MSCI

Consultation on Eligibility of Non-Operating Companies for the MSCI Global Investable Market Indexes Methodology

August 2026

This consultation may or may not lead to the implementation of any or all of the proposed changes in the highlighted or any other MSCI indexes. Consultation feedback will remain confidential. MSCI may publicly disclose feedback if specifically requested by specific market participants. In that case, the relevant feedback would be published together with the result of the consultation.

Summary

MSCI is conducting a consultation on a proposal to define and classify non-operating companies ("Non-Operating Companies“) as ineligible for inclusion in the MSCI Global Investable Market Indexes.

Non-Operating Companies, as defined under this proposal, would include both (i) various investment funds and Business Development Companies (BDCs), currently ineligible for GIMI™ inclusion based on legal form, and (ii) corporate issuers with similar characteristics, identified through quantitative screens.

The proposed new screens for corporate issuers set forth (1) a Core Screen to determine whether an issuer is considered an operating company. If an issuer fails that screen, we then apply (2) an Exclusion Screen based on five non-industry-specific financial ratios. We propose that an issuer be ineligible for index inclusion if it is flagged on four out of five of these ratios. To reduce index turnover, we further propose applying buffers to both the eligibility thresholds and the timing of removal, which require current GIMI constituents to fail the ineligibility screen for two consecutive periods before being deemed ineligible and removed from an index.

MSCI invites feedback from market participants through September 30, 2026. We expect to announce the consultation results on or before October 16, 2026, which may or may not result in changes to MSCI indexes. MSCI proposes that any resulting changes would be implemented as part of the November 2026 Index Review.

Non-Operating Companies

Common non-operating company characteristics:

- Create value by accumulating and holding non-operating assets
- Spend and generate little cash from running an actual business
- Performance driven by market movements, not other revenue-generating activities
- Reliant on external capital, not their own operations, to grow

Treatment in GIMI™ indexes:

‹ furthest from operating company profile

closest to operating company profile ›

Already excluded from GIMI indexes		Proposal: exclude Non-Operating Companies that fail new eligibility screen	Retained in GIMI indexes	
Funds / investment trusts	Business development companies (BDCs)		Holding companies with substantial operations, REITs	Typical operating companies

Proposed Additional Quantitative Screens

TWO-PILLAR SCREEN:

Current screen:

Exclusion based on legal form and filing labels:

- Identifies ETFs, other funds, BDCs

+

Proposed additional quantitative screens:

Exclusion based on financial ratios and filings analysis:

- Identifies **additional** Non-Operating Companies
- Less stringent criteria for existing GIMI index constituents than non-constituent companies
  - current index constituents are subject to less stringent thresholds and must fail screen for **two** consecutive years; non-constituents only **one** year

Proposed 2-Step Additional Eligibility Screen

Step 1: Core Screen: *A company is eligible for GIMI indexes if its asset structure demonstrates a sufficient level of operating assets.*

Step 2: Exclusion Screen: *Companies that fail the Core Screen and also* ***fail four out of five*** *of the following financial ratio screens will be considered ineligible for GIMI index inclusion.*

- **Operating asset intensity**
- **Expense intensity**
- **Cash flow screen**
- **Fair value intensity**
- **Capital dependence**

Full proposed methodology details may be found in the Appendix.

ACWI IMI™ Impact of the Methodology Proposal

Applying the proposed screen to the MSCI ACWI IMI Index, as of May 2026, would result in **three** deletions.

Additionally, **three** companies would be placed on a new public watchlist maintained for this eligibility rule.*

Potential ACWI IMI Impact

3 Deleted

Issuer	Country	GIMI Family	FIF Mcap (USD mln)
STRATEGY	USA	Large	23,931
YELLOW CAKE PLC	United Kingdom	Small	1,807
METAPLANET	Japan	Small	654

3 on "Watchlist"*

Issuer	Country	GIMI Family	FIF Mcap (USD mln)
CENTER LABORATORIES	Taiwan	Small	673
LYDIA HOLDING	Turkey	Small	319
SHARPLINK	USA	Small	165

* Current index constituents failing the core and exclusion screens based on latest filings, but not failing for **two** consecutive years, would be placed on a new public "watchlist." Under the proposal, they would then be removed from the index if they were to fail the screens again the following year.

Timeline

1

End September 2026

Obtain feedback

Consultation feedback period closes at the end of September; MSCI reviews and evaluates responses.

2

Mid October 2026

Announce results

MSCI publicly announces the result of the consultation, expected by October 16, 2026.

3

November 2026

Implement

MSCI proposes to implement any changes in the November 2026 Index Review.

Appendix

Methodology proposal details

Proposal Details: Screening Methodology

STEP 1: Core Screen

A company is considered eligible for GIMI index inclusion if its financial reports indicate substantial operating assets in its asset structure based on the following formula.

$$\frac{\text{Operating Assets}}{\text{Total Assets}} > 50\%$$

If this condition is not met, the company is evaluated using the exclusion screen detailed in Step 2 below.

STEP 2: Exclusion Screen

1. Operating asset intensity

Measures the share of total assets that are operating / used as business inputs

Flag if $\frac{\textit{Operating Assets}}{\textit{Total Assets}} < 20\%$

2. Expense intensity

Measures spending on activities associated with business operations

Flag if $\frac{\textit{Operating Expenses}}{\textit{Total Assets}} < 5\%$

3. Cash flow screen

Measures value generation from business activity

Flag if *Operating Cash Flow* < 0

4. Fair value intensity

Measures magnitude of fair value changes relative to operating revenue and asset base

Flag if $\frac{|\textit{Non-Op Fair Value Changes}|}{\textit{Total Assets}} > 5\%$ **AND** **Flag if** $\frac{|\textit{Non-Op Fair Value Changes}|}{\textit{Net Sales} + |\textit{Fair Value Changes}|} > 50\%$

5. Capital dependence

Measures reliance on external financing to fund asset accumulation

Flag if $\frac{\textit{Financing Cash Flow}}{\textit{Total Assets}} > 20\%$ **AND** *Capital raising for asset accumulation in company filings (latest 12 months)*

PROPOSED RULE: A company would be ineligible for index inclusion if it triggers **at least four** of the above flags.

INELIGIBLE

Index Stability

To protect index stability and reduce turnover, deletions of index constituents should require more persistent evidence of failing both the core and exclusion screens that define Non-Operating Companies than for non-constituents.

ASYMMETRIC THRESHOLDS & REVIEW COUNT

NON-CONSTITUENT INELIGIBILITY

Evidence	Latest filing only
Thresholds*	Proposed regular thresholds
Outcome	Ineligible for addition in the Equity Universe**

Re-checked at the next complete filing review (e.g., 10-K).

INDEX CONSTITUENT DELETIONS

Evidence	Two consecutive filings (**two** years)
Thresholds*	Buffers on certain thresholds
Outcome	Deleted from ACWI IMI and Equity Universe

Remains ineligible until the next annual review.

ADVANTAGES OF A "SLOW" SCREEN

Persistence over noise

Only a sustained change in business structure triggers reclassification, while a briefer, one-off threshold miss does not.

Stability over speed

A faster, reactive screen could add index volatility and turnover.

** Exact thresholds (regular and buffer-zone) are detailed in slide 10.*
*** Incomplete data may be grounds for ineligibility.*

Proposed Threshold Buffers

Non-constituents would be **ineligible for MSCI GIMI™ indexes** if they fail the **regular thresholds** based on the **latest filing**.

Current ACWI IMI constituents would be **deleted** only if they fail **less stringent thresholds** based on the **latest two annual reviews.**

Ratio Thresholds

	Non-Constituents (Ineligibility)		Current ACWI IMI™ (Deletion)	
	Ratio	**Non-Operating Threshold**	**Ratio**	**Non-Operating Threshold**
Ratio Thresholds	*Operating asset intensity*	< 20%	*Operating asset intensity*	< 10%
	Expense intensity	< 5%	*Expense intensity*	< 5%
	Cash flow screen	< 0	*Cash flow screen*	< 0
	Fair value intensity	> 5%	*Fair value intensity*	> 5%
	*Capital dependence**	> 20%	*Capital dependence**	> 30%

Persistence Rules

Non-Constituents (Ineligibility):

- Issuer flagged based on screens applied to the **latest filings** would be **ineligible for addition** to MSCI GIMI indexes until the next annual filing review.

Current ACWI IMI™ (Deletion):

- Issuers may be flagged as ineligible based on assessments using each of their **last two annual filings** and hence would be **deleted** from ACWI IMI.
- Issuers flagged as ineligible based solely on the **latest filings** will be **put on Watchlist**.
- Issuers that are deleted would be ineligible for addition until the next annual filing review.

** The screen for capital dependence would be applied identically for current constituents and non-constituents.*

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