

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

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

**January 2020**

## 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
- 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 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	3,050	N/A	2.61%	100	As per MSCI GIMI Methodology	2.36%	- ICE US - ICE EU EUREX
MSCI World Index	1,646	N/A	2.97%	81	As per MSCI GIMI Methodology	2.32%	- ICE US - ICE EU EUREX
MSCI North America Index	728	N/A	4.45%	36	As per MSCI GIMI Methodology	1.89%	EUREX
MSCI USA Index	638	N/A	4.69%	32	As per MSCI GIMI Methodology	1.83%	- ICE US - ICE EU EUREX
MSCI Kokusai Index	1,322	N/A	3.24%	68	As per MSCI GIMI Methodology	2.33%	- ICE EU EUREX
MSCI Peru Index	3	N/A	67.78 %	1	As per MSCI GIMI Methodology	2.65%	- EUREX
MSCI Russia Index	23	N/A	18.16 %	3	As per MSCI GIMI Methodology	6.92%	- EUREX
MSCI USA Equal Weighted Index	638	N/A	0.34%	236	As per MSCI Equal Weighted Indexes Methodology	1.79%	- ICE EU EUREX
MSCI USA Momentum Index	125	N/A	5.17%	11	As per MSCI Momentum Indexes Methodology	1.59%	- EUREX
MSCI USA Quality Index	125	N/A	5.31%	10	As per MSCI Quality Indexes Methodology	1.65%	- EUREX

MSCI USA Value Weighted Index	638	N/A	3.17%	34	As per MSCI Value Weighted Indexes Methodology	2.33%	- EUREX
MSCI World Midcap Index	911	N/A	0.38%	179	As per MSCI GIMI Methodology	2.00%	- EUREX
MSCI World Energy Index	67	N/A	13.42%	5	As per MSCI GIMI Methodology	4.55%	-ICE EU -EUREX
MSCI World Materials Index	127	N/A	5.87%	14	As per MSCI GIMI Methodology	2.79%	-ICE EU -EUREX
MSCI World Industrials Index	272	N/A	3.55%	25	As per MSCI GIMI Methodology	2.03%	-ICE EU -EUREX
MSCI World Consumer Discretionary Index	200	N/A	16.92%	9	As per MSCI GIMI Methodology	1.77%	-ICE EU -EUREX
MSCI World Consumer Staples Index	121	N/A	8.69%	7	As per MSCI GIMI Methodology	2.67%	-ICE EU -EUREX
MSCI World Health Care Index	147	N/A	6.63%	12	As per MSCI GIMI Methodology	1.86%	-ICE EU -EUREX

MSCI World Financials Index	249	N/A	6.36%	20	As per MSCI GIMI Methodology	3.28%	-ICE EU -EUREX
MSCI World Information Technology Index	169	N/A	17.11%	4	As per MSCI GIMI Methodology	1.27%	-ICE EU -EUREX
MSCI World Telecommunication Services Index	39	N/A	24.25%	2	As per MSCI GIMI Methodology	4.22%	-ICE EU
MSCI World Utilities Index	83	N/A	7.59%	10	As per MSCI GIMI Methodology	3.51%	-ICE EU -EUREX
MSCI World Real Estate Index	107	N/A	7.03%	15	As per MSCI GIMI Methodology	3.35%	-ICE EU -EUREX
MSCI EM ESG Leaders Index	444	N/A	11.54%	9	As per MSCI ESG LEADERS Methodology	2.33%	-ICE US
MSCI EAFE ESG Leaders Index	426	N/A	3.03%	42	As per MSCI ESG LEADERS Methodology	3.07%	-ICE US
MSCI World ESG Leaders Index	779	N/A	5.13%	48	As per MSCI ESG LEADERS Methodology	2.32%	-ICE US

MSCI Europe ESG Leaders Index	217	N/A	4.87%	22	As per MSCI ESG LEADERS Methodology	3.22%	-ICE US
MSCI USA ESG Leaders Index	312	N/A	8.19%	19	As per MSCI ESG LEADERS Methodology	1.85%	-ICE US
MSCI USA Climate Change Index	618	N/A	4.82%	27	As per the MSCI Climate Change Indexes Methodology	1.73	-ICE US

1. Observation Date = December 31, 2019
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, 2019 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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