

MSCI Announces the Results of the Consultation on Potential Methodology Enhancements to Its Market Classification Framework

London – December 19, 2018 – MSCI Inc. (NYSE: MSCI), a leading provider of research-based indexes and analytics, announced today the conclusions from its recent consultation with the investment community on potential enhancements to the MSCI Market Classification Framework.

Investors have increasingly been using a variety of index-based investment instruments, such as exchange traded funds, futures, options, swaps and structured products, onshore and offshore, as a complement to direct equity investment to the point that these have become an integral part of many investors' investment processes. Stock exchanges, which often have legal or natural monopolies, can impose restrictions on such instruments by refusing to permit exchange data, such as real time and end of day prices, to be used in indexes serving as the basis of various investment instruments. Restrictions on the availability of these investment instruments can have the practical effect of reducing the accessibility of a market, even if direct equity investing is not restricted.

MSCI has long assessed the extent to which a market imposes these kinds of restrictions on the availability of investment instruments and has taken them into account in its Market Classification Framework under the heading "Competitive Landscape". To more clearly and directly reflect the nature of this assessment, MSCI will rename the "Competitive Landscape" criterion within the MSCI Market Classification Framework to "Availability of Investment Instruments". The definition of this criterion will also be changed accordingly. These changes aim to ensure that the MSCI Market Classification Framework continually remains reflective of the evolving investment requirements of international institutional investors when accessing and investing in equity markets globally. These changes are effective immediately but do not have any immediate impact on any MSCI Index.

In addition, MSCI also announced that it will not adopt a new rule that would have mechanically and automatically reduced the weights of markets in the MSCI Global Investable Market Indexes to account for restrictions on the availability of investment instruments. As part of the consultation feedback, international institutional investors preferred for now that MSCI continues to review the limited availability of investment instruments on a case by case basis in line with the Market Classification Framework and not mechanically and automatically apply a single rule to all potential instances. This case by case treatment is similar to the one currently applied to capital controls issues. Any potential future changes to the MSCI Indexes resulting from a review of this kind would continue to be preceded by a global public consultation as per MSCI's regular guidelines and policies.

Finally, to further increase transparency with respect to ongoing developments in the accessibility of equity markets globally, MSCI will enhance its annual Market Accessibility Review. The enhancements will include the addition of more details in its market assessments, especially with respect to the availability of investment instruments, as well as changing the release cycle to a date prior to the communication of the MSCI Annual Market Classification Review in June of each year. More information on these enhancements will be communicated in due course.

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About MSCI

For more than 40 years, MSCI’s research-based indexes and analytics have helped the world’s leading investors build and manage better portfolios. Clients rely on our offerings for deeper insights into the drivers of performance and risk in their portfolios, broad asset class coverage and innovative research.

Our line of products and services includes indexes, analytical models, data, real estate benchmarks and ESG research.

MSCI serves 99 of the top 100 largest money managers, according to the most recent P&I ranking.

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