

REAL ESTATE INDEX ANNOUNCEMENT

June 6, 2018

CONCLUSION TO MSCCI'S CONSULTATION ON EU BENCHMARK REGULATION IN RELATION TO THE MSCCI ASSET-BASED AND FUND-BASED REAL ESTATE INDEXES

MSCCI's Decision

Following feedback from the real estate investment community on MSCCI's consultation regarding the EU benchmark regulation ("BMR") and its impact on transparency in the real estate investment market, MSCCI has decided to apply in the EU as the benchmark administrator for the following MSCCI asset-based and fund-based real estate indexes only:

- the AREF/IPD UK Quarterly Property Fund Index,
- the IPD UK Annual Property Index,
- the IPD UK Quarterly Property Index,
- indexes and benchmarks created from the same index universes as the indexes above that a licensed client requests for a BMR regulated use (such use subject to MSCCI's approval in each instance). This includes those used for financial instruments.

MSCCI will not allow BMR regulated use of any other MSCCI real estate indexes.

Next Steps

MSCCI will be establishing a new and separate approval process whereby all BMR regulated uses will need to be registered with MSCCI and separately authorized and approved in each instance by MSCCI in its discretion, in writing. Usage of any indexes for BMR regulated uses outside this approval process will be strictly prohibited.

MSCCI will be providing information in due course about this new process as well as details on the MSCCI administrator for these indexes, the anticipated regulatory application timetable, and any changes required as it prepares its application as an EU administrator.

Regardless of whether or not an MSCCI real estate index is regulated under the BMR, MSCCI is fully committed to applying high standards to index governance, methodology design, data processing, index calculation and index maintenance. All MSCCI real estate indexes will continue to be available for non-BMR regulated uses in the EU, including marketing and relative performance reporting to the extent clarified by ESMA in its [Questions and Answers On the Benchmarks Regulation \(BMR\)](#).

Rationale and Consultation Feedback

In this consultation, MSCI gathered the views of a wide variety of market participants across several countries, including AIF managers, managers of segregated accounts, listed real estate companies, asset owners, valuers and those with an interest in derivatives, among others. Informed by this feedback, MSCI’s decision strikes a balance between the demand for BMR regulated uses of the MSCI real estate indexes and the potential risk of reduced market coverage and decreased transparency within the real estate investment markets. In summary:

- In all countries consulted, the majority of the feedback indicated that maintaining and increasing market coverage of the indexes was extremely important.
- UK market participants indicated a strong demand for regulated MSCI real estate indexes to support BMR regulated uses, coupled with a general willingness to continue providing data for the indexes notwithstanding supervised data providers being supervised contributors under the BMR.
- In other countries, the consultation revealed little to no immediate demand for BMR regulated uses of the MSCI real estate indexes as well as varying degrees of concern with respect to data provision should providers become supervised contributors. Given this feedback, MSCI feels that allowing BMR regulated indexes for countries outside the UK would present a meaningful risk of reduced data contributions resulting in an overall decrease in transparency in those direct real estate investment markets. MSCI will continue to monitor the demand for BMR regulated uses in other countries. If demand increases meaningfully, MSCI would consult with market participants, including data providers, before allowing indexes in other markets to be used for BMR regulated purposes.

MSCI would like to thank the market participants who have provided feedback on this consultation.

For the avoidance of doubt, nothing in this announcement constitutes legal advice or an approval for BMR regulated use associated with the indexes listed above, which requires each user to follow the separate approval process to be established by MSCI, as described above.

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

MSCI serves 99 of the top 100 largest money managers, according to the most recent P&I ranking.

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