF of all China A Large Cap shares, including the ChiNext Large Cap shares, in the MSCI Emerging Markets Indexes from 10% to 15%
- November 2019 SAIR: increase the IIF of all China A Large Cap shares, including the ChiNext Large Cap shares, in the MSCI Emerging Markets Indexes from 15% to 20% and add China A Mid Cap shares, including eligible ChiNext shares, with a 20% IIF

Will there be any changes to the way MSCI rebalances the MSCI China Indexes following the weight increase of China A shares?

No. MSCI will continue to review the MSCI China Indexes based on the integrated MSCI China equity universe, comprised of A shares which now will include ChiNext shares and B shares listed in China; H shares, Red chips and P chips listed in Hong Kong; as well as foreign listed Chinese companies, under the Emerging Markets thresholds described in the MSCI GIMI methodology book.

For more details on Index Maintenance for the MSCI China Indexes, please refer to Appendix XV of the MSCI GIMI Methodology.

What does it mean for ChiNext shares to be eligible for the integrated MSCI China equity universe?

Starting from the May 2019 SAIR, ChiNext shares will be treated the same as any other newly eligible China A shares subject to the relevant full market capitalization, free float-adjusted market capitalization, liquidity, suspension as well as other requirements for inclusion in the MSCI GIMI. Investable ChiNext shares will be assigned to the respective Large Cap, Mid Cap or Small Cap Size-Segments. Only ChiNext Large Cap shares that meet the necessary requirements, including Stock Connect eligibility, will be added to the MSCI Indexes as part of the May 2019 SAIR. Eligible ChiNext Mid Cap shares will be added to the MSCI Indexes starting from the November 2019 SAIR.

How will MSCI rebalance the MSCI China Index at the time of the May 2019 QIR?

MSCI will apply the SAIR maintenance rules on the integrated MSCI China Equity Universe (i.e., the same equity universe used for the MSCI China All Shares Indexes), including ChiNext shares, at the time of the May 2019 SAIR. Mid Cap and Small Cap China A shares, as well as Large Cap China A shares that are not eligible through the Stock Connect, will be excluded. The Index Inclusion Factor (IIF) applied on the China A shares will then be increased to 10%.

How will MSCI rebalance the MSCI China Index at the time of the August 2019 QIR?

MSCI will apply the QIR maintenance rules on the integrated MSCI China Equity Universe. Mid Cap and Small Cap China A shares, as well as Large Cap China A shares that are not eligible through the Stock Connect, will be excluded. The Index Inclusion Factor (IIF) applied on the China A shares will then be increased to 15%.

How will MSCI rebalance the MSCI China Index at the time of the November 2019 SAIR?

MSCI will apply the SAIR maintenance rules on the integrated MSCI China Equity Universe. Small Cap China A shares, as well as Large Cap and Mid Cap China A shares that are not eligible through the Stock Connect, will be excluded. The Index Inclusion Factor (IIF) applied on the China A shares will then be increased to 20%.

Has MSCI provided a simulated list of China A shares that would be part of the MSCI China and MSCI EM Indexes?

Yes. MSCI has provided a simulated list of China A shares, including Large Cap and Mid Cap ChiNext shares, that could potentially be added to the MSCI China and the MSCI EM Indexes. The simulated list of China A shares is available on <https://www.msci.com/index-consultations>.

How many China A shares would be added to the MSCI China Index?

Based on simulations using data from the February 2019 QIR, upon completion of the three-step inclusion process, there would be 253 Large and 168 Mid Cap China A shares, which includes 27 ChiNext shares, in the MSCI China Index based on simulated results. This would increase the weight of China A Shares to approximately 3.3% in the MSCI Emerging Markets Index.

Will ChiNext shares be eligible for other MSCI China Indexes?

At the time of the May 2019 SAIR, ChiNext shares will be eligible for the MSCI Indexes that are based on the integrated MSCI China Equity Universe including the MSCI China All Shares, MSCI China, MSCI China A and the MSCI China A Inclusion Indexes.

ChiNext shares will also be eligible for the MSCI China A Onshore Indexes.

What is the impact on the MSCI China A Indexes?

ChiNext securities will be eligible for the MSCI China A Indexes starting from the May 2019 SAIR. Therefore, ChiNext Large Cap shares that meet the necessary requirements, including Stock Connect eligibility, will be added to the MSCI China A Large Cap Index. ChiNext Mid Cap shares that meet the necessary requirements will be added to the MSCI China A Mid Cap Index as part of the May 2019 SAIR.

What is the impact on the MSCI China A Inclusion Index?

As the MSCI China A Inclusion Index represents the China A share component of the MSCI China Index, ChiNext Large Cap shares that meet the necessary requirements, including Stock Connect eligibility, will be added to the MSCI China A Inclusion Index as part of the May 2019 SAIR. Mid Cap China A shares, including Mid Cap ChiNext stocks that meet the necessary requirements will be added to the MSCI China A Inclusion Index at the same time in the November 2019 SAIR, in line with the MSCI China Index.

3.2 INDEX MAINTENANCE OF MSCI CHINA INDEXES FOLLOWING THE WEIGHT INCREASE OF CHINA A SHARES

Were there any enhancements to the policy regarding trading suspensions during Index Reviews in the context of the inclusion of China A shares?

Yes. Starting with the initial 5% partial inclusion of China A shares in the MSCI Indexes, additions of Chinese securities to all MSCI Indexes⁴ (including pro forma MSCI China Indexes, MSCI China A Inclusion Indexes, MSCI China All Shares Indexes and MSCI China A Onshore Indexes) will be cancelled instead of postponed if the securities are suspended on the day prior to the effective implementation of the Index Review. The inclusion of the securities will be re-evaluated at the next Index Review.

In case of suspensions, would the increase in weight for China A shares at the time of Index Reviews be postponed?

In the context of the weight increase of China A shares, changes in Index Inclusion Factor (IIF), if any, will be postponed when the affected securities are suspended. The postponed changes will be implemented 2 days after the securities resume trading.

Additions of Chinese securities such as Large Cap ChiNext stocks in the May 2019 SAIR and Mid Cap China A and ChiNext stocks in the November 2019 SAIR, to all MSCI Indexes⁴ (including pro forma MSCI China Indexes, MSCI China A Inclusion Indexes, MSCI China All Shares Indexes and MSCI China A Onshore Indexes) will be cancelled instead of postponed if the securities are suspended on the day prior to the effective implementation of the Index Review. The inclusion of the security will be re-evaluated at the next Index Review.

In case of breach of the Stock Connect daily limit, will MSCI postpone the implementation of Index Review changes?

No. As with the initial 5% inclusion of China A shares, MSCI will not postpone the implementation of Index Review changes for Stock Connect listings of China A shares when the Stock Connect daily limit is breached on the effective implementation date.

Will MSCI apply any special treatment on the MSCI China Indexes in the context of the announced weight increase of China A shares?

Yes. In order to prevent reverse turnover from the perspective of the Standard MSCI China Index, MSCI will continue to not implement migrations between the Large Cap and the Mid

⁴ Non-current IMI constituent

Cap Size-Segments in the MSCI China Indexes as part of the May 2019 SAIR and the August 2019 QIR.

MSCI will lift the special treatment applied on the MSCI China Indexes upon the inclusion of China A Mid Cap shares in the MSCI China and MSCI EM Indexes at the November 2019 SAIR.

In order to maintain consistency, this treatment is currently applicable to all share classes across all MSCI China Indexes with the exception of the MSCI China A Onshore Indexes.

3.3 IMPACT OF THE WEIGHT INCREASE OF CHINA A SHARES ON OTHER MSCI INDEXES

What prices and exchange rate are used for the construction and maintenance of Derived Indexes where China A shares will be included?

For Derived Index construction and rebalancing, the starting weights used for the Derived Indexes are computed using

- The offshore RMB exchange rate (CNH) if the China A share component is included using “Stock Connect” listings in the Parent Index
- The onshore RMB exchange rate (CNY) if the China A share component is included using onshore listings in the Parent Index.

What prices and exchange rate are used for the Index Calculation of Derived Indexes where China A shares are included?

For the purpose of daily Index calculation:

- Derived Index is calculated based on the offshore RMB exchange rate (CNH) if the China A share component is included using “Stock Connect” listings in the parent index. Examples: Derived indexes using pro forma MSCI China Index or MSCI China A Inclusion Index as the Parent Index.
- Derived Index is calculated based on the onshore RMB exchange rate (CNY) if the China A share component is included using onshore listings in the parent index. Examples: Derived indexes using MSCI China All Shares Index or MSCI China A Inclusion RMB Index as the Parent Index.

Is there any impact on the MSCI China Free Index, MSCI China 50 Index, MSCI EM 50 Index?

Yes. Large Cap ChiNext shares will become eligible for inclusion starting from the May 2019 SAIR in the MSCI China Free Index, MSCI China 50 Index and MSCI EM 50 Index. Mid Cap China A shares as well as Mid Cap ChiNext shares will become eligible for inclusion starting from the November 2019 SAIR.

Is the Index Inclusion Factor applicable to the MSCI China Free Index, MSCI China 50 Index and MSCI EM 50 Index?

Yes. Security selection for the MSCI China 50 Index and the MSCI EM 50 Index will continue to be based on free float-adjusted market capitalization after the application of the Index Inclusion Factor (IIF). China A shares in the MSCI China Free Index, MSCI China 50 Index and MSCI EM 50 Index are subject to the same three-step inclusion process beginning with an IIF of 10% in the May 2019 SAIR, 15% in the August 2019 QIR and 20% in the November 2019 SAIR, in line with the MSCI China Index.

Is there any impact on the MSCI All China Index?

Yes. As ChiNext stocks will become eligible for inclusion in the MSCI China A Onshore Indexes which is a component of the MSCI All China Indexes, any addition of ChiNext stocks to the MSCI China A Onshore Indexes will also be added to the MSCI All China Indexes.

As announced on April 12, 2019, MSCI will discontinue the MSCI All China Indexes effective November 27, 2019 as part of the transition of the MSCI All China Indexes to the MSCI China All Shares Indexes.

Will there be any impact on the MSCI Islamic and MSCI Islamic M Series indexes?

Yes. Existing China A shares in the MSCI Islamic and MSCI Islamic M Series Indexes will be subject to the increase in Index Inclusion Factor to 10% in the May 2019 SAIR, 15% in the August 2019 QIR and 20% in the November 2019 SAIR. New additions to the MSCI Equity Indexes resulting from a Quarterly Index Review may be considered for inclusion to the Islamic Indexes at the following Quarterly Index Review. Hence, China A shares that are added to their parent MSCI China, MSCI Emerging Markets and MSCI ACWI Indexes may only be added to the respective MSCI Islamic and MSCI Islamic M Series Indexes in the following Index Review at the relevant Index Inclusion Factor (IIF), provided they meet the relevant MSCI Islamic Screening requirements.

What is the timeline for inclusion of China A shares in the MSCI ESG Indexes that use MSCI ESG Ratings?

As announced on July 5, 2018, MSCI will include China A Shares in the existing MSCI ESG Leaders, MSCI ESG Universal, MSCI SRI and any other MSCI ESG Indexes that use MSCI ESG Ratings starting from the May 2019 SAIR. In line with the treatment of Derived Indexes, such indexes will be maintained using the adjusted weights from the underlying MSCI Global Investable Market Indexes (i.e., post application of the Index Inclusion Factor for China A Stock Connect securities).

What is the timeline for inclusion of China A shares in the MSCI ESG Indexes that do not use MSCI ESG Ratings?

China A Shares became eligible for index inclusion in the MSCI Low Carbon Target, MSCI Low Carbon Leaders, MSCI ex Controversial Weapons, MSCI Global Fossil Fuel Exclusion Indexes and other MSCI ESG Indexes that do not use MSCI ESG Ratings as part of the May 2018 SAIR. In line with the treatment of Derived Indexes, such indexes will continue to be maintained using the adjusted weights from the underlying MSCI Global Investable Market Indexes (i.e., post application of the Index Inclusion Factor for China A Stock Connect securities).

What are the other factors which will determine the inclusion of China A Shares in the MSCI ESG Indexes starting from the May 2019 Semi-Annual Index Review?

The inclusion of China A Shares in the MSCI ESG Indexes will be subject to the securities being selected following the application of the relevant index methodology. In particular, for certain MSCI ESG Indexes, the inclusion of China A Shares will be subject to the relevant ESG data being available from MSCI ESG Research at the time the securities are considered for index inclusion.

Is there any impact on the methodology and maintenance of the MSCI Factor, Capped, Thematic and ESG Indexes (Derived Indexes)?

The MSCI Factor, Capped, Thematic and ESG Indexes will use the adjusted weights (post application of the Index Inclusion Factor for China A Stock Connect securities) from the underlying MSCI Global Investable Market Indexes. The specific MSCI Derived Index rebalancing methodology will then be applied and no further adjustments will be made to the weight of the China A stock connect securities, post the Derived Index rebalancing.

In addition, MSCI will continue to implement the following enhancements to the methodologies using an optimization approach:

- For the MSCI 25/50 and 35/65 Indexes, the weight of each China A security will be capped at a maximum of three times its weight in the Parent Index

- For other optimized indexes (Diversified Multi-Factor, Minimum Volatility, Low Carbon Leaders, Low Carbon Target, Factor ESG Target Series, ESG Focus, Minimum Volatility ESG Target, Diversified Multiple-Factor R Series, Diversified Multiple-Factor Low Volatility and Diversified Multiple 5-Factor), the specific country weight constraint in each methodology will also be applied on China A securities separately (within overall China country), in addition to the usual country weight constraint for China.

How would the MSCI Derived Indexes be impacted by the increase in Index Inclusion Factor?

The Derived Index treatment will be as outlined above. However, if the schedule for the increase in Index Inclusion Factor (IIF) does not coincide with the rebalancing schedule for the index, any changes due to the increase in the IIF for China A securities will be neutralized by the application of the Variable Weighting Factor (VWF) for the non-market-capitalization weighted Indexes. For the market capitalization weighted Indexes, the changes will not be neutralized and will flow through from the Parent Index.

Does MSCI provide MSCI Global Value Growth (GVG) factors for China A Stock Connect securities?

Yes. The MSCI GVG Country Indexes are based on the underlying MSCI Global Investable Market Indexes. Following the weight increase of China A stock connect securities, the MSCI China GVG Index will continue to be constructed based on the MSCI China Index which will continue to include the China A stock connect securities.

Does MSCI provide simulated snapshots for the MSCI Factor, Capped, Thematic and ESG Indexes?

Yes, simulated snapshots for certain Derived Indexes may be available upon client request subject to feasibility.

What is the impact on the MSCI Custom Indexes?

MSCI Custom Indexes are based on the underlying MSCI Global Investable Market Indexes. There will be no impact on the methodology and maintenance of these indexes, other than reflecting the underlying index changes, resulting from the weight increase of China A shares in the Parent Indexes. For example for the MSCI EM+ Hong Kong Index, the weight of China A Stock Connect securities will increase in the MSCI EM Index and consequently to this index.

Custom indexes based on standard Derived Index methodologies will adopt the enhanced treatment outlined for the specific standard Derived Index methodologies as above.

What should a client do with regard to Custom Indexes that may be impacted by the inclusion of China A shares?

Clients who do not wish the China A shares weight increase to impact a custom index should contact an account representative for further details and requests for amending the custom index.

What new custom indexes may be potentially created?

On a custom basis, MSCI would be able to provide indexes calculated based on various composites including or excluding the reclassified markets upon request.

4 IMPACT ON MSCI PRODUCT FILES

Will there be any impact on product files?

The delivery of MSCI product files and formats will remain unaffected. Details on content changes to products resulting from the reclassification of Saudi Arabia and Argentina to Emerging Markets have been announced as part of the technical communication sent on March 1, 2019. For content changes resulting from the weight increase of China A shares in the MSCI Equity Indexes, details were announced as part of the technical communication sent on April 5, 2019.

When will the changes be reflected in the real time index calculations?

The inclusion of Saudi Arabian, Argentinian and ChiNext shares, as well as the weight increase of China A shares, in the MSCI Emerging Markets and MSCI ACWI Indexes will be reflected effective at the open of May 29, 2019.

Will MSCI provide the full list of securities comprising the Standard Size-Segment of the MSCI Saudi Arabia Index and the MSCI Provisional Argentina Index?

Yes. In order to provide more transparency to clients on the construction and maintenance of the MSCI Saudi Arabia Index and the MSCI Provisional Argentina Index, MSCI has made available a list of securities that are part of the Investable Equity Universe. The list is available on <https://www.msci.com/market-classification>

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