

# **MSCI EQUITY INDEX POLICY REGARDING UNITED STATES IRS 871(M) REGULATIONS RELATING TO THE DEFINITION OF A “QUALIFIED INDEX”**

**January 2017**

**(LAST UPDATED AUGUST & NOVEMBER 2016)**

## 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. 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. If an MSCI index is not listed below, it does not mean that such MSCI index is not potentially eligible to be a “qualified index” 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

**EXHIBIT A**

MSCI Index	# of Component Securities (1)	# of Short Component Securities (1)	Largest Single Security Weighting (1)	# of Securities that Represent Top 40% Weighting (1)	Rebalancing Methodology (2)	Annual Dividend Yield (4)	Futures or Options Contracts Listed (1)(3)
MSCI ACWI Index	2,485	N/A	1.66%	117	As per MSCI GIMI Methodology	2.492%	- ICE US - ICE EU - EUREX
MSCI World Index	1,653	N/A	1.85%	96	As per MSCI GIMI Methodology	2.48%	- ICE US - ICE EU - EUREX
MSCI North America Index	724	N/A	2.89%	44	As per MSCI GIMI Methodology	2.11%	N/A
MSCI USA Index	630	N/A	3.07%	39	As per MSCI GIMI Methodology	2.073%	- ICE US - ICE EU - EUREX

1. Observation Date = January 3, 2017
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 to any larger global/regional index in which the MSCI USA Index is a component part. In addition, the global and regional standard MSCI indexes do not reference short positions of any securities. For more information please reference the most up to date MSCI Global Investable Market Indexes Methodology Guide available at <https://www.msci.com/index-methodology>.)
3. A list of all MSCI index based futures and options is publicly available and can be found at <https://www.msci.com/index-licensing>.
4. Observation Date = December 31, 2016 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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