

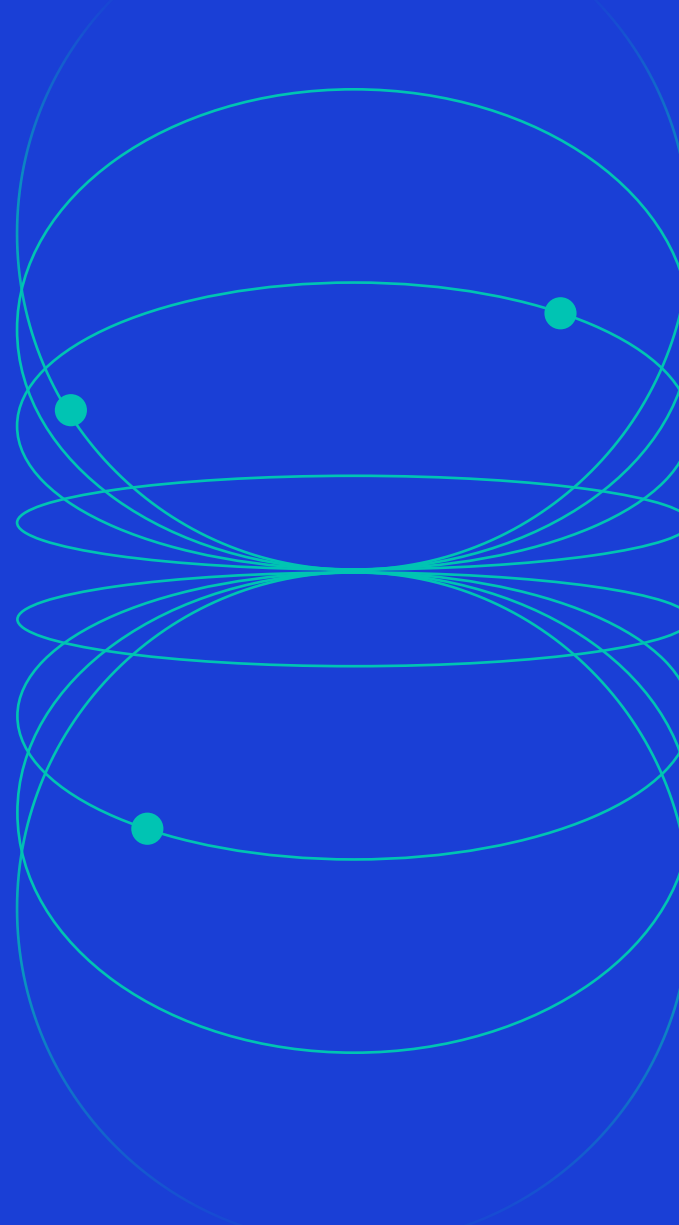


Consultation on the Eligibility of Passive Foreign Investment Companies (PFIC) for the MSCI US Equity Indexes

MSCI US EQUITY INDEXES

This consultation may or may not lead to the implementation of any or all of the proposed changes in MSCI's indexes. Consultation feedback will remain confidential unless a participant requests that its feedback be disclosed. In that case, the relevant feedback would be published at the same time as the final results of the consultation.

July 2025



Background

- The MSCI US Equity Indexes aim to reflect the complete range of investment opportunities across market capitalization size, value and growth investment styles and industry and sector groups within the US equity market from the perspective of **US Domestic investors**
- Currently, MSCI includes in the eligible US equity universe all listed equity securities of companies listed on eligible US exchanges **except** investment trusts (other than REITs), preferred REITs, mutual funds, equity derivatives, limited partnerships, limited liability companies and business trusts that are structured to be taxed as limited partnerships, and royalty trusts
- Passive Foreign Investment Companies (PFIC) listed on eligible US exchanges are currently included in the US Equity Universe
- *A foreign corporation is considered PFIC if it meets either the income or asset test described next¹*
 1. **Income test.** 75% or more of the corporation's gross income for its tax year is passive income (as defined in section 1297(b) of the Internal Revenue Code).
 2. **Asset test.** At least 50% of the average percentage of assets (determined under section 1297(e) of the Internal Revenue Code) held by the foreign corporation during the tax year are assets that produce passive income or that are held for the production of passive income
- To reduce the potential tax implications for market participants, **MSCI proposes to exclude companies listed on eligible US exchanges that have determined and reported themselves as Passive Foreign Investment Companies based on the previous year's financials which are disclosed in the latest Annual Report (10-K) starting from November 2025 Semi-Annual Index Review, effective November 25, 2025**
- MSCI welcomes feedback from the investment community until **August 31, 2025**. MSCI will announce the results of this consultation on or before **September 30, 2025**

Details of the Proposal

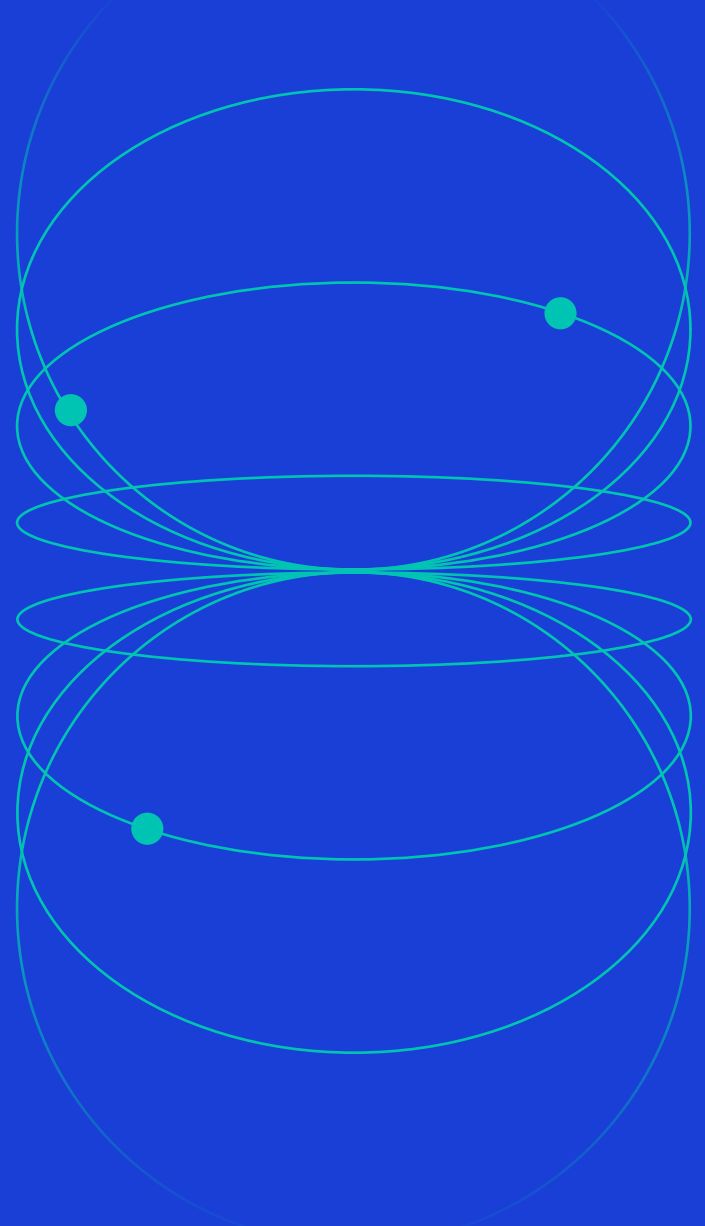
- MSCI proposes to **exclude** companies **listed on eligible US exchanges** that have **determined and reported** themselves as Passive Foreign Investment Companies based on the previous year's financials **which are disclosed in the latest Annual Report (10-K)** filed on or before the MSCI US Equity Index data cut-off date for the Index Review period.
 - **Company-Disclosed PFIC Classification:** A company **would be treated as a PFIC** if it explicitly acknowledges that it meets the relevant PFIC thresholds under applicable tax regulations or **gives any indication** that they may have met
Example: "Based on our historic and anticipated operations and composition of assets, and a review of income sources and asset categories, we may be a PFIC for the current taxable year and in the foreseeable future." OR "It is possible we were a PFIC with respect to the 2023 taxable year and it is possible we may be a PFIC for the 2024 taxable year or a future taxable year as well."
 - **Company-Disclosed Non-PFIC Classification:** A company **would not be treated as a PFIC** if it explicitly states that it does not meet the applicable PFIC criteria
Example: "We believe that we were not a PFIC for the taxable year ending December 31, 2024, and based on the expected value of our assets, including any goodwill, and the expected nature and composition of our income and assets, we expect that we will not be a PFIC for our current taxable year."
 - **Previously Disclosed PFIC Status, Undetermined in Current Filing:** If a company acknowledged its PFIC status in a prior annual report but indicates the status is yet to be determined in the current filing, the **PFIC classification would be maintained**
Example: "We have not yet made a determination with respect to our status as a passive foreign investment company, or "PFIC," for our taxable year ending December 31, 2024. If we are a PFIC for the current taxable year, or any subsequent taxable years, we intend to annually furnish U.S."
 - **No Disclosure or Silent Filing:** In the absence of any explicit disclosure or affirmation, and where the documentation is silent, the company **would not be treated as a PFIC**
 - **Retroactive PFIC Determination:** If a company retroactively determines its status as a PFIC, the classification would not be applied to previous periods. Instead, the company's current PFIC determination would be recognized and applied only for the current reporting year

Discussion Points

- Do you anticipate any issues on continued inclusion of Passive Foreign Investment Companies in the MSCI US Equity Indexes?
 - Do you encounter any challenges in maintaining PFICs within your investment portfolio?
- Do you agree with the proposal to exclude PFIC from the MSCI US Equity Universe?
- Do you agree with the proposed rules for determining PFIC status?
- Are there any other aspects that should be considered for revising or refining the MSCI US Equity Index methodology?



Appendix



Simulated List of Passive Foreign Companies in the MSCI US Broad Market Index

The table below shows the simulated list for the MSCI US Broad Market Index on the proposed exclusion of Passive Foreign Investment Companies

Data as of June 2, 2025

MSCI Security Code	Security Name	GICS Sector	Market cap \$ Millions	Current Security Weight	Index Family
54709.01	FTAI Aviation	Industrials	12,342	0.02163%	Mid Cap
14441.01	Royalty Pharma A	Health Care	14,416	0.02147%	Mid Cap
91963.01	Crispr Therapeutics	Health Care	3,185	0.00530%	Small Cap
78728.01	Xenon Pharmaceuticals	Health Care	2,302	0.00343%	Small Cap
94168.01	Uniqure	Health Care	783	0.00103%	Small Cap
21968.01	Atai Life Sciences	Health Care	497	0.00061%	Small Cap
59641.01	Ur-Energy	Energy	272	0.00048%	Small Cap
79257.01	Xbiotech	Health Care	87	0.00010%	Micro Cap
19731.01	Essa Pharma	Health Care	76	0.00008%	Micro Cap
56776.01	Mural Oncology	Health Care	45	0.00007%	Small Cap
14627.01	Repare Therapeutics	Health Care	58	0.00005%	Micro Cap

Contact

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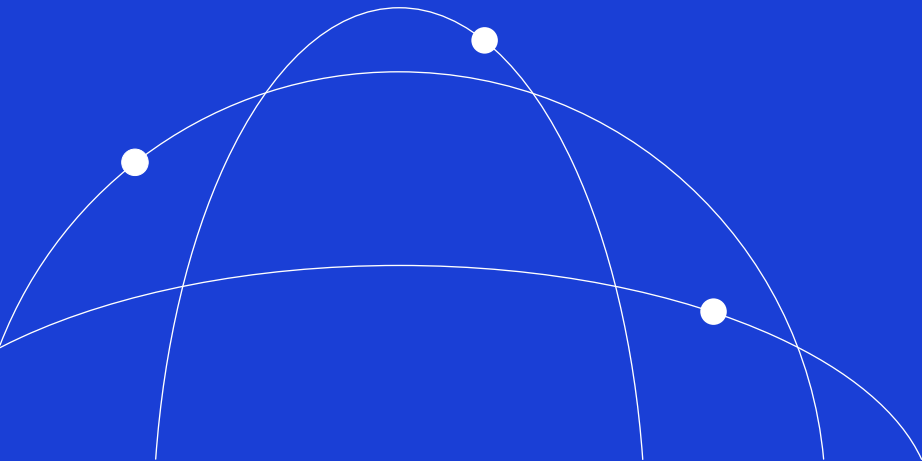
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