

MSCI EQUITY INDEX OVERSIGHT COMMITTEES

Terms of Reference

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CONTENTS

- Introduction..... 3
- Risk and Regulatory Committee Terms of Reference 4
 - Description 4
 - Responsibility 4
 - Composition 4
 - Meetings 5
- The Equity Index Committee..... 6
 - Description 6
 - Responsibility 6
 - Composition 6
 - Meetings 7
- The Index Policy Committee 8
 - Description 8
 - Responsibility 8
 - Composition 8
 - Meetings 8

INTRODUCTION

MSCI uses three main committees to provide overall oversight and governance for the production of the equity indexes and the equity index methodology and its application. These are: the Risk and Regulatory Committee (“RRC”), the Equity Index Committee (“EIC”), the Index Policy Committee (“IPC”).

The RRC focuses primarily on the smooth operation of the index processes and on identifying and mitigating potential risks, whereas the two equity index decision committees focus primarily on the development and interpretation of the equity index methodologies.

The committees are staffed solely by MSCI employees. MSCI believes that its editorial and operational independence over the equity indexes and equity index methodology is critical to objectivity, efficiency and avoiding conflicts of interest.

All decisions taken by the committees are the responsibility of their members.

RISK AND REGULATORY COMMITTEE TERMS OF REFERENCE

DESCRIPTION

The primary role of this committee is to ensure the operations of the indexes run smoothly and potential risks are identified proactively.

RESPONSIBILITY

- Oversee the integrity of the equity index processes. The aim is to ensure that there is in place an effective system reasonably designed to evaluate and control general risks within the equity index business.
 - Review and approve the index control framework (i.e., the IOSCO management report posted on www.msci.com).
 - Agree on internal/external index audit frequency.
 - Review the results of internal and external audits and recommend actions.
 - Review client usage of indexes and any related conflicts of interest
- Highlight potential risks to the business/material issues including operational risks, change in regulatory environment, and conflicts of interest.
- Review any formal index complaints.
- Assess and manage the firm’s compliance with existing regulation or regulatory principles for both existing and new/proposed indexes, as well as changes in processes.
- Discuss pending/anticipated regulation/regulatory change and the potential impact on MSCI’s equity index business.

Note this committee has no authority over index decision committees and their responsibilities.

COMPOSITION

The composition of the committee is determined by job function. Membership changes are ratified by the RRC.

The RRC is chaired by the Head of Index and comprised of at least six other members representing senior leadership selected from each of:

- Research,

- Data Operations,
- Index Product Management,
- Index IT,
- Legal, and
- Business Regulation Compliance.

MEETINGS

- Meetings are to be held at least quarterly and as needed.
- Meetings require the attendance of the chairperson and a member from each of the other functions. If a member is unable to attend, he or she must be represented by a delegate to ensure that all relevant areas are present.
- The committee may ask any personnel to attend or to present at the meeting, particularly if their skills and knowledge support the discussion.
- The secretary will record minutes which will be retained for 5 years.
- If discussion requires inside the wall information, outside the wall participants will be excused and separate minutes will be taken.
- In instances when an RRC decision is required prior to a regular meeting and scheduling an ad-hoc RRC meeting is not possible, such decision may be reached via email communication, provided at least two members of the RRC explicitly approve a proposal.

THE EQUITY INDEX COMMITTEE

DESCRIPTION

The Equity Index Committee (EIC) is responsible for overseeing the development and interpretation of equity index methodologies.

RESPONSIBILITY

- Review and approve new methodologies, major methodology changes and market reclassifications.
- Review and approve the results of the regular index rebalancing. Inform IPC of rebalancing results.
- Review and approve complex corporate event treatment that cannot be addressed by current methodologies, escalated by the Corporate Events team.
- Review all proposals for equity index terminations not directly as a result of a methodology before making a recommendation to the IPC.
- Approve or propose consultations, review feedback, and decide if methodology changes are needed.
- Determine what changes are material after considering relevant factors such as operational impact on market participants and estimated turnover and transaction costs associated with the changes.
- Review and approve Index Policies.
- Delegates signoffs and decisions to sub-committees and functional teams for index changes that strictly follow the methodologies.
- May elect to escalate issues to the IPC for changes that it deems material or in cases where there is no agreement / decision.

COMPOSITION

- The EIC is composed of six members with significant experience and seniority selected from MSCI's Index Research team. The Chair of the IPC is also a member of the EIC.
- Membership changes are proposed by the EIC and ratified by the IPC.

MEETINGS

- The EIC is scheduled to meet once a week. In addition, the EIC meets on an ad-hoc basis if required.
- Regular meetings require the attendance of at least three members. Plenary meetings require the attendance of the IPC Chair and two additional members. No substitutes or delegates are accepted.
- Topics are requested by members or other parties. If there are no topics, the meeting is cancelled.
- The agendas of all EIC meetings contain the date, time, expected attendees and the topics. All topics presented at EIC meetings generally have supporting documents. The minutes of all EIC meetings contain the date, time, attendees, topics discussed and decisions made.
- In instances when an EIC decision is required prior to a regular meeting and scheduling an ad-hoc EIC meeting is not possible, such decision may be reached via email communication, provided at least three members of the EIC explicitly approve a proposal. In case of exceptionally time critical, typically market driven topics, consent of two EIC members may be sufficient.

THE INDEX POLICY COMMITTEE

DESCRIPTION

The Index Policy Committee (“IPC”) is an escalation point for the EIC. Topics with material importance, as determined by the EIC, are discussed and decided by the IPC.

RESPONSIBILITY

- New methodologies or methodology changes designated as material by the EIC.
- Final decisions on market reclassifications.
- Final decisions on equity index terminations.
- Review of regular index rebalancing results.

COMPOSITION

- The IPC is composed of six members comprised of senior members of MSCI’s Index Research and firm management.
- Changes in membership are proposed by the IPC and ratified by the CEO.

MEETINGS

- The IPC is scheduled to meet on an ad-hoc basis as required.
- IPC meetings require the attendance of at least three regular members.
- No substitutes and no delegates are accepted
- The agendas of all IPC meetings contain the date, time, expected attendees and the topics names. All topics presented at IPC meetings generally have supporting documents.
- The minutes of all IPC meetings contain the date, time, attendees, topics’ names and decisions made by the IPC members.
- All IPC members are informed of any topics discussed and decisions made, regardless of attendance.

- In instances when an IPC decision is required, while scheduling an IPC meeting is not possible within the required timeframe, such decision may be reached via email communication, provided at least three members of the IPC explicitly approve a proposal. In case of exceptionally time critical, typically market driven topics, consent of two IPC members maybe sufficient.

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* = toll free

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