

## New Anti-Competitive Measures Impacting the Indian Equity Market

**New York – February 15, 2018** – MSCI Inc. (NYSE: MSCI), a leading provider of research-based indexes and analytics, announced today that it is closely monitoring developments related to the concerted announcement by three Indian stock exchanges, including the two principal exchanges, of the imposition of anti-competitive measures restricting the accessibility of the Indian equity market. MSCI is evaluating the measures' potential impact on existing financial products and the future accessibility of the Indian equity market for international institutional investors more generally.

In a clearly negative development for the accessibility of the Indian equity market for international institutional investors, the exchanges' announcement made on February 9, 2018 would impose, following the expiration of contractual notice periods, a set of restrictions on the use of traded price data inconsistent with the practices of any other market in MSCI's Emerging Markets Index series and could result in an unprecedented disruption of trading in financial products in markets around the world.

In their press release, the National Stock Exchange, the Bombay Stock Exchange and the Metropolitan Stock Exchange announced that they will no longer provide stock exchange information to any foreign exchange or trading platform for trading or settling derivatives, and will no longer license or provide market data to any index provider or its licensees for the creation of indexes or derivative financial products based on such indexes that would be traded or settled on a non-Indian exchange or trading platform where the weight of Indian securities in the index is at least 25%. The restriction would apply to all derivatives that are traded or settled on a non-Indian exchange or trading platform, whether they were issued by an exchange or by some other party. The announcement also refers to the imposition of a written pre-approval restriction on the issuance of certain ETFs and ETNs or similar products based on indexes, but the full scope of the restriction is not yet clear.

Based on the exchanges' press release, we understand that the exchanges do not seek to impose a precipitous or disorderly wind down of the various products that would be affected in many markets around the world. Nonetheless, given the breadth of the application of the changes referred to in the announcement, we believe that if the changes are put into effect, the result will be disruptive and harmful to international institutional investors in Indian equities whether accessing the market onshore or offshore.

Under MSCI's Market Classification Framework, anti-competitive measures restricting investors' access to derived stock exchange information receive a negative score in the Competitive Landscape category. This is because of their negative impact on international institutional investors as the range of available financial instruments may be significantly reduced, limiting ways for cross-border investors to access a local market or to hedge an exposure to a local market.

The introduction of restrictive measures that may result in a material deterioration of the accessibility of an equity market is reviewed carefully by MSCI in consultation with international institutional investors and other market participants and could lead to a change in market classification. As stated above, the breadth of the restrictions announced by the Indian exchanges is unprecedented in any equity market in the MSCI Emerging Markets Index series. MSCI strongly suggests the Indian exchanges and their regulator, the Securities and Exchange Board of India (SEBI), reconsider this unprecedented anti-competitive action before it leads to any

unnecessary disruptions in trading or a potential change in the market classification of the Indian market in the MSCI Indexes.

MSCI welcomes feedback from market participants on the Indian exchanges' announcement and will continue to monitor the situation and release further communications as warranted.

-Ends-

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Our line of products and services includes indexes, analytical models, data, real estate benchmarks and ESG research.

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For more information, visit us at [www.msci.com](http://www.msci.com).

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