

# **MSCI [COUNTRY/REGION] N INDEXES METHODOLOGY**

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## 1 Introduction

The MSCI Country/Region N Index (herein, the “Index”) is a free float-adjusted market capitalization weighted index designed to track the performance of the largest N securities of an underlying MSCI Index (herein, a “Parent Index”) based on their free float-adjusted market capitalization. The relevant MSCI Parent Index would be any MSCI Country or Regional Index. Please refer to the Appendix I for the details on the naming convention for these indexes.

## **2 Constructing the MSCI Country/Region N Index**

The Selection Universe of the Index is based on the constituent securities of the Parent Index. The constituents of the Parent Index are ranked in descending order of their free float-adjusted market capitalization and the largest N securities are selected to construct the Index. The resulting Index constituents are weighted according to their free float-adjusted market capitalizations.

## 3 Maintaining the MSCI Country/Region N Index

### 3.1 QUARTERLY INDEX REVIEWS

The composition of the Index is fully reviewed on a quarterly basis to coincide with the regular index reviews of the MSCI Global Investable Market Indexes. The changes are implemented at the close of business day prior to the effective date. The results of the rebalancing are announced nine business days before the effective date of each Quarterly Index Review.

During a Quarterly Index Review, the number of securities is restored to the pre-defined number N. Note that the number of Index constituents between the Index Reviews may differ from the pre-defined N due to additions and deletions resulting from corporate events on the existing Index constituents.

In the event the number of constituents in the Parent Index drops below the pre-defined N at any rebalance, the Index will continue to be calculated using the Parent Index constituents. Additionally, the number of constituents in the Index can go below N between the Index Reviews even though the number of constituents in the Parent Index are above N. This can generally happen due to corporate events where a security added to the Parent Index may not be added to the Index. More details on the implementation of corporate events in the Index can be found in section 3.2.

If a security scheduled to be added to the Index is suspended from trading on the day before the effective implementation date of a Quarterly Index Review, MSCI will cancel the implementation of the security. When the implementation of a deletion from the Parent Index is postponed, the implementation of the deletion from the Index will also be postponed. When the deletion is implemented in the Parent Index after the security resumes trading, the security will be simultaneously deleted from the Index.

#### 3.1.1 BUFFER RULES

To minimize index turnover, additions to and deletions from the Index during each index rebalance will be controlled by 10% buffer rules.

For example, for an MSCI Country/Region 100 Index, non-constituents that satisfy all eligibility criteria and rank 90 or above will be added to the Index. The existing constituents which rank below 110 will be deleted from the Index. If the number of securities differs from 100 after applying the buffer rules, the lowest ranked securities within the Index will be deleted, or the next highest ranked securities will be added to the Index to restore the number of constituents to 100 or to the number of constituents in the Parent Index.

**3.1.2 CUTOFF DATE FOR MARKET CAPITALIZATION AND PRICES USED FOR THE REBALANCING**

The cutoff date for the free float-adjusted market capitalization used for the rebalancing<sup>1</sup> of the Index is nine business days before the effective date of the Index Reviews in February, May, August and November.

**3.2 ONGOING EVENT RELATED CHANGES**

In general, the Index follows the event maintenance of the MSCI Global Investable Market Indexes with the exception of the treatment described below.

The general treatment of additions and deletions due to corporate events aims at reducing turnover in the Index. When the number of securities in the Index falls below or rises above the pre-defined N due to corporate events, no additions or deletions will be made to restore the number of constituents to N until the next Quarterly Index Review.

The following section briefly describes the treatment of common corporate events within the Index.

No new securities will be added (except where noted below) to the Index between Index Reviews. Parent Index deletions will be reflected simultaneously.

**EVENT TYPE**

**EVENT DETAILS**

**New additions to the Parent Index**

A new security added to the Parent Index (such as IPO and other early inclusions) will not be added to the index.

**Spin-Offs**

All securities created as a result of the spin-off of an existing Index constituent will be added to the Index at the time of event implementation. Reevaluation for continued inclusion in the Index will occur at the subsequent Index Review.

**Merger/Acquisition**

For Mergers and Acquisitions, the acquirer’s post event weight will

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<sup>1</sup> The data used for rebalancing is the same available for the pro forma Parent Index at T-9.

account for the proportionate amount of shares involved in deal consideration, while cash proceeds will be invested across the Index.

If an existing Index constituent is acquired by a non-Index constituent, the existing constituent will be deleted from the Index and the acquiring non-constituent will be added to the Index provided it is added to the Parent Index following the corporate event.

**Changes in Security Characteristics**

A security will continue to be an Index constituent if there are changes in characteristics (country, sector, size segment, etc.) Reevaluation for continued inclusion in the Index will occur at the subsequent Index Review.

Further detail and illustration regarding specific treatment of corporate events relevant to this Index can be found in the MSCI Corporate Events Methodology book under the sections detailing the treatment of events in Capped Weighted and Non-Market Capitalization Weighted indexes.

The MSCI Corporate Events methodology book is available at: <https://www.msci.com/index-methodology>

## Appendix I: Index Naming Convention For The MSCI Country/ Region Index

The indexes created using this methodology are named as “MSCI Country / Region N Index” where N is the number of securities in the Parent Index ranked by their free float market capitalization in the descending order (e.g. MSCI ACWI 500 Index). The underlying Parent Index for these indexes would be a MSCI Investable Market Index (IMI).

When a MSCI Country / Region N Index is constructed from a MSCI Large Cap, Mid Cap or Small Cap Parent Index, the Index name will also include relevant segment information (e.g. MSCI World Large Cap 100 Index, MSCI USA Mid Cap 50 Index).



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*The process for submitting a formal index complaint can be found on the index regulation page of MSCI's website at: [www.msci.com/index-regulation](http://www.msci.com/index-regulation)*

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