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Frequently asked questions

MSCI USA Balanced FC Index

1. What is the MSCI USA Balanced FC Index

The MSCI USA Balanced FC Index ("the Index") applies BofA's patented Fast Convergence technology to the MSCI USA Index with an aim to reduce risk and improve performance by adapting faster to changing market conditions. The Index rebalances each hour between U.S. equities, U.S. Treasuries, and a notional cash position.

2. What is the MSCI USA Index?

The MSCI USA Index is a stock market index that measures the performance of large and mid-cap companies across the U.S. market. With 576 constituents, the index covers approximately 85% of the market capitalization in the US.[1] The MSCI USA Index focuses on large and mid-cap companies, which we define based on a percentile approach rather than a fixed number of companies. Large-cap companies would be those that capture roughly the first 70% of the total market capitalization; mid-cap companies capture 15% of the companies that follow.

3. What is Fast Convergence technology?

Fast Convergence (FC) technology is BofA's patented method of volatility control that rebalances exposure to an underlying index component throughout the trading day. FC technology is applied to the MSCI USA Index. By systematically monitoring market moves and rebalancing throughout the trading day, FC technology seeks to more efficiently control the realized volatility of an index. Traditional approaches to risk management and portfolio construction have generally relied on longer time horizons to both measure and respond to changes in market volatility. Historically, higher volatility periods have coincided with negative market performance.[2]

4. Why MSCI?

MSCI is a leading provider of indexes, analytical tools and data services for the global investment community. We launched the first set of global equity indexes in 1969. With over USD 16.9[3] trillion benchmarked to MSCI Indexes and over 1,400 Equity ETF's track MSCI Indexes globally[4], we are the premium index provider for global institutional investors.

MSCI indexes are powered by our strong research, data and analytics franchise. With over 50 years of expertise, we continue to focus on our clients' investment needs and on delivering the quality and innovation they need to navigate increasingly complex financial markets.

1 Data as of March 31, 2025
2 Why are stock returns and volatility negatively correlated? - ScienceDirect
3 Assets under management (AUM) as of December 31, 2024, reported on or before March 31, 2025, using data from eVestment for active institutional funds and Morningstar for active retail funds.
4 Data as of December 31, 2024 and sourced from Refinitiv; defined as each share cl ass of an exchange traded fund, as identified by a separate Lipper ID. Only primary listings, and not cross-listings, are counted. MSCI does not guarantee the accuracy of third-party data.

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About MSCI

MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 50 years of expertise in research, data and technology, we power better investment decisions by enabling clients to understand and analyze key drivers of risk and return and confidently build more effective portfolios. We create industry-leading research-enhanced solutions that clients use to gain insight into and improve transparency across the investment process.

To learn more, please visit www.msci.com

Connect with us

Americas

United States
+1 888 588 4567 (toll free)

Canada
+1 416 628 1007

Brazil
+55 11 4040 7830

Mexico
+52 81 1253 4020

Asia Pacific

China
North: 10800 852 1032 (toll free)
South: 10800 152 1032 (toll free)

Hong Kong
+ 852 2844 9333

India
+ 91 22 6784 9160

Malaysia
1800818185 (toll free)

South Korea
800 852 3749 (toll free)

Singapore
800 852 3749 (toll free)

Australia
+612 9033 9333

Taiwan
008 0112 7513 (toll free)

Thailand
0018 0015 6207 7181 (toll free)

Japan
+81 3 4579 0333

Europe, Middle East & Africa

South Africa
+ 27 21 673 0103

Germany
+ 49 69 133 859 00

Switzerland
+ 41 22 817 9777

United Kingdom
+ 44 20 7618 2222

Italy
+ 39 02 5849 0415

France
+ 33 17 6769 810

Selected Risk Factors and Disclaimers

Below is a summary of some of the risks relating to the MSCI USA Balanced FC Index (the "Index") discussed herein. Please request a copy of the applicable rulebook for additional risk disclosure. Before investing in any such instrument or entering in any such transaction, you must satisfy yourself that you fully understand the risks of such instrument or transaction and you are solely responsible for making an independent appraisal of, and investigation into, such Index and should not rely on this information or the index rulebook as constituting investment, financial or other advice. Merrill Lynch International ("MLI"), an affiliate of BofA Securities, Inc. ("BofAS") is the benchmark sponsor of the Index.

NATURE OF THE INDEX

The Index uses a rules-based formula to enable the index closing level to be calculated from time to time. Although instruments may be issued or entered into where such instruments' return is linked to the Index performance, the Index is not itself an investment or instrument and does not give any person any entitlement to, or ownership interest in, any index components or any other obligation referenced (directly or indirectly) by the Index.

POTENTIAL CONFLICTS OF INTEREST

Potential conflicts of interest may exist in the internal teams and divisions of MLI or across different entities within the BofA group. For example, one team may calculate and publish the level of the Index, while another team within the organization may issue or promote/sell products linked to the Index or an index component. In addition, a further team within the organization may have trading positions in or relating to instruments and assets to which the performance of the Index is directly or indirectly linked (including any index component). Entities within the BofA group may be active and significant participants in or act as market maker in relation to a wide range of markets for currencies, commodities, securities and derivatives. Such activities may be undertaken on such a scale as to affect, either temporarily or on a long-term basis, the price of such investments which may impact adversely on the index closing level. No entity within the BofA group shall have any duty or obligation to take into account any impact in the performance of the Index when effecting transactions in such markets.

In addition, the benchmark sponsor and initial index calculation agent, MLI, or its affiliates may enter into transactions referencing or relating to the Index with one or more counterparties or may engage in proprietary trading in the Index or securities, options, futures, derivatives or other instruments relating to the Index or any index component (including such trading as it or its affiliate deems appropriate in their sole and absolute discretion to hedge its market risk with respect to the Index or any transaction relating to the Index) for their accounts, for business reasons, or for other accounts under its or their management. **The benchmark sponsor and affiliates may enter into such transactions or hedging transactions with a view to a profit or other financial gain. In addition, any such trading may affect the level or index closing level and consequently the amounts payable or deliverable in any transaction referencing or relating to the Index.** Such trading may be effected at any time, including on or near determination, setting, resetting or other calculation dates for the Index or such index components, or the pricing, setting, resetting or other valuation date(s) for any such transaction.

EMBEDDED TRANSACTION COSTS

The calculation of the Index will incorporate a deduction for embedded transaction costs. These transaction costs are not a per annum amount but are adjustments made in order to account for synthetic costs (for example, bid-ask spread, rebalancing, hedging, slippage and brokerage) incurred by a professional investor seeking to replicate the strategy of the Index, as applicable. In addition, these transaction costs may take into account expenses incurred by the benchmark sponsor in the development of intellectual property for, and administration of, the Index. These transaction costs may be higher or lower than the actual costs of hedging the exposure to the Index, as applicable, and, if higher, may result in professional investors being in a worse position than if they were to replicate the Index, as applicable. The embedded transaction costs are deducted from the level of the Index and act as a drag on the Index, therefore reducing the amount of return on the Index, and the level of the Index must increase by an amount sufficient to offset the aggregate of the transaction costs in order for there to be any return on the Index performance. The transaction costs are calculated in accordance with the applicable index rulebook.

EXCESS RETURN INDEX

This is an "excess return" index. An excess return index reflects returns on a hypothetical investment in the index components using borrowed funds. The borrowing cost is a market rate which is deducted from the Index performance on a daily basis (as set forth in the index rulebook). This deduction will negatively affect Index performance by reducing the positive performance of the Index and exacerbating the negative performance of the Index.

VOLATILITY CONTROL

The Index's "volatility control" mechanism may reduce the appreciation potential of the Index and may not achieve the target volatility. The volatility control mechanism allows the Index to dynamically adjust the level of the hypothetical exposure to the index components, depending on the volatility environment. When the Index's exposure to the index components is greater than 100%, any negative performance of the index components will be magnified and the level of the Index may decrease significantly. In addition, if the volatility control mechanism causes exposure to the index components to be less than 100%, the difference will not be hypothetically invested in index components and will earn no hypothetical return. There can also be no assurance that the Index will achieve its target volatility of 10% and the actual realized volatility of the Index may be greater or less than the target volatility, which may affect the level of the Index.

PAST PERFORMANCE

Past performance of the Index is not a reliable guide to future performance and the past performance of the Index may have been determined on different terms. No assurance, representation or warranty is given with respect to the future performance of the Index or that it will achieve its objective. Prices and values of the components, exchange rates and interest can fluctuate and may have an adverse effect on the Index performance.

SIMULATED HISTORICAL PERFORMANCE

All index closing levels between the index base date and the index live date have been determined by reference to historical data and must be considered as simulated and thus purely hypothetical. The methodology and assumptions used to calculate index closing levels prior to the index live date, may be different to those applied from the index live date and in the future. While the index sponsor views this as reasonable, the use of historical data may result in material differences between the simulated performance of the Index, prior to the index live date, and any subsequent actual performance.

LIMITED ACTUAL HISTORICAL PERFORMANCE

The Index has only been calculated since the index live date and as such there is no actual historical performance data available in respect of it prior to that time. As a result, any investment the return of which is linked to the Index may involve greater risk than an exposure linked to indices or strategies with a longer term track record.

INDEX NOT DESIGNED BY REFERENCE TO INDIVIDUAL NEEDS

The Index is structured by the benchmark sponsor and determined and calculated by the index calculation agent without regard to any other party. Neither the benchmark sponsor nor the index calculation agent has any obligation to take the needs of any person into consideration in structuring the Index or revising its methodology, and the index calculation agent does not have any obligation to take the needs of any person into consideration in determining and calculating the Index.

SUSTAINABILITY RISK

The Index does not pursue environmental, social or governance ("ESG") objectives or take into account ESG factors in its methodology and should not be treated or relied upon as such. The Index is not intended for use in any financial product which is labelled, held out as or seeks to pursue ESG objectives or similar. MLI and its affiliates makes no warranty, express or implied as to the results to be obtained by any person or entity, whether the recipient of the Index or a third party, from its use in any financial product which is labelled, held out as or seeks to pursue ESG objectives or similar.

DUTY OF CARE

Subject always to their regulatory obligations and except as may be required by applicable law, neither the benchmark sponsor (including where it acts through the equities index forum discussed in the index rulebook) nor the index calculation agent shall have a duty of care or any fiduciary duty to any person in respect of the Index including any investor in any instrument, or any counterparty to any transaction, linked to the Index. Neither the benchmark sponsor nor the index calculation agent is acting as an investment adviser or manager or providing advice of any nature in relation to the Index or any instrument or transaction linked to the Index.

OTHER RISKS

There is no guarantee, warranty or assurance that the index rulebook discloses all possible factors that may affect the performance of the Index and the risks of investing in any instrument, or entering into a transaction that is linked to the Index. Before licensing use of the Index in such an instrument or transaction, investing in any such instrument or entering in any such transaction, you must satisfy yourself that you fully understand the Index (including the index components) and the risks of such instrument or transaction. You are solely responsible for making an independent appraisal of, and investigation into, the Index (including its index components) and should not rely on the index rulebook as constituting investment, financial or other advice.

Additional risk factors can be found in the index rulebook.

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