



MSCI Completes the Successful Implementation of Final Phase of the 20% Partial Inclusion of China A Shares in MSCI Indexes

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LONDON--(BUSINESS WIRE)--Nov. 26, 2019-- MSCI Inc. (NYSE: MSCI), a leading provider of research-based indexes and analytics, is pleased to announce today the successful completion of the third and final phase of the 20% partial inclusion of China A shares in the MSCI Indexes, including in the MSCI Emerging Markets Index.

As of the close of markets on November 26, 2019, the MSCI Indexes will include 472 China A shares, comprised of 244 large cap and 228 mid cap securities. The weight of China A shares in the MSCI ACWI and MSCI Emerging Markets Indexes will reach 0.5% and 4%, respectively. The MSCI China Index, which includes China A shares and offshore listed shares, will include 710 securities representing 4% and 34% of the MSCI ACWI and MSCI Emerging Markets Indexes, respectively.

As previously stated, any further inclusion of China A shares in the MSCI Indexes would follow a public consultation and be reviewed against the progress made towards addressing the remaining market reforms highlighted by international institutional investors. During MSCI's most recent public consultation on China A inclusion¹ investors stressed the need to resolve the following concerns ahead of consideration of further inclusion:

- **Access to hedging and derivatives instruments:** International institutional investors require liquid on and offshore index futures and options contracts in order to expand their allocation to China and manage their increased exposure. Index futures and options contracts are critical risk management tools for global investors, particularly for complex, deep and varied equity markets such as in China.
- **Short settlement cycle for China A shares:** International institutional investors have highlighted that they continue to face significant operational challenges and risks in dealing with the short settlement cycle of China A shares. China currently operates on a T+0/T+1 non-Delivery versus Payment (non-DVP) settlement cycle. Most markets in the MSCI ACWI operate currently on a T+2/T+3 DVP settlement cycle.
- **Trading holidays of Stock Connect:** International institutional investors are concerned with the misalignment between onshore China and Stock Connect holidays. Given that most global institutional investors currently rely on Stock Connect as the primary access channel for China A shares, it is important that the current trading holiday arrangement be reviewed to minimize unnecessary investment frictions.
- **Availability of Omnibus trading mechanism in Stock Connect:** Many large fund managers and broker dealers have highlighted the pressing need for a well-functioning omnibus mechanism. The ability to place a single order on behalf of multiple client accounts is critical to facilitate best execution and lower operational risk to international institutional investors.

MSCI will launch a public consultation on further inclusion of China A shares in MSCI Indexes only after all the above-mentioned concerns have been addressed by the Chinese authorities in order to continue to facilitate international investment.

About MSCI

MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 45 years of expertise in research, data and technology, we power better investment decisions by enabling clients to understand and analyze key drivers of risk and return and confidently build more effective portfolios. We create industry-leading research-enhanced solutions that clients use to gain insight into and improve transparency across the investment process. To learn more, please visit www.msci.com.

¹ MSCI conducted a public consultation on the increased weighting of China A Shares in MSCI Indexes from September 2018 – February 2019.

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Media Inquiries

PR@msci.com

Sam Wang +1 212 804 5244

Melanie Blanco +1 212 981 1049

Laura Hudson +44 20 7336 9653

Rachel Lai +852 2844 9315

MSCI Global Client Service

EMEA Client Service + 44 20 7618.2222

Americas Client Service +1 888 588 4567 (toll free)

Asia Pacific Client Service + 852 2844 9333