

# **MSCI equity index policy regarding United States IRS 871(m) regulations relating to the definition of a “Qualified Index”**

(Last updated January 2022, January 2021, January 2020,  
January 2019, January 2018, August, November 2016 &  
January, November 2017)

**February 2023**



## Background

On September 17, 2015, the U.S. Internal Revenue Service (“IRS”) and the U.S. Treasury Department released final regulations under Section 871(m) of the Internal Revenue Code which were published in the Federal Register on September 18, 2015 and provide, amongst other things, the rules for withholding on “dividend equivalent payments” on derivatives that reference U.S. equity securities.

The regulations include certain criteria that the IRS uses to determine whether an index is a Qualified Index, the details of which can be found in the document published by the IRS in the Federal Register, Vol. 80, No.181, Part VI, as may be updated or amended from time to time.

## MSCI policy pertaining to regulation relating to rule 871(m) “Qualified Indices”

In response to feedback from numerous market participants, MSCI has decided to provide information regarding select MSCI indexes to help facilitate MSCI’s clients’ determination whether an index qualifies as a “Qualified Index” under Section 871(m) of the Internal Revenue Code. For the avoidance of doubt, MSCI, as the index provider, does not make the determination whether an index is a “Qualified Index”. MSCI first published this policy document in August 2016 and is subsequently publishing this updated version.

We chose to provide information for the MSCI indexes below on the basis of their widespread use by our global clients. Inclusion or exclusion of an index in the list below does not amount to a determination by MSCI whether such MSCI index is eligible to be a “Qualified Index” or not for purposes of Section 871(m) of the Internal Revenue Code. Should a client wish to request information about additional MSCI indexes to be added to this document, please contact your local MSCI representative for more information or send an email to [clientservice@msci.com](mailto:clientservice@msci.com).

Please note that this information and this document are provided for informational purposes only. Nothing contained herein constitutes (i) legal advice, (ii) any recommendation to use any MSCI indexes or (iii) any guarantees with respect to any MSCI indexes or any eligibility requirements for “Qualified Indexes”. MSCI intends to publish an update to the information below on or around the first business day of each calendar year and throughout the calendar year as determined by MSCI in MSCI’s sole discretion.

MSCI may change its policies from time to time. As such, this document is subject to change, and/or MSCI may cease publication of this document, at any time without notice.

The MSCI indexes specifically referenced in Exhibit A are:

- MSCI ACWI Index
- MSCI World Index
- MSCI North America Index
- MSCI USA Index
- MSCI Kokusai Index
- MSCI Peru Index
- MSCI Russia Index
- MSCI USA Equal Weighted Index
- MSCI USA Momentum Index
- MSCI USA Quality Index
- MSCI USA Value Weighted Index
- MSCI World Midcap Index
- MSCI World Energy Index
- MSCI World Materials Index
- MSCI World Industrials Index
- MSCI World Consumer Discretionary Index
- MSCI World Consumer Staples Index
- MSCI World Health Care Index
- MSCI World Financials Index
- MSCI World Information Technology Index
- MSCI World Telecommunication Services Index
- MSCI World Utilities Index
- MSCI World Real Estate Index
- MSCI EM ESG Leaders Index
- MSCI EAFE ESG Leaders Index
- MSCI World ESG Leaders Index
- MSCI Europe ESG Leaders Index
- MSCI USA ESG Leaders Index
- MSCI USA Climate Change Index
- MSCI World Climate Change Index
- MSCI Europe Climate Change Index
- MSCI World Small Cap Index
- MSCI Emerging Markets Index
- MSCI World Climate Paris Aligned Benchmark Select Index
- MSCI Europe Climate Paris Aligned Benchmark Select Index
- MSCI EMU Climate Paris Aligned Benchmark Select Index
- MSCI World Minimum Volatility Index
- MSCI World Low Carbon Target Index
- MSCI World Low Carbon Leaders Index
- MSCI World Climate Paris Aligned Index

## Exhibit A

MSCI Index	# of component securities (1)	# of short Component securities (2)	Largest Single Security Weighting (1)	# of Securities that Represents Top 40% of Weighting (1)	Rebalancing Methodology (2)	Annual Dividend Yield (4)	Futures or Options Contracts Listed (1)(3)	% of US Securities (1)	US Weighting (1)
MSCI ACWI Index	2,885	N/A	3.71	87	MSCI Global Investable Market Indexes Methodology	2.339	- ICE US - ICE EU - EUREX	21.63%	60.37%
MSCI World Index	1,508	N/A	4.18	70	MSCI Global Investable Market Indexes Methodology	2.211	- ICE US - ICE EU - EUREX	41.38%	68.01%
MSCI North America Index	712	N/A	5.85	35	MSCI Global Investable Market Indexes Methodology	1.783	-EUREX	87.64%	95.17%
MSCI USA Index	624	N/A	6.15	32	MSCI Global Investable Market Indexes Methodology	1.704	- ICE US -ICE EU - EUREX	100.00%	100.00%
MSCI Kokusai Index	1,271	N/A	4.46	61	MSCI Global Investable Market Indexes Methodology	2.182	- ICE EU - EUREX	49.10%	72.55%
MSCI Peru Index	3	N/A	59.02	1	MSCI Global Investable Market Indexes	4.186	- EUREX	0.00%	0.00%

					Methodology				
MSCI USA Equal Weighted Index	624	N/A	0.24	231	MSCI Equal Weighted Indexes Methodology	1.818	- ICE EU - EUREX	100.00%	100.00%
MSCI USA Momentum Index	125	N/A	5.16	12	MSCI Momentum Indexes Methodology	1.847	- EUREX	100.00%	100.00%
MSCI USA Quality Index	124	N/A	5.16	10	MSCI Quality Indexes Methodology	1.585	- EUREX	100.00%	100.00%
MSCI USA Value Weighted Index	624	N/A	2.77	34	MSCI_Value_W eighted_Index_ Methodology_ Book_Sep2017 x	2.243	- EUREX	100.00%	100.00%
MSCI World Midcap Index	834	N/A	0.46	156	MSCI Global Investable Market Indexes Methodology	2.285	- EUREX	39.33%	59.31%
MSCI World Energy Index	58	N/A	16.26	4	MSCI Global Investable Market Indexes Methodology	3.369	- ICE EU - EUREX	48.28%	63.55%
MSCI World Materials Index	114	N/A	7.26	12	MSCI Global Investable Market Indexes Methodology	3.766	- ICE EU - EUREX	29.82%	41.63%
MSCI World Industrials Index	252	N/A	2.79	24	MSCI Global Investable Market Indexes Methodology	2.135	- ICE EU - EUREX	33.33%	55.87%
MSCI World Consumer Discretionary Index	159	N/A	15.4	7	MSCI Global Investable	1.559	- ICE EU - EUREX	40.25%	67.04%

					Market Indexes Methodology				
MSCI World Consumer Staples Index	107	N/A	9.15	6	MSCI Global Investable Market Indexes Methodology	2.645	- ICE EU - EUREX	32.71%	60.13%
MSCI World Health Care Index	139	N/A	6.83	10	MSCI Global Investable Market Indexes Methodology	1.771	- ICE EU - EUREX	55.40%	73.40%
MSCI World Financials Index	225	N/A	5.62	20	MSCI Global Investable Market Indexes Methodology	3.144	- ICE EU - EUREX	37.33%	54.08%
MSCI World Information Technology Index	184	N/A	20.74	3	MSCI Global Investable Market Indexes Methodology	1.146	- ICE EU - EUREX	60.87%	87.88%
MSCI World Telecommunication Services Index	94	N/A	16.60	3	MSCI Global Investable Market Indexes Methodology	1.638	- ICE EU - EUREX	39.36%	78.40%
MSCI World Utilities Index	80	N/A	10.29	10	MSCI Global Investable Market Indexes Methodology	3.581	- ICE EU - EUREX	40.00%	65.09%
MSCI World Real Estate Index	96	N/A	7.81	10	MSCI Global Investable Market Indexes Methodology	3.739	- ICE EU - EUREX	38.54%	71.14%
MSCI EM ESG Leaders Index	450	N/A	10.79	14	MSCI ESG Leaders Indexes Methodology	2.637	- ICE US	0.00%	0.00%
MSCI EAFE ESG Leaders Index	390	N/A	3.03	28	MSCI ESG	3.098	- ICE US	0.00%	0.00%

					Leaders Indexes Methodology				
MSCI World ESG Leaders Index	701	N/A	6.79	36	MSCI ESG Leaders Indexes Methodology	2.199	- ICE US	38.94%	67.13%
MSCI Europe ESG Leaders Index	206	N/A	4.60	14	MSCI ESG Leaders Indexes Methodology	3.156	- ICE US	0.00%	0.00%
MSCI USA ESG Leaders Index	273	N/A	10.12	17	MSCI ESG Leaders Indexes Methodology	1.742	- ICE US	100.00%	100.00%
MSCI USA Climate Change Index	585	N/A	5.20	24	MSCI Climate Change Indexes Methodology	1.542	- ICE US	100.00%	100.00%
MSCI World Climate Change Index	1,421	N/A	5.12	45	MSCI Climate Change Indexes Methodology	1.923	- ICE US	41.17%	70.28%
MSCI Europe Climate Change Index	401	N/A	3.11	23	MSCI Climate Change Indexes Methodology	2.860	- ICE US	0.00%	0.00%
MSCI World Small Cap Index	4,442	N/A	0.19	518	MSCI Global Investable Market Indexes Methodology	2.252	- EUREX	43.63%	59.26%
MSCI Emerging Markets Index	1,377	N/A	5.68	48	MSCI Global Investable Market Indexes Methodology	3.357	- ICE US - ICE EU - EUREX - CBOE - HKEX	0.00%	0.00%
MSCI World Climate Paris	648	N/A	4.50	52	MSCI Climate	1.997	- ICE US	54.17%	67.16%

Aligned Benchmark Select Index					Paris Aligned Indexes Methodology				
MSCI Europe Climate Paris Aligned Benchmark Select Index	278	N/A	3.48	25	MSCI Climate Paris Aligned Indexes Methodology	2.996	- ICE US	0.00%	0.00%
MSCI EMU Climate Paris Aligned Benchmark Select Index	156	N/A	5.48	17	MSCI Climate Paris Aligned Indexes Methodology	2.836	- ICE US	0.00%	0.00%
MSCI World Minimum Volatility	282	N/A	1.56	38	MSCI Global Investable Market Indexes Methodology	2.584	- ICE US	47.87%	63.60%
MSCI World Low Carbon Leader	1155	N/A	4.21	69	MSCI Climate Change Indexes Methodology	2.122	- ICE US	43.98%	68.29%
MSCI World Low Carbon Target	1102	N/A	4.22	68	MSCI Climate Change Indexes Methodology	2.194	- ICE US	46.28%	67.45%
MSCI World Climate Paris Aligned Benchmark Select	648	N/A	4.50	52	MSCI Climate Paris Aligned Indexes Methodology	1.997	- ICE US	54.17%	67.16%

Information regarding listed futures or options linked to MSCI indexes is publicly available and can be found at <https://www.msci.com/documents/1296102/1360895/msci-LFO-cfs-en-booklet.pdf>

1. Observation Date = December 30, 2022

2. MSCI index methodology is publicly available at <https://www.msci.com/index-methodology>. (Please note that the standard global/regional MSCI indexes are based on a building block approach to construction such that, for example, the MSCI North America Index is the combination of the MSCI USA Index plus the MSCI Canada index. Consequently, any modifications or re-weightings that occur in the MSCI USA Index automatically flow through





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3. A list of all MSCI index-based futures and options is publicly available and can be found at <https://www.msci.com/our-solutions/indexes/index-licensing-for-derivatives>

4. Observation Date = December 30, 2022 and is calculated as per the MSCI Fundamental Data Methodology that can be found at <https://www.msci.com/index-methodology>

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