

# GENERAL Q&A

Potential impact on the MSCI Indexes in the event of the United Kingdom's exit from the European Union ("Brexit")

**June 2016**

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## INTRODUCTION

The purpose of this document is to address commonly asked questions regarding the potential impact on the MSCI Indexes in the event of the United Kingdom's exit from the European Union ("Brexit"). The content of this Q&A is based on the publicly available information as of June 24, 2016 and may be revised as new information becomes available.

On June 23, 2016 a referendum on the UK's membership in the EU was held in which the UK citizens voted in favor of the UK leaving the EU. The UK government will have up to two years to negotiate a withdrawal agreement, as per Article 50 of the EU Treaty, following the UK notification of the European Council of its intention to withdraw from The EU.

While the exit of a country from the EU is an unprecedented event which has already resulted in significant market volatility, based on the current assessment it would not have a material impact on the maintenance of the MSCI Indexes.

At the time of the UK leaving the EU, UK securities would be excluded from the MSCI EU (European Union) Indexes. There would be no impact on other MSCI Regional Indexes such as the MSCI Europe Index and the MSCI EAFE Index.

Increased market volatility or large market movements alone typically do not result in any special treatment in the MSCI Indexes. However, MSCI will carefully monitor functioning of the UK equity and GBP currency markets. In case of material deterioration of equity market accessibility for international institutional investors, MSCI would promptly issue further communication on the potential treatment of the MSCI UK Indexes. As an illustration, certain equity markets experienced a material deterioration of market accessibility in the past due to situations such as prolonged market closure and/or of introduction of capital controls on international institutional investors.

## POTENTIAL IMPACT OF BREXIT ON THE MSCI INDEXES

### What would be the immediate impact on the MSCI Indexes of a vote in favor of the UK leaving the EU in the referendum on June 23, 2016?

In absence of equity market accessibility issues, the results of the referendum would not have any immediate impact on the maintenance of the MSCI Indexes.

### When might Brexit impact the MSCI Indexes?

MSCI would reflect the exit of the UK from the EU in the MSCI Indexes when it becomes effective. MSCI would provide a more specific timeline following the official announcements from relevant UK and EU authorities.

### What would be the impact of Brexit on the MSCI Indexes?

UK securities would be excluded from certain MSCI Regional Indexes using the EU region as a reference such as:

- MSCI EU Index (MSCI Code: 990600)
- MSCI EU Large Cap Index (MSCI Code: 650081)
- MSCI EU Mid Cap Index (MSCI Code: 652598)
- MSCI EU IMI (MSCI Code: 664228)
- MSCI EU Small Cap Index (MSCI Code: 655069)

There would be no impact on the MSCI Regional Indexes using other regions as a reference, such as the MSCI Europe Index or the MSCI EAFE Index.

### Would there be a change in the index maintenance rules for the MSCI UK Indexes in case of Brexit?

No. There would be no impact from Brexit on the Index Review and Corporate Events maintenance rules.

### Would the UK be considered as a separate market for index maintenance purposes in case of Brexit?

No. All countries within Developed Markets Europe (including the UK) would continue to be considered as a single market for the purpose of index maintenance.

**What would be the treatment of the MSCI UK Indexes in case of material market accessibility issues linked to Brexit?**

In case of material deterioration of equity market accessibility for international institutional investors, MSCI would promptly issue further communication on potential treatment of the MSCI UK Indexes. MSCI may seek feedback from market participants on the extent and implications of the issues as well as on any potential mitigation plans.

**Would there be any impact on the MSCI Hedged Indexes, the MSCI FX Hedge Indexes and the MSCI Global Currency Indexes?**

No. Brexit would not result in any change in currency; hence there would be no impact on the MSCI Hedged Indexes, the MSCI FX Hedge Indexes and the MSCI Global Currency Indexes.

**Would there be any impact on the methodology for the MSCI Factor, Thematic, and ESG Indexes, or for any other types of MSCI Derived Indexes?**

No. There would be no impact on the methodology for the MSCI Factor, Thematic and ESG Indexes, or any other types of MSCI Derived Indexes.

**What would change for the MSCI Custom Indexes?**

Similarly to other MSCI Indexes, no impact following Brexit is expected on the methodology and maintenance of MSCI Custom Indexes. MSCI would directly contact clients who subscribe to the MSCI Custom Indexes where the customization is specifically related to the EU region.

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