

# MSCI RUSSIA LOCAL LIQUIDITY SCREENED CAPPED INDEX

September 2017

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## **1 INTRODUCTION**

The MSCI Russia Local Liquidity Screened Capped Index (the “Index”) applies liquidity screenings on the MSCI Russia Index (the “Parent Index”) and replaces American Depositary Receipts (ADRs) and Global Depositary Receipts (GDRs) included in the MSCI Russia Index with corresponding Russian listings where available. The Index is free float-adjusted market capitalization weighted with a capping applied on the largest weights.

## 2 CONSTRUCTING THE MSCI RUSSIA LOCAL LIQUIDITY SCREENED CAPPED INDEX

The Index includes all constituents of the MSCI Russia Index with the exception of those securities that are identified by applying the screenings described in Sections 2.1 and 2.2 below.

### 2.1 RUSSIA LISTING SCREENING

For all constituents of the MSCI Russia index for which American Depositary Receipts (ADRs) or Global Depositary Receipts (GDRs) are used, the listing is replaced with a Russia listing as the price source, provided that the Russia listed security meets the liquidity screening requirements described in Section 2.2. In cases where no liquid Russia listing is identified, the security is not included in the Index. As a result, no ADR or GDR is included in the Index either.

### 2.2 LIQUIDITY SCREENING

Securities with a 3-Month Annualized Traded Value<sup>1</sup> lower than USD 1 Billion based on a 3 month horizon are excluded from the Index. The 3-Month Annualized Traded Value is obtained by taking the average of the monthly median traded values of the previous 3 months for the listing under consideration and annualizing it by multiplying it by 12.

### 2.3 APPLYING THE GROUP ENTITY CAPPING

If the free float-adjusted market capitalization weight of any group entity<sup>2</sup> in the Index is greater than 16.5%, then its weight is capped to 15%. The weight of the remaining group entities is increased in proportion to their weight prior to such capping, subject to a maximum of 15%.

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<sup>1</sup> For details on calculation of Annualized Traded Value, please refer to MSCI Index Calculation Methodology book, available at <https://www.msci.com/index-methodology>

<sup>2</sup> For definition of Group Entities, refer to section 3.1 in the MSCI 10-40 Indexes Methodology book <https://www.msci.com/index-methodology>

### 3 MAINTAINING THE MSCI RUSSIA LOCAL LIQUIDITY SCREENED CAPPED INDEX

In general, changes to the MSCI Russia Index as described in the MSCI Global Investable Market Indexes methodology (<https://www.msci.com/index-methodology>), including changes related to Semi-Annual Index Reviews, Quarterly Index Reviews and Corporate Events, are applied simultaneously to the Index.

For example, changes in number of shares and Foreign Inclusion Factors, as well as Price Adjustment Factors, are applied simultaneously in the Index. Deletions from the Parent Index are also simultaneously reflected in the Index.

The below sections describe the maintenance rules that are applied in addition to or in lieu of the changes in the MSCI Russia Index and that are specific to the Index.

#### 3.1 QUARTERLY INDEX REVIEWS

The Index is rebalanced on a quarterly basis coinciding with the Semi-Annual and Quarterly Index Reviews of the MSCI Global Investable Market Indexes, usually as of the close of the last business day of February, May, August and November. The Index is rebalanced as described in section 2, based on the pro forma MSCI Russia Index.

The pro forma Index is announced five business days before the effective date.

#### 3.2 REBALANCING DUE TO NON-COMPLIANCE

On a daily basis, if the weight of any group entity is greater than 20%, its weight is capped at 15%. The weight of the remaining group entities is increased in proportion to their weight prior to such capping, subject to a maximum of 15%.

#### 3.3 ONGOING EVENT-RELATED MAINTENANCE

Additions of ADR or GDR listings to the MSCI Russia Index between Index Reviews are not included in the Index and are considered for addition to the Index at the next Quarterly Index Review.

Additions of Russian listings to the MSCI Russia Index with no link to an existing constituent, including IPOs, are included in the Index simultaneously with an estimated weight based on a rebalancing as per section 2. However this rebalancing does not trigger changes to the constraint factors applied on the market capitalization of other constituents.

Additions of Russian listings to the MSCI Russia Index with a link to an existing constituent (such as spin offs) are included in the Index simultaneously and inherit the constraint factor of the pre-event entity.

In the case of acquisitions or mergers between constituents of the Index where the post event entity is included in the MSCI Russia Index with a Russia listing, the post event entity will be included in the Index simultaneously with a reviewed constraint factor calculated as the weighted average of the pre-event constraint factors.

**The following sections have been modified since September 2014:**

Section 2.2: Liquidity Screening

- Added link to the MSCI Index Calculation Methodology.

Section 2.3: Applying the Group Entity Capping

- Added link to the MSCI 10-40 Index Methodology.

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