

The **MSCI Taiwan 25/50 Index\***, introduced on 20 July 2016, is designed to measure the performance of the large and mid cap segments of the Taiwanese market. It applies certain investment limits that are imposed on regulated investment companies, or RICs, under the current US Internal Revenue Code. With 88 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Taiwan.

## Tracking Error & Correlation

The MSCI Taiwan 25/50 Index is highly correlated with the Taiwan Stock Exchange Capitalization Weighted Stock Index (TAIEX) and MSCI Taiwan Index, while the MSCI Taiwan 25/50 NTR Index is highly correlated with the MSCI Taiwan NTR Index. All of these correlations are higher than 99%.

### **MSCI TW 25/50 (TWD) vs MSCI TW Index (TWD)**

Tracking Error	1.54%
Correlation	99.59%

Source: MSCI, 3-year rolling as of 30 June 2020

## MSCI 25/50 Index Methodology

- The MSCI 25/50 Indexes are designed to serve as benchmarks for Regulated Investment Company (RIC) compliant funds in the United States. The two key requirements that RICs need to meet at the end of each quarter of a tax year are:
  - No more than 25% of the value of the fund's assets may be invested in a single issuer
  - The sum of the weights of all issuers representing more than 5% of the fund should not exceed 50% of the fund's total assets
- The MSCI 25/50 Indexes are constructed by applying the weight constraints set forth to the non-constrained, free float-adjusted market capitalisation weighted MSCI Equity Indexes ("Parent Indexes").
- The MSCI 25/50 Index has the following constraints:
  - No single issuer exceeds 25% of the index weight
  - Sum of all the issuers with weights above 5% does not exceed 50% of the index weight
- Minimising the tracking error between the MSCI 25/50 Indexes and the Parent Indexes, while keeping index turnover to a reasonable level is an important consideration. This is achieved by rebalancing the MSCI 25/50 Indexes using an optimisation process that aims to minimise the constituent weight differences between the MSCI 25/50 Indexes and the Parent Indexes.
- The MSCI 25/50 Indexes aim to comply with the 25/50 constraints through the quarterly index reviews at the end of February, May, August and November.

\*as of 30 June 2020

# Access Codes

	MSCI TW 25/50 (TWD) Index	MSCI TW 25/50 NTR (USD) Index
HKATS	TWP	TWN
Underlying Index Bloomberg Ticker	MXTW25P	M1CXBICR
Underlying Index Reuters Ticker	.MITW00002PTW	.MITW00002NUS

## MSCI Taiwan 25/50 (USD) Index Futures Contract Specifications

Items	Key Contract Terms
Underlying Index	MSCI Taiwan 25/50 Index
HKATS Code	TWP
Trading Currency	USD
Underlying Index Currency	TWD
Contract Multiplier	USD 50
Minimum Fluctuation (index point)	0.10
Contract Months	Spot, next calendar month and the following 4 quarterly months
Pre-Opening	8:30 am – 8:45 am
Trading Hours	8:45 am – 4:30 pm (T); 5:15 pm – 3:00 am (T+1)
Trading Hours on Last Trading Day	8:45 am – 1:45 pm
Last Trading Day (“LTD”)	Second last HK business day of the month. If it falls on a Taiwan public holiday, the LTD will be the preceding HK and Taiwan business day
Final Settlement Day	1 HK business Day after Final Settlement Price is determined
Final Settlement Price (“FSP”)	The average of the underlying index values on LTD, taken at (i) 1-minute intervals during the last 25 minutes of trading on the Taiwan Stock Exchange Corporation before the end of the continuous trading session, and (ii) the closing index value, rounded up to the nearest 2 decimal places if the figure in the third decimal place is 5 or above and rounded down to the nearest 2 decimal places if it is below 5
Trading Fee	USD 1.0
Settlement Fee	USD 1.0
Commission Levy*	USD 0.07
Large Open Position	500 open contracts in any one Contract Month
Position Limit	13,000 net contracts long or short across all Contract Months

\*The Commission Levy is collected in the trading currency equivalent to HKD 0.54 at the exchange rate determined by HKFE from time to time. There will be Commission Levy exemption for the first six months of trading from Launch Date.



# MSCI Taiwan 25/50 Net Total Return (USD) Index Futures Contract Specifications

Items	Key Contract Terms
Underlying Index	MSCI Taiwan 25/50 Net Total Return Index
HKATS Code	TWN
Trading Currency	USD
Underlying Index Currency	USD
Contract Multiplier	USD 10
Minimum Fluctuation (index point)	0.01
Contract Months	Spot, next calendar month and the following 4 quarterly months
Pre-Opening	8:30 am – 8:45 am
Trading Hours	8:45 am – 4:30 pm (T); 5:15 pm – 3:00 am (T+1)
Trading Hours on Last Trading Day	8:45 am – 4:30 pm
Last Trading Day (“LTD”)	Third Friday. If it falls on a HK public holiday, the LTD will be the preceding HK business day
Final Settlement Day	1 HK business Day after Final Settlement Price is determined
Final Settlement Price (“FSP”)	The official closing value of the underlying index on the 3rd Friday, rounded up to the nearest 2 decimal places if the figure in the third decimal place is 5 or above and rounded down to the nearest 2 decimal places if it is below 5 <sup>^</sup>
Trading Fee	USD 0.6
Settlement Fee	USD 0.6
Commission Levy <sup>+</sup>	USD 0.07
Large Open Position	500 open contracts in any one Contract Month
Position Limit	29,000 net contracts long or short across all Contract Months

<sup>^</sup>If MSCI announces there is an unexpected market closure event on LTD, FSP shall be based on the final Unexpected Market Closure Index level published by MSCI.

## Reference

- MSCI 25/50 Indexes Methodology (see [link](#))
- MSCI 25/50 Indexes Methodology Factsheet (see [link](#))
- Barra Optimizer Factsheet (see [link](#))



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