



MSCI Unexpected Market Closure Indexes methodology

What is the MSCI Unexpected Market Closure Indexes methodology?

The MSCI Unexpected Market Closure Indexes methodology aims to account for unexpected market closure events affecting the trading of underlying MSCI Index constituents on the Last Trading Day (“LTD”) of the ICE MSCI Index Futures. 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 on subsequent days, at the resumption of the affected markets. More information on the MSCI unexpected Market Closure Indexes methodology can be found [here](#).

Why is ICE implementing unexpected market closure?

Prior to the implementation of the MSCI Unexpected Market Closure Indexes methodology, in the event of a market closure or if a security does not trade on a specified day or a specified period, MSCI carries the latest available closing price to calculate its indices. If such an event occurred on the LTD of the ICE MSCI Index futures, the index level calculated for that day that is used as the futures Exchange Delivery Settlement Price (“EDSP”)/Final Settlement Value (“FSV”) is not retrospectively changed using tradable prices for the affected securities when the market re-opens. For many users of the ICE MSCI Index Futures, the replicability of the EDSP/FSV is essential as the futures are often used as hedging tools for other financial instruments, therefore an EDSP/FSV that has not been adjusted for an unexpected market closure event could lead to a divergence between the value of the Index Future and the hedged position. The implementation of the MSCI Unexpected Market Closure Indexes methodology should minimize this divergence and thus provide more certainty for users of the ICE MSCI Index Futures.

When is ICE implementing the MSCI Unexpected Market Closure Indexes methodology?

On and from 01 March 2019, ready for the March 2019 expiry

Will the MSCI Unexpected Market Closure Indexes methodology apply to all business days or only the Last Trading Day of the ICE MSCI Futures contracts?

Only the Last Trading Day of the ICE MSCI Futures contracts

How does the implementation of the MSCI Unexpected Market Closure Indexes methodology impact the Final Settlement Value (“FSV”)/ Exchange Delivery Settlement Price (“EDSP”) process for the affected ICE Futures US and ICE Futures Europe MSCI Index Futures?

In the event that MSCI declare an Unexpected Market Closure event, as defined in the MSCI Unexpected Market Closure Indexes methodology, on the LTD of an expiring MSCI Index futures contract, the FSV/EDSP for the affected MSCI Index Futures contract will be derived from the new Unexpected Market Closure Index as calculated by MSCI. The LTD for the affected expiring MSCI Index Futures contract will remain unchanged. However, the final settlement process for the affected contract may be delayed for up to five business days, in order to accommodate for the re-opening of the affected market(s) that underwent the Unexpected Market Closure Event. The EDSP for the affected expiring contracts will be published on the business day after MSCI publish the new Unexpected Market Closure Index.

Will the Last Trading Day of the MSCI Index Futures contracts change?

No, the LTD for the affected expiring MSCI Index Futures contract will remain unchanged. However, the final settlement process for the affected contract may be delayed for up to five business days, in order to accommodate for the re-opening of the affected market(s) that underwent the Unexpected Market Closure Event. The EDSP for the affected expiring contracts will be published on the business day after MSCI publish the new Unexpected Market Closure Index.

Has the final settlement payment date changed for the MSCI Index Futures listed on ICE Futures US?

Effective on and from the March 2019 expiry, the final settlement payment for all expiring MSCI Index futures contracts on ICE Futures US will be the second business day following the last trading day of the contract. More information can be found [here](#).

The ICE Futures Europe MSCI Index Futures final settlement payment date is already the second business day following the last trading day of the contract.

Will there be an impact on margins?

Positions in the affected MSCI Index Futures would be retained in the clearing systems until the EDSP/FSV is published by ICE. The EDSP for the affected expiring contracts will be published on the business day after MSCI publish the new Unexpected Market Closure Index. As a result, Variation Margin (“VM”) will be calculated during usual end of day processes (although VM would be zero assuming static settlement price) and the positions would remain in the portfolio when intraday margin is assessed.

How will the market be notified that an Unexpected Market Closure has been detected by MSCI?

MSCI monitor for Unexpected Market Closures in all the MSCI indices that ICE offer futures on and inform the market via their usual channels. More information can be found [here](#). Technical documentation can be found on the MSCI client support website [here](#) which needs a subscription. Please [contact](#) MSCI if you require a subscription. Those firms that want API (constituent level data) access to the new unexpected market closure index variant should contact MSCI client services clientservice@msci.com

How will ICE inform the market in the event of an Unexpected Market Closure?

In the event MSCI detect an Unexpected Market Closure event and notify ICE, ICE will notify the market, by Circular/Notice, on which futures contracts are impacted by the Unexpected Market Closure event and that the publication of the EDSP/FSV for the affected index futures will be delayed until the business day after MSCI publish the new Unexpected Market Closure Index.

Did the Exchange consult the market about the implementation of the MSCI Unexpected Market Closure Indexes methodology?

Yes, the consultation Notice for ICE Futures US can be found [here](#) and the ICE Futures Europe Circular can be found [here](#).

Did MSCI consult the market about the implementation of the MSCI Unexpected Market Closure Indexes methodology?

Yes, the MSCI consultation paper can be found [here](#) and the conclusion can be found [here](#).

Does the MSCI Unexpected Market Closure Indexes methodology apply to all the MSCI Index Futures listed on ICE Futures Europe and ICE Futures US?

No, the MSCI Unexpected Market Closure Indexes methodology will not apply to the following index futures:

MSCI Min Volatility Europe Index Future (MVE)

MSCI Min Volatility Emerging Markets Index Future (MVM)

MSCI Min Volatility World Index Future (MVW)

MSCI EQL WEIGHT Europe Index Future (EWE)

MSCI EQL WEIGHT Emerging Markets Index Future (EWM)

MSCI EQL WEIGHT USA Index Future (EWS)

MSCI EQL WEIGHT World Index Future (EWW)

MSCI EMU 100% Hedged to USD Index Future (MHE)

MSCI Japan 100% Hedged to EUR Index Future (MHI)

MSCI World 100% Hedged to EUR Index Future (MHN)

The EDSP for the 10 contracts mentioned above will continue to be the Closing Index Value on the Last Trading Day.