

Consultation on Enhancement to the MSCI Unexpected Market Closure Indexes Methodology

PROPOSAL FOR CONSULTATION

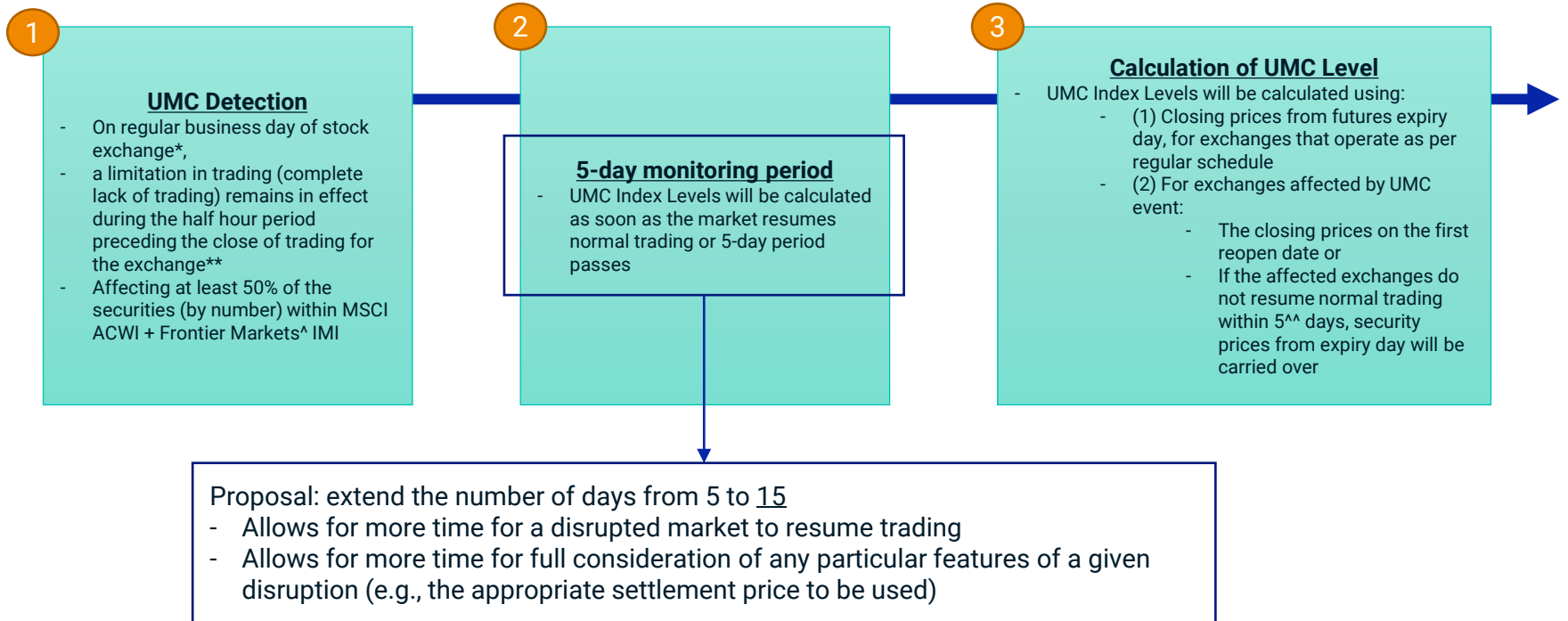
This consultation may or may not lead to the implementation of any or all of the proposed changes in the highlighted or any other MSCI indexes. Consultation feedback will remain confidential. MSCI may publicly disclose feedback if specifically requested by specific market participants. In that case, the relevant feedback would be published together with the result of the consultation.

July 2023

Executive Summary

- The MSCI Unexpected Market Closure (UMC) Indexes methodology aims to account for unexpected market closure events affecting the trading of underlying MSCI index constituents on the day of a scheduled index futures expiry.
- In case of such events, adjustments to the market performance of a given MSCI index denoted by its index level will be made available as an Unexpected Market Closure Index level (UMC level) on subsequent days, at the resumption of the affected markets or until 5 business days have elapsed.
- MSCI proposes to extend the 5-day window to 15 business days. This is to allow for more time for a disrupted market to resume trading, and in specific scenarios, to allow for more time for full consideration of any particular features of a given disruption (e.g. the appropriate settlement price to be used).
- MSCI welcomes feedback from market participants until September 29, 2023 and will announce the results of the consultation on or before end of October 2023.

Methodology Summary and Proposal



*Exchange of trading of relevant MSCI Index Constituents

** for Frontier Markets, the limitation on trading is evaluated for the entire period of trading hours for such exchanges

[^] for Frontier Markets, if such an exchange lists fewer than 5 MSCI ACWI + Frontier Markets IMI constituents, the interruption in trading should affect all constituents listed on the particular exchange

^{^^}15 days under the new proposal

Consultation Questions

- Do you agree with the proposal to extend the number of days used to determine the UMC level in case of market disruption from 5 to 15 days?
 - In your view, what could be the benefits or drawback of the proposed change?
- Should the definition of UMC be updated to include other scenarios such as indefinite market closures (i.e., market closures without publicly stated resumption dates) or market accessibility issues, e.g. sanctions, market-wide selling bans?
- Do security prices from the futures expiry day remain appropriate as a default price to calculate the UMC level in case the impacted market remains closed at the end of the 15-day window?
 - If not, what prices could be used in case a market impacted by a UMC event remains closed at the end of the 15-day window? Should prices then be determined on a case-by-case basis?

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