

# Consultation on Foreign Exchange rates for Chinese securities denominated in RMB

2024.01.11

---

## Executive Summary

Mirae Asset Global Index received feedback from market participants with respect to foreign exchange rates applied for converting Chinese securities prices denominated in RMB for the purpose of USD denominated index calculation.

Mirae Asset Global Index is currently applying CNY–USD exchange rates and some of the market participants suggested to switch to offshore RMB exchange rate CNH–USD to make the index replication better.

In order to make the index replication better, Mirae Asset Global Index proposes to switch from CNY–USD rates to CNH–USD rates for international investors tracking USD denominated indices.

Mirae Asset Global Index is initiating consultation on this topic to receive feedback until 31 January 2024 and expects to announce the results of the consultation by 5 February 2024.

## Background

For the USD denominated indices where Chinese securities are part of the portfolio, Mirae Asset Global Index currently applies exchange rate conversion of RMB denominated prices and other data points as per CNY–USD rates for index calculation purposes, irrespective of the investor base.

While CNY–USD rates are more appropriate when such indices are tracked by domestic investors in China, for international investors, offshore RMB exchange rate CNH–USD makes the replication better.

Though the difference between CNY–USD and CNH–USD rates is minor, applying CNY–USD rates might bring slight deviation in index replication by market participant.

## Proposal

In order to better align the index for improved index replication for market participants, Mirae Asset Global Index proposes to switch to CNH–USD rates wherever relevant.

For the USD denominated indices where Chinese securities are part of the portfolio and tracked by international investors, Mirae Asset Global Index proposes to switch from CNY–USD rates to offshore RMB exchange rate CNH–USD prospectively.

The proposed change shall apply to already live indices, as well as to all the upcoming indices. Any index involving Chinese securities and tracked by domestic investors in China will continue to have CNY–USD exchange rates.

## Proposal Impact

Among live indices, following index of Mirae Asset Global Index is impacted as part of proposed change in this consultation. This index consists of only one China A Stock Connect security – Contemporary Amperex Technology Co., Ltd. Class A (300750) which is denominated in RMB. Currently, CNY–USD exchange rates are applied for this security and if the proposed changes are applied then Mirae Asset Global Index will switch the exchange rate to CNH–USD from the implementation date. Though Mirae Asset Global Index propose the changes to be applied prospectively, a simulation was performed to calculate the index levels since base date of the index to latest index calculation day (5+ years duration) and observed less than 15 bps deviation in index levels between these dates.

Index Ticker	Index Name	Index Currency
MAIBT10N	Mirae Asset Global Innovative Bluechip Top 10 Index	USD

## Timelines

- 11 January 2024 Consultation launch date
- 31 January 2024 Consultation ends
- 5 February 2024 Final decision announcement
- 9 February 2024 Implementation of the changes, if accepted

## Consultation Feedback

The participation of various market participants is important as Mirae Asset Global Index seeks to gather information and views on the above consultation. If you would like to participate in this consultation, please provide your responses on email to [consultations@miraeassetindices.com](mailto:consultations@miraeassetindices.com) by answering below questions:

- Do you agree with the proposal to shift from CNY–USD to CNH–USD exchange rates?
- Should these changes be adopted, and do you agree with the proposed timelines?
- Any other comments or feedback regarding the proposed changes?

Please be advised that Mirae Asset Global Index will review and consider all comments before the final decision. However, Mirae Asset Global Index is under no obligation to comply with any of the responses and makes no guarantee for the same. An announcement will be posted on the company website once the consultation has ended and the final decision has been made. Mirae Asset Global Index reserves the right to make a final decision on the proposal.

## Disclaimer

All information provided herewith is for reference purposes only. Mirae Asset Global Index Private Limited ensures the accuracy and reliability of the information presented herein to the best of its abilities. However, Mirae Asset Global Index Private Limited, its Holding/Group companies their directors, officers, employees or affiliates' makes no guarantee or representation thereof for the correctness and reliability of the information contained in this document and denounces all liability that may arise to any person for any damage arising as a result of referring to the information provided in the aforesaid document. The information is to be used only as a guidance and should not be considered as a professional or investment advice. The historical performance of the strategy is a hypothetical performance based on several assumptions like availability to trade, no liquidity issues with stocks. The hypothetical historical performance should not be considered as a tradable portfolio and does not guarantee any future performance of the strategy.