

Consultation on the Treatment of Foreign Private Issuers in the MSCI USA Equity Universe

MSCI GLOBAL INVESTABLE MARKET INDEXES
MSCI US EQUITY INDEXES

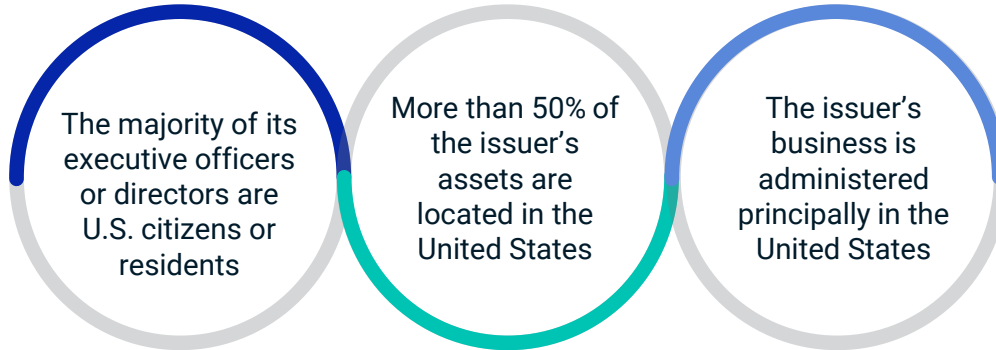
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Summary

- MSCI presents a consultation to treat Foreign Private Issuers (FPIs) classified in the US, as eligible for the MSCI USA Equity Universe regardless of their filing type. Under the proposal, for securities of companies classified in the US according to the Country Classification methodology, filing a Form 10-K/10-Q would no longer be required to be included in the MSCI USA Equity Universe. The securities could now be eligible for inclusion to the MSCI Global Investable Market Indexes (GIMI) and the MSCI US Equity Indexes (USEI) if they meet all the investability requirements.
- MSCI invites feedback from market participants on or before **September 6, 2021**, and will announce the results of the consultation on or before **September 15 2021**.
- Changes, if any, would be implemented in the November 2021 Semi-Annual Index Review.

Background (1/2)

- A foreign company will qualify as an FPI if 50% or less of its outstanding voting securities are held by U.S. residents; or if more than 50% of its outstanding voting securities are held by U.S. residents and none of the following three circumstances applies:



- An FPI may offer any type of securities that a US Domestic Issuer is permitted to offer and additionally, FPIs may offer its securities using American Depositary Receipts (ADRs)

Background (2/2)

- Regulatory concessions that FPIs receive compared to US Domestic Issuers include:

	Foreign Private Issuers	US Domestic Issuers
Annual Report	Form 20-F within four months after the fiscal year covered	Form 10-K between 60 and 90 days following the fiscal year
Quarterly Reports	Form 6-K (semi-annual) ONLY for companies with securities listed on the NYSE within six months following the end of the second fiscal quarter	Unaudited financial information on Form 10-Q between 40 and 45 days following the reporting period
Directors/Officers Equity Holdings	Directors and officers do not have to report their equity holdings and transactions under Section 16 of the Exchange Act, subject to certain exceptions	Directors, officers and persons who beneficially own more than 10% of any class of equity security must report holdings and transactions
Proxy Statements	Not required	Required for annual and special meetings of shareholders

- However, FPIs may voluntarily choose to register and report using domestic forms
- Currently for the MSCI USA Equity Universe, MSCI methodologies for both GIMI and USEI would only consider eligible US Domestic Issuers that file a Form 10-K/10-Q
 - Therefore, securities classified in the US that are either FPIs or do not file a Form 10-K/10-Q are currently ineligible for the MSCI USA Equity Universe, hence ineligible to the MSCI Global Investable Market Indexes and the MSCI US Equity Indexes

Proposal

- MSCI proposes to treat FPIs classified in the US, as eligible for the MSCI USA Equity Universe (GIMI and USEI) regardless of their filing type.
 - Filing a Form 10-K/10-Q would no longer be required to be included in the MSCI USA Equity Universe.
 - The securities could now be eligible for inclusion to the MSCI Global Investable Market Indexes and the MSCI US Equity Indexes if they meet all the investability requirements.
- Below rules will be applicable for Country Classification:
 - US Domestic Issuers listed in the US may be classified in the US provided that four of the following five variables do not point to another single country: operations, revenues, headquarters, management and shareholder base.
 - Foreign Private Issuers listed in the US may be classified in the US provided they exhibit significant link to US (based on criteria mentioned in the general framework which includes geographic distribution of shareholder base, management, assets and revenues; location of headquarters and history)
- Changes, if any, would be implemented at the November 2021 Semi-Annual Index Review.
- MSCI welcomes feedback from the investment community until September 6th, 2021. MSCI will announce the results of this consultation on or before September 15th, 2021

List of Potential Impacted Securities

- There are seven FPIs as per SEC classification that have been assigned a MSCI Country Classification of US and are currently not eligible for GIMI or USEI.

RIC	Security	Country of Incorporation	Filing Type	Company Full Market Cap*	MSCI USA Investable Market Index Weight**	MSCI US Investable Market 2500 Index Weight**
DOX.OQ	AMDOCS	GUERNSEY	20-F	10,225	0.024%	0.024%
TGH.N	TEXTAINER GROUP HOLDINGS LTD	BERMUDA	20-F	1,447	0.003%	0.003%
SSYS.OQ	STRATASYS LTD	ISRAEL	20-F	1,168	0.003%	0.003%
STNG.N	SCORPIO TANKERS INC	MARSHALL ISLANDS	20-F	1,090	0.002%	0.002%
NESR.OQ	NATL ENER SVCS REUNITED	VIRGIN ISLANDS	20-F	1,077	0.001%	0.001%
IBEX.OQ	IBEX LTD	BERMUDA	20-F	411	-	-
PSFE.N	PAYSAFE***	BERMUDA	20-F	-	-	-

*USD million. Data as of April 19, 2021

** Indicative weights as of the May 2021 SAIR, assuming the securities meet all investability requirements

*** The security IPO was after the Equity Universe cutoff date, thus there is no information as of the May 2021 SAIR cutoff date

Discussion Points

- Do you agree to remove the current requirement for companies to file forms 10-K/10-Q to be eligible for inclusion to the MSCI USA Equity Universe and consequently to MSCI Global Market Investable Indexes and MSCI US Equity Indexes?
- Do you agree with the proposed requirements applicable for US Domestic Issuers and Foreign Private Issuers to be classified in the US?
- Do you agree with the proposed timeline for the implementation of changes (if any)?
- Clients may provide feedback through an online survey available on:
<https://www.msci.com/consultation-FPI>

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