

CONSULTATION ON PROPOSED CORPORATE EVENTS METHODOLOGICAL CHANGES

October 2018

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 final results of the consultation.

SUMMARY OF PROPOSALS

MSCI opens a consultation on proposals around its Corporate Event Methodology and related treatment with regards to the following:

- 1) PRICE LIMIT BREACH ON CORPORATE EVENTS IMPLEMENTATION DAY
- 2) RIGHTS ISSUES WITH INCOMPLETE INFORMATION ON THE EX-DATE
- 3) US OPTIONAL DIVIDEND TREATMENT
- 4) NEW METHODOLOGICAL FRAMEWORK FOR:
 - a) GLOBAL ADVANCE NOTIFICATION FOR DELETIONS
 - b) CANADIAN ACQUISITIONS
 - c) TREATMENT OF DELETION FOR SECURITIES ALREADY DELISTED

Selected Topics:

- Long Term Capital Gains in India
- Direct Route Listing
- Cross Border Corporate Events

MSCI invites feedback from market participants on or before November 9, 2018, and will announce the results of the consultation on or before November 21, 2018. Changes if any would be implemented with sufficient advance notification.

CONSULTATION TOPIC 1:

PRICE LIMIT BREACH ON CORPORATE EVENTS IMPLEMENTATION DAY

BACKGROUND & OBJECTIVE

Securities trading at their daily price limit on the implementation day of a corporate event poses time sensitive replicability issues.

Currently, MSCI reviews and determine on a case by case basis whether the already announced implementation should be maintained or postponed.

- **MSCI is proposing to adopt a methodological framework for these situations to improve clarity and limit potential replicability issues for investors.**

Recent examples of securities breaching the price limits on an implementation date:

KOREA	BGF RETAIL	Mid Cap	SPIN-OFF
INDIA	GRASIM	Large Cap	SPIN-OFF
VIETNAM	VINHOMES JSC	Large Cap	IPO
VIETNAM	VINCOM RETAIL JSC	Large Cap	IPO
CHINA	FOXCONN INDUSTRIAL CO A	Large Cap	IPO

METHODOLOGY CHANGE PROPOSALS

Proposed treatment:

- To postpone the implementation of selected index changes resulting from corporate events if the security is trading at its daily price limit on the stock exchange of reference at 12PM local time on the implementation day, irrespective of whether the security resumes normal trading later on.
- This treatment would apply to additions, migrations and selected deletions from/to the MSCI Standard Index Indexes.

NOTE: The above proposed treatment would not apply to:

- Events considered neutral from a Standard Index perspective. For example: Shares acquisitions between two Standard Index constituents or spin-offs where Spun-offs and Parent securities are Standard constituents.
- Deletions due to M&As: MSCI would amend the deletion price to the offer consideration.
- Deletions due to delisting/bankruptcies: MSCI would amend the deletion price to the lowest system price.

Proposed announcement policy:

1. MSCI would send a standardized announcement shortly after 12PM notifying clients about the postponement of the event due to daily price limit breach. Prior to market close another announcement would be sent with complete details of the revised implementation.
2. When the security resumes to normal trading without breaching the daily price limit, MSCI would send an announcement in “confirmed” status leaving 2 full business days advance notification.

POTENTIAL IMPACT OF THE PROPOSAL & DISCUSSION POINTS

Potential Impact of the proposal:

- In the past year, 84 corporate events triggered additions, deletions or migrations impacting Standard Index constituents. 21 had a country of listing in Korea, India, Vietnam and China.
- For all such events, MSCI would 1) monitor on the implementation day if the security is trading at its daily price limit at 12PM and 2) would postpone the implementation of additions/migrations/deletions if the security is not trading due to price limit breach in order to avoid potential replicability issues.
- Addition/migration/deletion may trigger ad-hoc rebalancing in some derived indexes such as 10/40, 25/50. In cases where MSCI would postpone the addition/migration/deletion, the changes related to these ad-hoc rebalancing would still be implemented.

Discussion points:

- Do you agree that MSCI should postpone additions, migrations and selected deletions if the security is trading at its daily price limit on a corporate events implementation day?
- Do you agree with the proposal that the decision to change the implementation effective date should be based on the trading status at 12PM local time?
- Is it a concern that this proposal would lead to changes being announced intraday with limited advance notification?

APPENDIX

SELECT MARKETS CURRENTLY APPLYING DAILY PRICE LIMITS

Country	Exchange	Price Limit mechanism?	Threshold, if any	Duration of Price Limit	Hours of Trading prior to 12PM	Total Hours of Regular Trading
INDIA	NSE / BSE	Yes	5% / 2%, 5%, 10% or 20% ¹	From 1 st to 10 th trading day / 11 th trading day onwards	2h45	6h15
VIET NAM	Ho Chi Minh / Hanoi SE	Yes	20% / 7%	1 st day / 2 nd trading day onwards	3h0	6h00
KOREA	Korea Exchange	Yes	30%	From 1st trading day	3h00	6h30
CHINA	Shenzhen SE / Shanghai SE	Yes	44% / 10%	1 st day / 2 nd trading day onwards	2h30	6h00
JAPAN	Tokyo SE	Yes	[+230% ; -75%] On 1 st trading day	From 2 nd trading day price limit is determined based on security's previous day closing price.	3h00	6h00

¹ based on the stock exchange classification

PAST EXAMPLES OF PRICE LIMIT ISSUE

- Korea - BGF RETAIL (Mid Cap) - Spin off of BGF RETAIL
- Ex Date: Dec 8, 2017
- Spun-off not added to the Standard Index

Trading Day	Date	Price	Volume	% change in price	Price Limit
1	8-Dec	28,550	254,000	-	Yes
2	11-Dec	20,000	193,140	-30%	Yes
3	12-Dec	16,400	9,030,912	-18%	No
4	13-Dec	15,350	4,709,779	-6%	No
5	14-Dec	15,200	3,043,685	-1%	No
6	15-Dec	15,250	2,522,013	0%	No
7	18-Dec	15,050	1,373,196	-1%	No
8	19-Dec	14,500	1,782,524	-4%	No
9	20-Dec	14,150	1,002,973	-2%	No
10	21-Dec	14,150	784,437	0%	No
11	22-Dec	14,900	1,094,862	5%	No

- India - GRASIM INDUSTRIES (Large Cap) - Spin off of Aditya Birla Capital.
- 1st trading day of spun-off: Sept 1, 2017
- Spun-off not added to the Standard Index

Trading Day	Date	Price	Volume	% change in price	Price Limit
1	1-Sep	237.5	4,658,997	-	
2	4-Sep	225.6	309,923	-4.989%	Yes
3	5-Sep	214.4	192,377	-4.986%	Yes
4	6-Sep	203.7	267,160	-4.991%	Yes
5	7-Sep	206.9	4,241,770	1.595%	No
6	8-Sep	201.2	5,412,431	-2.754%	No
7	11-Sep	193.8	5,588,615	-3.677%	No
8	12-Sep	187.0	36,566,461	-3.508%	No
9	13-Sep	196.4	4,592,680	4.999%	Yes
10	14-Sep	206.2	6,454,750	4.990%	Yes
11	15-Sep	203.2	19,039,812	-1.431%	No
12	18-Sep	199.9	6,389,800	-1.624%	No
13	19-Sep	198.6	4,287,615	-0.650%	No
14	20-Sep	195.4	2,925,035	-1.636%	No
15	21-Sep	195.4	3,559,653	0.026%	No
16	22-Sep	190.2	5,176,182	-2.661%	No

CONSULTATION TOPIC 2:

RIGHTS ISSUES WITH TERMS UNAVAILABLE ON THE EX-DATE

BACKGROUND & OBJECTIVE

Background:

- In some countries, typically Chile and Germany, companies sometimes publicly announce the subscription price of their rights issues only after the ex-date, during the subscription period.
- Currently, rights issues, where terms are not (or only partially) available on the ex-date are reflected by a Price Adjustment Factor (PAF) of 1 on the ex-date in the MSCI Indexes.
- MSCI waits for the results of the rights issue announced post-subscription period to implement any changes in number of shares (NOS) and Foreign Inclusion Factor (FIF) giving two full business days advance notification.

Objective:

- In order to allow global investors replicating an MSCI Index to participate in rights issues which offer an economic benefit, MSCI proposes to implement a PAF and to increase the NOS for “in the money”¹ rights issues if the full terms (subscription price and terms) are announced during the election period providing two full business days advance notice, when feasible.

¹ “in the money” refers to rights issues with subscription price below the market price, whereas “out of the money” refers to rights issues with subscription price greater or equal to market price

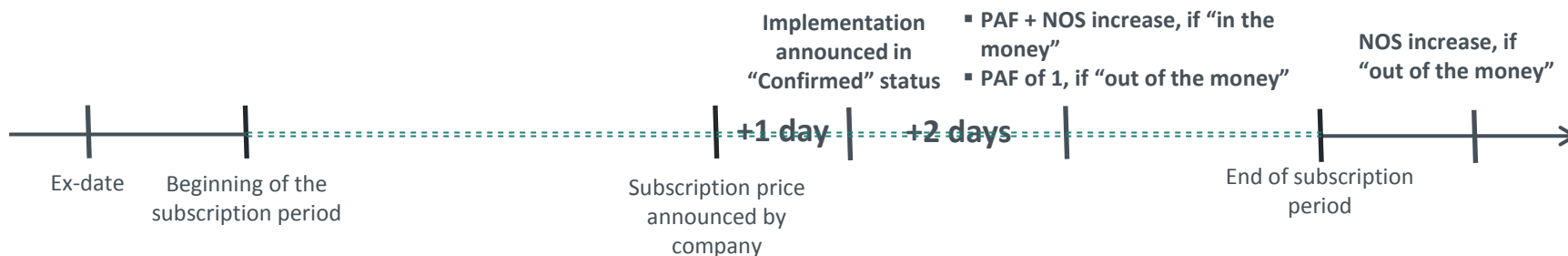
METHODOLOGY CHANGE PROPOSALS

Methodology proposal:

MSCI proposes to determine whether the rights issue offers an economic benefit to shareholders as soon as the subscription price is publicly announced by comparing it to the security's closing market price on the day the subscription price is announced.

- **“In the money”**: To apply a PAF with two full business days advance notification² from the announcement of the subscription price and increase NOS as of the close of the PAF implementation date.
- **“Out of the money”**: To Apply a PAF of 1 with 2 full business days advance notice from the announcement of the subscription price and an increase in NOS after the results have been announced if the change is greater than 5%/10%/25% for Standard, Small Caps and Micro Caps.

Example:



²The PAF would be applied at the latest on the last day of the subscription period, which in some cases in Germany, may limit the advance notification to less than 2 full business days.

IMPACT OF THE PROPOSAL & DISCUSSION POINTS

Impact of the proposal:

- MSCI would no longer apply a PAF of 1 on the ex-date.
- MSCI would implement “in the money” rights issues during the subscription period.
- Changes related to “out of the money” rights issue would continue to be implemented after the results of the subscription period are announced if they are above the implementation thresholds.

Discussion points:

- Do you agree that a PAF should be apply to the security’s market price during the subscription period if the rights issue is “in the money”?
- Do you agree that MSCI should determine whether or not a rights issue is in the money by comparing the subscription price with the closing market price of the security on the day the subscription price is announced?
- Should MSCI use a different market price to be compared with the subscription price (e.g. the ex-date)?

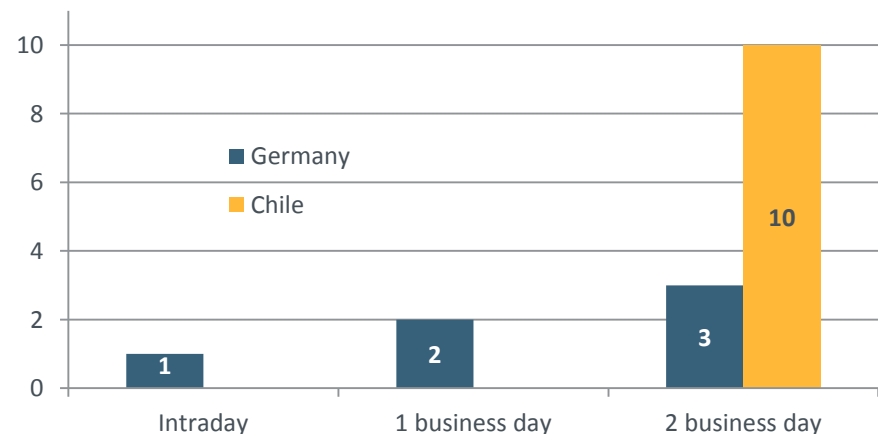
APPENDIX

SIMULATION OF THE ADVANCE NOTIFICATION AS PROPOSED

Country	# events	Standard	Small Cap	Micro Cap	Pricing made available during subscription period?	Delta between pricing day & last subscription day (business days) ¹
Chile	10	6	4	NA	YES	19-21
Germany	6	1	1	4	YES	0-4
Switzerland	1	-	1	-	NO	NA

- In Chile, under the proposed methodology, 2 full business days advance notice have been given for all 10 cases.
- In Germany, it would have resulted in: 3 intraday (same day implementation for a Micro Cap and next day implementation for 2 Micro caps).

Simulated advance notification provided during the subscription period for “in the money” rights issues



RIGHTS ISSUES SAMPLE

Security Name	Size Sgmt	Country	Ex Date	Pricing Date	Subs. Price	Terms			Subscription Period	In the Money?	Days between pricing & last day of subs. period
CORPBANCA	Mid	CL	May-07-2012	May 11 2012	6.25	0.1718	1		May 11 to Jun 9 2012	Yes	19
CENCOSUD	Large	CL	Jun-18-2012	Jun 22 2012	2600	0.1073	1		Jun 22 to Jul 21 2012	Yes	19
LA POLAR	Small	CL	Aug-29-2012	Sep 3 2012	179.44	3.0167	1		Sep 3 to Oct 2 2012	Yes	20
SONDA	Small	CL	Nov-30-2012	Dec 5 2012	1430	0.1297	1		Dec 5 to Jan 4 2013	Yes	21
LATAM AIRLINES GROUP	Large	CL	Dec-17-2012	Dec 21 2012	11000	0.0156	1		Dec 21 to Jan 19 2013	Yes	19
CORPBANCA	Mid	CL	Jan-11-2013	Jan 16 2013	6.25	0.16023	1		Jan 16 to Feb 14 2013	Yes	20
VAPORES(CIA SUD AMERIC.)	Small	CL	Aug-14-2013	Aug 20 2013	24.9	0.7743	1		Aug 20 to Sep 18 2013	Yes	20
CERVEZAS	Mid	CL	Sep-09-2013	Sep 13 2013	6500	0.1601	1		Sep 13 to Oct 12 2013	Yes	19
LATAM AIRLINES GROUP	Large	CL	Nov-15-2013	Nov 21 2013	7872.77	0.1282	1		Nov 20 to Dec 19 2013	Yes	19
PRIME OFFICE	Small	DE	Jan-29-2014	Feb 5 2014	2.8	8	23		Jan 29 to Feb 11 2014	Yes	3
MEDIGENE	Micro	DE	Jul-01-2014	Jul 10 2014	5	2	7		Jul 1 to July 14 2014	No	1
FAIR VALUE REIT	Micro	DE	Apr-21-2015	Apr 29 2015	7.9	1	2		Apr 21 to May 5 2015	Yes	3
MEDIGENE	Micro	DE	Jun-16-2015	June 26 2015	8.3	2	5		Jun 16 to Jun 30 2015	No	1
DEUTSCHE WOHNEN	Mid	DE	May-21-2015	May 27 2015	21.5	1	7		May 21 to Jun 3 2015	Yes	4
THAI UNION FROZEN PROD	Mid	TH	Jul-2-2015	Jul-17-2015	16	1	6		Not available	Yes	NA
CIA SUD AMERICANA	Small	CL	Oct-4-2017	Oct-9-2017	30.55	1	0.199		Oct 10 to Nov 8 2017	Yes	21
VALORA HOLDING	Small	CH	Nov-13-2017	Nov-21-2017	310	1	5		Nov 13 to Nov 20 2017	Yes	NA
BIOFRONTERA	Micro	DE	Jan-30-2018	Feb-9-2018	4	2	13		Jan 30 to Feb 12 2018	Yes	0

CONSULTATION TOPIC 3:

US OPTIONAL DIVIDENDS TREATMENT

BACKGROUND & OBJECTIVE

Background:

- Optional dividends paid by US listed companies are designed as a mix of cash and shares subject to election and pro-ration.
- The current country specific methodology does not fully reflect what investors receive.
- On average, for each US Dollar distributed, MSCI reflects USD 1.76 of distribution in its Indexes.

Objective:

- MSCI is proposing to change the current methodology for US optional dividends to reflect more precisely what is received by shareholders.
- Based on simulation of the proposed methodology on same past events, for each US Dollar distributed, MSCI would have reflected on average USD 1.04 of distribution in its Indexes.
- MSCI's proposal would lead to a simpler implementation in one step versus two currently.

CURRENT METHODOLOGY & MARKET PRACTICES

Current methodology

1. Reinvestment on the ex-date of the full amount in the MSCI DTR Indexes, assuming it is an all cash dividend amount.
2. Wait for the election/pro-ration results, which is always a mix of cash and shares and increase the number of shares giving two full business days advance notification, regardless of the size.

Facts observed from past US Optional dividends

- Based on 16 optional dividends implemented in the past 6 years; 4 Mid, 9 Small and 3 Micro caps -
 - 16/16 times, the cash amount distributed was capped by the company and is publicly available.
 - 16/16 times, the elected **cash component reached its capped amount.**
 - 12/16 times, the pro-ration was 20% cash/80% shares (others: 2x 24%/76%, 25%/75%, 70%/30%)
 - Default options varies: 62% stock, 25% not disclosed, 13% cash
 - 15/16 times, the dividend amount was above 5% of the company's market price.

NOTE: The final share consideration is calculated by the company using a moving average of the company market price during the election period.

METHODOLOGY CHANGE PROPOSALS

MSCI proposes to implement US optional dividends on the ex-date as follows:

- If dividend amount > 5% of company's closing market price at T-4 from ex-date:

Apply a Price Adjustment Factor (PAF) "Special Cash + Stock Dividend" on the ex-date and increase the Number of Shares (NOS) as of the close of the ex-date.

- If dividend amount ≤ 5% of company's closing market price at T-4 from ex-date:

Apply a PAF "Stock Dividend", increase the number of shares (NOS) as of the close of the ex-date and reinvest the cash component on the ex-date in the MSCI Daily Total Return (DTR) Indexes only.

MSCI proposes to determine the terms of the US optional dividend as follows (see example slide 24)

- 1) Cash component terms would be derived assuming the cash consideration distributed is equal to the capped amount set by the company. e.g. 20% of total dividend amount per share
- 2) Stock dividend terms would be calculated as follows:

$$\frac{\text{Number of shares to be issued}}{\text{Pre-event NOS}} = \frac{\text{Total dividend amount} - \text{Cash component amount}}{\text{Theo-Ex Price}} \times \frac{1}{\text{Pre-event NOS}}$$

NOTE: Any difference in Number of Shares would be resolved at a subsequent Index Review.

POTENTIAL IMPACT OF THE PROPOSAL & DISCUSSION POINTS

Potential Impacts of the proposals

- With this proposal, US optional dividends would be reflected in 1-step on the ex-date versus in 2-steps currently (PAF on ex-date and NOS increase after election results).
- The amount reflected in the MSCI Indexes would be on average 4.1% higher than what is actually distributed versus 76% currently.

Discussion points

- Do you agree with MSCI's proposal based on 1) the assumption that the cash component will match its cap and 2) estimated terms for the shares component using a theo-ex price?

APPENDIX

CURRENT VS PROPOSED METHODOLOGY

Security Name	Size Segment	Total amount actually distributed (USD)	Total dividend amount reflected in PAF on ex-date A	Total amount reflected in NOS increase (USD) B	Total amount reflected in MSCI Indexes (USD) A+B	Delta Index vs Actual (USD)	Delta %	Delta % Proposed methodology
GAMING & LEISURE PPTYS	Small Cap	1,053,210,924	1,053,210,924	835,233,198	1,888,444,122	835,233,198	+79.55%	-1.4%
IRON MOUNTAIN	Mid Cap	694,880,720	694,880,720	636,772,500	1,331,653,220	636,772,500	+90.98%	0.5%
ALEXANDER & BALDWIN	Mid Cap	782,431,559	782,431,559	608,727,708	1,391,159,267	608,727,708	+77.75%	-0.6%
CORRECTIONS CORP AM.	Small Cap	663,377,910	663,377,910	514,115,200	1,177,493,110	514,115,200	+76.17%	-1.1%
EQUINIX	Mid Cap	623,306,850	623,306,850	462,511,659	1,085,818,509	462,511,659	+78.46%	2.8%
IRON MOUNTAIN	Mid Cap	696,784,000	696,784,000	543,746,400	1,240,530,400	543,746,400	+71.91%	6.7%
PARK HOTELS & RESORTS	Small Cap	552,299,023	552,299,023	434,588,000	986,887,023	434,588,000	+78.73%	8.2%
FOUR CORNERS PPTY TRUST	Small Cap	344,645,231	344,645,231	296,947,137	641,592,368	296,947,137	+85.61%	-2.7%
GEO GROUP	Small Cap	349,092,800	349,092,800	294,974,052	644,066,852	294,974,052	+82.32%	17.3%
RYMAN HOSPITALITY PROP	Small Cap	301,900,261	301,900,261	256,342,000	558,242,261	256,342,000	+82.71%	0.8%
CARETRUST REIT	Small Cap	131,923,680	131,923,680	107,870,629	239,794,309	107,870,629	+81.72%	-0.6%
SUNSTONE HOTEL	Small Cap	262,958,180	262,958,180	84,982,827	347,941,007	84,982,827	+32.33%	0.2%
LADDER CAPITAL CORP A	Small Cap	80,218,601	80,218,601	57,087,017	137,305,618	57,087,017	+71.72%	1.5%
FIVE OAKS INV CORP	Micro Cap	19,378,704	19,378,704	14,595,886	33,974,590	14,595,886	+75.30%	21.7%
SARATOGA INVESTMENT	Micro Cap	16,477,577	16,477,577	12,895,705	29,373,282	12,895,705	+78.26%	8.7%
SARATOGA INVESTMENT	Micro Cap	12,534,807	12,534,807	10,164,675	22,699,482	10,164,675	+81.13%	3.6%
							+75.96%	+4.1%

Size Segment	Average Delta Index vs Actual (USD)	Average Delta Index vs Actual (USD) Proposed methodology ¹
Standard	562 Million	15.7 Million
Small Cap	320 Million	8.7 Million
Micro Cap	12.5 Million	2.0 Million
Overall	323 Million	9.2 Million

¹ The difference was calculated using the past 16 optional dividends and is due to the market price used. The company uses a moving average market prices during the election period to calculate the number of shares to be issued, whereas the proposal would use the security's closing market price on T-4 from the ex-date.

ILLUSTRATION OF THE PROPOSAL ON A PAST US OPTIONAL DIVIDEND

Security Name	ALEXANDER & BALDWIN INC	Number of shares (pre-event)	49,147,711
Ex Date	Nov-28-2017	Post event NOS	71,763,668
P(t-4)	USD 44.87	Total dividend amount per share	USD 15.92
P(t) i.e. ex-date	USD 28.74	Cap on cash component	20%

Cash component terms:

Dividend per share * capped cash component = USD 15.92 * 20% = USD 3.184

Stock dividend terms:

- Step 1: Stock Dividend amount (USD):

Pre-event Number of shares * Dividend per share * (1 - capped cash component)

= 49,147,711 * USD 15.92 * (1-20%) = USD 625,945,247

- Step 2: Number of new shares to be issued

Stock Dividend amount / Theo-Ex P(t) = USD 625,945,247 / (44.87-15.92) = 21,621,597 new shares

- Step 3: Terms of stock dividend

Number of new shares to be issued / Pre-event NOS = 21,621,597 / 49,147,711 = 0.43993 : 1

Proposed methodology
Current methodology

PAF implementation on the ex-date:

[(P(t)+ 0.43993 P(t) + 3.184) / P(t)

Vs [P(t) + 15.92] / P(t)

Number of shares increase as of the close of ex-date

Current NOS: 49,147,711

New NOS: 70,769,308

Vs 71,763,668 (after results are announced)

CONSULTATION TOPIC 4:

- a) GLOBAL ADVANCE NOTIFICATION FOR DELETIONS
- b) NEW TREATMENT FOR CANADIAN ACQUISITIONS
- c) TREATMENT OF DELETION FOR SECURITIES ALREADY DELISTED

METHODOLOGY CHANGE PROPOSALS SUMMARY

MSCI is consulting regarding three connected proposals of methodology changes regarding the current approach to treat deletions from the MSCI Indexes.

A Current methodology is to delete target securities coinciding with their last trading day, even if two full business days advance notification cannot be provided (except if it is a US security).

- **The proposal is to provide globally and systematically 2 full business days advance notification for deletion of target securities, even if the deletion cannot anymore coincide with the last trading day.**

B Currently, the methodology for Canadian acquisitions is country specific and leads to many intraday implementations as well as uncertainty about the implementation date.

- **Proposal is to change the current methodology to provide more clarity and provide systematically two full business days advance notification.**

C By systematically providing two full business days advance notification for acquisitions, MSCI, in some instances, maintains already delisted securities in its Indexes.

- **The proposal is to maintain already delisted securities in the MSCI Indexes at the offer consideration (instead of a mix of carry forward of the last traded price and offer price).**

A) STOPPING INTRADAY IMPLEMENTATIONS OF ACQUISITIONS GLOBALLY

Background:

- Following a client consultation in February 2016 regarding the treatment of US acquisitions, MSCI started to systematically provide two full business days advance notification for US acquisitions.
- MSCI deletes the target security at the offer consideration instead of the last trading price if it is already delisted at the time of the implementation in the MSCI Indexes.
- The rationale is to provide sufficient advance notification to allow global investors located in different time zones to replicate deletions from the MSCI Indexes.

Proposal:

MSCI is proposing to align the current US acquisitions country specific announcement policy across all markets and all size segments.

Impact of the proposal:

- Simplified and streamlined announcement policy for acquisitions.
- Main impact would be for Canadian acquisitions (to be covered in point B). In other countries, stock exchanges generally announce the last trading day of target securities with sufficient advance notification, which allows MSCI to provide 2 full business days advance notification – see appendix.

Discussion points:

Do you agree with having one global announcement policy of 2 full business days advance notification to treat acquisitions in the MSCI Indexes?

B) CANADIAN ACQUISITION: CURRENT METHODOLOGY

Current Methodology:

- For Canadian acquisitions (where the target is classified in Canada), done via mutual agreements, MSCI estimates the expected deletion date, by adding 3 business days to the announced expected completion date announced via company's press release (available 73% of the time).
- MSCI waits for the delisting notice to be provided by TSX and coincides the implementation of the event with the last trading day of the target security, most of the time providing less than two full business days notice (only 2% of the events are announced with 2 full business days notice).

Facts observed from past Canadian acquisitions:

Expected completion date is:

- Available 73% of the times
- Announced on average 5 business days prior to the actual completion date
- Accurate 87% of the time (Chart 1)
- Delisting takes place 70% of the times within 2 days after the actual completion date and 98% within 4 days after (Chart 2).

NOTE: Completion date is most of the time not equivalent to the last trading day of the company.

Chart 1: Accuracy of expected completion date

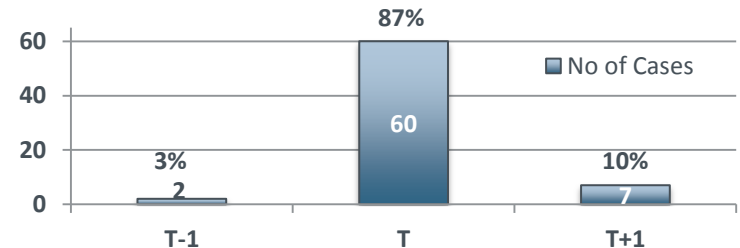
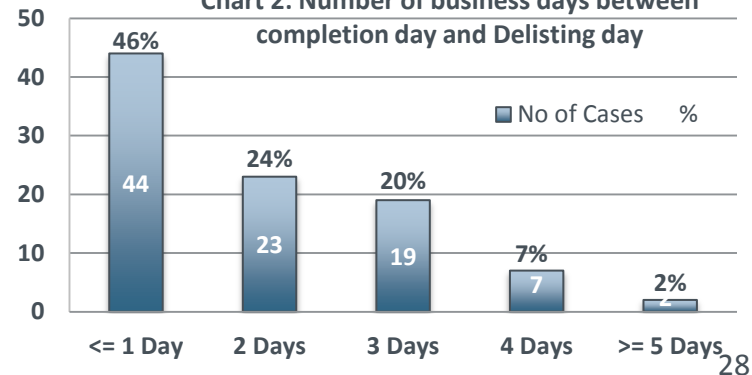


Chart 2: Number of business days between completion day and Delisting day



B) PROPOSAL

Proposal:

- MSCI proposes to systematically provide 2 full business days advance notification for Canadian acquisitions via agreement by removing the dependency on the official delisting notice by TSX.
- As the expected completion date publicly disclosed in advance by the company is typically accurate (available 73% of the time), MSCI would use this trigger to determine the effective date of the implementation in the MSCI Indexes.
- MSCI would set the effective date of the event implementation as the expected completion date +1.
- When no expected completion date is provided (27% of the times), MSCI would wait for the completion of the event to be publicly announced to confirm the event implementation with two full business days advance notification.

B) IMPACT AND DISCUSSION POINTS

Impact of the proposal:

- Due to the increased advance notification, an estimated 20% of the Canadian target securities would be deleted after the delisting using the offer consideration instead of the last traded price.
- All acquisitions for agreement would be implemented as per the global announcement policy with two full business days advance notification.

Discussion points:

- Do you agree to replace delisting date by the completion date +1 as the effective date of the implementation of Canadian acquisitions?
- This additional advance notification would lead in 20% of cases to delete the target security at the offer price versus last traded price currently for all events. Is this a concern for you?

C) MAINTENANCE OF ALREADY DELISTED TARGET SECURITIES IN THE MSCI INDEXES

Current methodology:

A target security is maintained at the last traded price (carry forward) and deleted from the MSCI Indexes at the offer consideration.

Example: Cash and shares acquisition of Time Warner by AT&T for \$76 billion (incl. \$36 billion in shares).

Date	Communication timing	Market price	TW Price used in MSCI Indexes	Offer Consideration
Jun 13		97.95	97.95	
Jun 14	Stock exchange announcement of the last trading day of Time Warner (TW)	98.77	98.77	
Jun 15	MSCI "confirmed" announcement sent	-	98.77 - ->	100.01
Jun 18		-	100.29	100.29
Jun 19	MSCI Effective date	-	-	

NOTE: Since 2016, 16 Standard securities (14 US) were maintained at the last trading price vs offer consideration: e.g. Becton Dickinson, Level 3 Communications, Spectra Energy, LinkedIn, Cablevision Systems, Rexam, BE Aerospace, Keuring Green Mountain etc..

Maintaining in the Index a delisted security at its last traded price can lead to potential replication issues in these circumstances:

- Target companies have large market capitalizations and/or weights
 - High volatility of the acquirer's market price
 - Full share acquisition or acquisitions with large proportion of share consideration versus cash
 - Last traded price diverges significantly from the offer price
- **Proposal:** To maintain already delisted securities subject to an acquisition at the offer consideration regardless if it is for cash, shares or a mix of cash & shares.
 - **Discussion points:** Do you agree to maintain already delisted index constituents at the offer consideration instead of its carried forward last trading price?

APPENDIX

GLOBAL ACQUISITIONS IMPLEMENTED WITH LESS THAN 2 FULL BUSINESS DAYS ADVANCE NOTIFICATION

Since January 2015:

Country Wise	No of Cases	% Cases
Canada	93	72%
China (all ADR)	11	9%
UK	7	5%
Norway	5	4%
Germany	3	2%
Australia	3	2%
Israel	3	2%
Turkey	1	1%
Spain	1	1%
France	1	1%
Hong Kong	1	1%
Total Cases	129	100%

Deletion Price	No of Cases	% Cases
Last traded price	97	75%
Offer price	32	25%
Total Cases	129	100%

Family Wise	No of Cases	% Cases
Standard	9	7%
Small Caps	39	30%
Micro Caps	81	63%
Total Cases	129	100%

SELECTIVE TOPICS

LONG TERM CAPITAL GAINS TAX IN INDIA

- MSCI currently does not recognize capital gains taxes in the MSCI Net Daily Total Return (DTR) Indexes.
- In India, while short term capital gains continue to be taxed at 15%, Long Term Capital gains¹ are taxed 10% since April 1, 2018.
- In India, capital gains taxes on shares received as part of stock dividends are calculated at the time the shares are sold with a cost basis of INR 0.

Discussion Points :

- Do you account for this tax liability (if any) upon the sale of the shares or on accrual basis?
- Is India's capital gains tax approach different from other countries? If yes, in what regards? For example, is there any specificities in India in regards to capital gains tax applied to corporate events such as stock dividends or spin-offs?

¹ gains above INR 100,000 on the sale of shares held for at least 1 year

DIRECT LISTING

- In Direct Listing, a company lists its existing shares publicly without the support of underwriters and without issuing new shares.
- It is difficult to anticipate 1) who will be the selling shareholders (and therefore the free float), 2) whether or not some shares are subject to lock-up, 3) the market capitalization as no offer price (or range) is made available prior to the listing and 4) if the liquidity will be sufficient.
- Typically, smaller companies prefer this route as the cost to go public is lower compared to traditional IPOs.

Discussion points:

- Do you believe companies which start trading publicly via direct route should be assessed for early addition to the MSCI Indexes based on the current methodology for regular IPOs¹?
- Shall companies using Direct Listing be considered for early addition to the MSCI Indexes using a different approach/specific methodology?

¹ For regular IPOs, MSCI determines if the company qualifies for early addition based on the closing market price on the first (or second) day. If the company full market capitalization is above 1.8 times the Standard Index Interim Size Segment cutoff and the security free float adjusted market capitalization is above half of 1.8 times the above cutoff, MSCI will add the security as of the close of the 10th trading day. Companies which did not qualify for early addition will be considered for future potential addition as part of forthcoming Index Reviews.

CROSS MARKETS CASES IMPLEMENTATION

- Following the recent event of OLD MUTUAL spinning off QUILTER and followed by a country reclassification of OLD MUTUAL from United Kingdom (GB) to South Africa effective in June 2018.
- MSCI added OLD MUTUAL to South Africa and deleted OLD MUTUAL from the UK using the London Stock Exchange (LSE) price. The South African listed security was treated as the continuation of OLD MUTUAL which listed in the UK.
- This implementation created some replication difficulties related to potential settlement risk, regulatory risks and time difference between the exchanges faced by clients.
- Alternatively, OLD MUTUAL could have been deleted from the UK using its LSE closing market price and OLD MUTUAL could have been added in South Africa as a new security using the ZAR price. This would have led to 1) erase the price and volume history, 2) additional trading for ACWI clients and 3) the new security would have not been added to several derived Indexes.

Discussion points:

- Did you face any issue while replicating MSCI's treatment of OLD MUTUAL corporate event?
- Any suggestions on any alternative approach?

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