

MSCI® press release

AMENDMENTS TO MSCI EQUITY INDEX REBALANCING POLICY

Geneva, May 28, 2002. MSCI announced today amendments to the MSCI Equity Index rebalancing policy, following a period of formal consultation with investors worldwide. Effective on June 1, 2002, the MSCI Standard Equity Index Series will be rebalanced according to the following principles:

1. Full country index reviews will be conducted annually, for all developed and emerging market countries simultaneously, and resulting changes will be implemented each year at the end of May. The annual full country index review involves a systematic re-assessment of the various dimensions of the equity universe. This includes a re-appraisal of the free float-adjusted industry group representation within each country compared with the target of 85%, a detailed review of the shareholder information used to estimate free float for constituent and non-constituent securities, updating of minimum size guidelines for new and existing constituents, as well as changes typically considered for quarterly index reviews as discussed below.
2. Quarterly index reviews will be carried out at the end of February, August, and November to reflect important market driven changes that were not captured in the index at the time of their actual occurrence and should not wait until the full country index review due to their importance. These quarterly index reviews may result in additions or deletions, and changes in Foreign Inclusion Factors (FIFs) or number of shares. Please note that most event-related changes, such as mergers and acquisitions will continue to be implemented on their effective dates.

Following these amendments, Section 3 of the Enhanced Methodology Book, titled “Maintaining the Indices”, has been updated. It provides the full description of the changes that will be reflected at the quarterly index review and those which will be implemented at the annual full country index review. This updated section is available on MSCI’s website at <http://www.msci.com/stdindex>.

The amended equity index rebalancing policy offers several benefits. First, it improves the transparency of the timing and frequency of the index rebalancing process. Second, it clearly distinguishes between significant changes that should be reflected earlier than at a full country review in order to keep the country index current, and other changes that can be aggregated and reflected at the time of the annual country review. For instance, changes resulting from corporate events not already reflected at the time of the event or changes associated with other recent market developments of a permanent nature, will be rapidly reflected in the index in a quarterly index review. On the other hand, changes associated with a progressive market evolution or with the disclosure of new information not related to a recent event, or resulting from the application of index construction guidelines do not require such a rapid implementation. They will be reflected in the country index at the time of the full country index review. The third benefit is that the distribution of changes in the indices between the quarterly index reviews and the annual full country index reviews will help in reducing the concentration of turnover at the annual full country index reviews.

Please note that for any given country, it is possible that the impact of a quarterly index review will be larger than the impact of the annual full index review. Finally, this new equity index rebalancing policy seeks to minimize the overall turnover for all the composites, such as the MSCI ACWI Free IndexSM, MSCI World IndexSM, MSCI EAFE Index®, and MSCI EMF IndexSM, by conducting the full annual review for all countries at the same time.

The amendments to this index rebalancing policy also affect the rebalancing schedule of the MSCI Value and Growth Index Series and the MSCI Pan-Euro and Euro Indices. For completeness, the rebalancing schedule for all the MSCI Equity Indices is summarized below:

Index Series	Frequency	Timing (Month-end)
MSCI Standard Equity Index Series	Annual/Quarterly	May / February, August and November
MSCI Pan-Euro and Euro Indices	Annual	May
MSCI GDP Index Series	Annual	May
MSCI Value and Growth Index Series	Semi-annual	May and November
MSCI Small Cap Index Series	Semi-annual	May and November

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