MSCI RESPONSE

TO THE MAS CONSULTATION PAPER

ON PROPOSED AMENDMENTS TO THE SFA ON REGULATION OF FINANCIAL BENCHMARKS (MAS/P013-2014)

MSCI appreciates the opportunity to comment on the MAS Consultation Paper relating to the proposed legislative amendments to the Securities and Futures Act on Regulation of Financial Benchmarks. We agree with MAS' calibrated and proportionate regulatory response.

While we would not be impacted by the proposed regulation (given that we are a US index provider and that equity indexes and real estate indexes are not within the scope of the proposal), we felt that it would helpful to MAS to hear from index providers of indexes that cover other asset classes.

Equity indexes and real estate indexes, for example, are very different from the IBORs in a number of key and fundamental ways. We have found that other regulatory proposals that are heavily influenced by the IBORS but apply broadly, present great challenges and result in ill-fitting provisions when applied to indexes that cover other asset classes, such as equity indexes and real estate indexes.

About MSCI

MSCI Inc. is a leading provider of investment decision support tools to institutional investors globally, including asset managers, banks, hedge funds and pension funds. MSCI products and services include indexes and portfolio risk and performance analytics. MSCI is headquartered in New York, with research and commercial offices around the world. MSCI has approximately 6200 customers worldwide across MSCI's different business units.

MSCI's flagship equity indexes include the MSCI equity indexes. The MSCI equity indexes have been calculated for more than 40 years, and today MSCI calculates over 160,000 equity indexes per day, over 9,000 on a real-time basis. We use data from over 150 data providers including over 70 stock exchanges worldwide. MSCI equity index families include country and regional indexes, size indexes (large cap, small cap, micro-cap), sector indexes, style (value/growth) indexes, strategy indexes, thematic indexes and ESG indexes. MSCI also calculates custom indexes at the request of clients, by applying client screens and constraints to MSCI equity indexes.

MSCI equity indexes are used worldwide by:

- assets owners to help them with their mandate decisions and with reviewing their managers' performance;
- active asset managers so that they can actively manage their funds against an index and report performance;
- passive fund managers to issue passive funds and ETFs based on the indexes;
- broker dealers for providing trading execution services, creating OTC and non-OTC derivative financial products and writing research more generally;

- stock exchanges to create equity index linked futures and options contracts; and
- CCPs to calculate the risks of its positions for index linked futures and options contracts.

IPD, acquired by MSCI in 2012, is a leading provider of real estate performance and risk analysis, providing critical business intelligence to real estate owners, managers, brokers, lenders and occupiers worldwide. IPD's database holds searchable information on 77,000+ properties, which are located in 32 countries. The majority of properties in the IPD database are valued quarterly, and some IPD real estate indexes and benchmarks have performance histories stretching back more than 25 years.

IPD real estate indexes and benchmarks are designed to measure the performance and risk indicators of our clients' real estate holdings against their peers. Separate indexes are published for 24 national real estate investment markets as well as global and European composites. IPD delivers its indexes and benchmarks as data files as well as through the IPD Portfolio Analysis Service ("PAS"), which analyses the strengths and weaknesses of a real estate portfolio's performance relative to its benchmark. IPD also offers benchmarking services for income, management, fund level and cost. IPD market publications provide key real estate market analysis on countries, regions and sectors. IPD real estate indexes and benchmark are primarily used for reference purposes, although there are a limited number of financial products based on certain IPD real estate indexes and benchmarks.

MSCI recently announced that it has successfully completed an assurance review of its implementation of the IOSCO Principles for Financial Benchmarks. MSCI engaged PricewaterhouseCoopers LLP (PwC) to perform the review. The full report, including the PwC assurance review, is available at www.msci.com/products/indexes/regulation.html for MSCI equity indexes and at www.ipd.com/about/ipd-guides-and-standards/index-regulation.html for select IPD real estate indexes and benchmarks

MAS PROPOSALS

As mentioned above, we would like to take this opportunity to make general comments on Division 4 and the regulatory requirements as set out in the earlier consultation paper. Specifically,

- We believe that the requirement for external parties to be included on governance committees should not apply to all index types. For our indexes, we believe that it would introduce very serious conflicts of interest into the benchmark determination process. Those parties with sufficient and relevant qualifications to be included on a governance committee (i.e., users) may very well be the parties that stand to gain most from certain index and index methodology changes. Further, it could introduce selective disclosure issues under local securities laws if external committee members gain knowledge or access to price sensitive index or index methodology changes in advance of publication. We strongly believe that *internal* governance committees are more appropriate because price sensitive data can be controlled and locked down to a limited group of employees who use internal networks and are subject to compliance policies and procedures, including confidentiality policies, Chinese Walls, and trading policies. We believe that IOSCO addressed governance in a proportional way requiring transparency about governance committees, but not requiring external parties to be included.

- While the current regulatory proposals may work for local benchmarks where submitters are financial institutions, if they are extended to regional or global benchmarks or to benchmarks that do not include financial institutions, the benchmark provider would be left in the untenable situation where submitters are not subject to regulations, but the benchmark administrator is and the benchmark administrator is unable to enforce the regulation's requirements against those submitters.

- "Submissions" is now broadly defined, but is limited in the context of SIBOR and SOR. However, very broad definitions of submissions may have unintended consequences in connection with any extension of the regulations to other benchmarks. For example, would regulated data, such as stock exchange data, be considered a submission whereby stock exchanges would need to conform to codes of conduct? How would they conform to the many different codes of conduct by many different benchmark providers around the world?

- It would be helpful if IOSCO-compliant codes of conduct could be deemed acceptable so that multiple codes of conduct aren't required to satisfy various jurisdictions that need to be applied across tens or hundreds or thousands of data submitters. Further, any required content for codes of conduct should be appropriate to the types of benchmarks and should not be overly prescriptive, otherwise it could seriously impact the ability of the administrator and the submitter to implement them across different types of benchmarks, in particular, where the types of data submissions could vary significantly.

- The proposed requirement to disclose aggregate statistics outlining the activity in the underlying market relevant to the underlying benchmark, is unclear, in particular in the context of regional or global benchmarks across asset classes.

- While administrators may be able to run certain checks on data (i.e., for outliers or matches for multiple data feeds), it cannot be the responsibility of the administrator to check the accuracy of data itself. That must be the responsibility of the submitter. There is no way, for example, for an equity benchmark provider to confirm whether a stock price is "correct". We can just compare multiple feeds to see what matches. Further, real estate index providers cannot verify the actual square footage of a commercial property or the current rents. We can only compare against prior submissions and look for outliers.

- While we do not object to external audits per se, we wish to point out the cost element. Any regional or global benchmark provider could be forced to have external audits in multiple jurisdictions increasing the administrative costs of compliance exponentially.

- Uninterrupted publication of benchmark is untenable where publication is dependent on factors outside the administrator's reasonable control. Transition procedures should be transparent, but requiring parallel benchmarks may not be feasible. For example, if submitters do not submit data, the administrator cannot calculate the index. Financial product providers (e.g., ETF providers) include in their product prospectuses the processes and procedures for switching benchmarks and that seems to have worked sufficiently in the marketplace to-date.

- Record keeping requirements should be proportionate to the benchmark. While retaining submissions of a few contributors may be feasible, keeping real-time stock prices from stock exchanges around the world for many years would present an incredible infrastructure challenge.

- Any requirements to make index data public should be considered according to the type of benchmark. If data is not otherwise made public and is available on a licensed basis, that should be respected, otherwise it turns proprietary data into free public goods, which facilitates free-riding and advantages certain business models over others.

We appreciate the opportunity to respond to this consultation and are available to discuss any questions that MAS may have.

Client Service Information is Available 24 Hours a Day

clientservice@msci.com

Americas

Americas	1.888.588.4567 (toll free)
Atlanta	+ 1.404.551.3212
Boston	+ 1.617.532.0920
Chicago	+ 1.312.675.0545
Monterrey	+ 52.81.1253.4020
New York	+ 1.212.804.3901
San Francisco	+ 1.415.836.8800
Sao Paulo	+ 55.11.3706.1360
Toronto	+ 1.416.628.1007

Europe, Middle East & Africa

Cape Town	+ 27.21.673.0100
Frankfurt	+ 49.69.133.859.00
Geneva	+ 41.22.817.9777
London	+ 44.20.7618.2222
Milan	+ 39.02.5849.0415
Paris	0800.91.59.17 (toll free)

Asia Pacific

China North	10800.852.1032 (toll free)
China South	10800.152.1032 (toll free)
Hong Kong	+ 852.2844.9333
Seoul	00798.8521.3392 (toll free)
Singapore	800.852.3749 (toll free)
Sydney	+ 61.2.9033.9333
Taiwan	008.0112.7513 (toll free)
Tokyo	+ 81.3.5290.1555

Notice and Disclaimer

- This document and all of the information contained in it, including without limitation all text, data, graphs, charts (collectively, the "Information") is the property of MSCI Inc. or its subsidiaries (collectively, "MSCI"), or MSCI's licensors, direct or indirect suppliers or any third party involved in making or compiling any Information (collectively, with MSCI, the "Information Providers") and is provided for informational purposes only. The Information may not be reproduced or redisseminated in whole or in part without prior written permission from MSCI.
- The Information may not be used to create derivative works or to verify or correct other data or information. For example (but without limitation), the Information may not be used to create indexes, databases, risk models, analytics, software, or in connection with the issuing, offering, sponsoring, managing or marketing of any securities, portfolios, financial products or other investment vehicles utilizing or based on, linked to, tracking or otherwise derived from the Information or any other MSCI data, information, products or services.
- The user of the Information assumes the entire risk of any use it may make or permit to be made of the Information. NONE OF THE INFORMATION PROVIDERS MAKES ANY EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS WITH RESPECT TO THE INFORMATION (OR THE RESULTS TO BE OBTAINED BY THE USE THEREOF), AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, EACH INFORMATION PROVIDER EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF ORIGINALITY, ACCURACY, TIMELINESS, NON-INFRINGEMENT, COMPLETENESS, MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) WITH RESPECT TO ANY OF THE INFORMATION.
- Without limiting any of the foregoing and to the maximum extent permitted by applicable law, in no event shall any Information Provider have any liability regarding any of the Information for any direct, indirect, special, punitive, consequential (including lost profits) or any other damages even if notified of the possibility of such damages. The foregoing shall not exclude or limit any liability that may not by applicable law be excluded or limited, including without limitation (as applicable), any liability for death or personal injury to the extent that such injury results from the negligence or willful default of itself, its servants, agents or sub-contractors.
- Information containing any historical information, data or analysis should not be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. Past performance does not guarantee future results.
- None of the Information constitutes an offer to sell (or a solicitation of an offer to buy), any security, financial product or other investment vehicle or any trading strategy.
- You cannot invest in an index. MSCI does not issue, sponsor, endorse, market, offer, review or otherwise express any opinion regarding any investment or financial product that may be based on or linked to the performance of any MSCI index.
- MSCI's indirect wholly-owned subsidiary Institutional Shareholder Services, Inc. ("ISS") is a Registered Investment Adviser under the Investment Advisers Act of 1940. Except with respect to any applicable products or services from ISS (including applicable products or services from MSCI ESG Research, which are provided by ISS), neither MSCI nor any of its products or services recommends, endorses, approves or otherwise expresses any opinion regarding any issuer, securities, financial products or instruments or trading strategies and neither MSCI nor any of its products or services is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.
- The MSCI ESG Indexes use ratings and other data, analysis and information from MSCI ESG Research. MSCI ESG Research is produced by ISS or its subsidiaries. Issuers mentioned or included in any MSCI ESG Research materials may be a client of MSCI, ISS, or another MSCI subsidiary, or the parent of, or affiliated with, a client of MSCI, ISS, or another MSCI subsidiary, including ISS Corporate Services, Inc., which provides tools and services to issuers. MSCI ESG Research materials, including materials utilized in any MSCI ESG Indexes or other products, have not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body.

- Any use of or access to products, services or information of MSCI requires a license from MSCI. MSCI, Barra, RiskMetrics, IPD, FEA, InvestorForce, and other MSCI brands and product names are the trademarks, service marks, or registered trademarks of MSCI or its subsidiaries in the United States and other jurisdictions. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and Standard & Poor's. "Global Industry Classification Standard (GICS)" is a service mark of MSCI and Standard & Poor's.

About MSCI

MSCI Inc. is a leading provider of investment decision support tools to investors globally, including asset managers, banks, hedge funds and pension funds. MSCI products and services include indexes and portfolio risk and performance analytics.

The company's flagship product offerings are: the MSCI indexes with approximately USD 7.5 trillion estimated to be benchmarked to them on a worldwide basis[1]; Barra multi-asset class factor models, portfolio risk and performance analytics; RiskMetrics multi-asset class market and credit risk analytics; IPD real estate information, indexes and analytics; MSCI ESG (environmental, social and governance) Research screening, analysis and ratings; and FEA valuation models and risk management software for the energy and commodities markets. MSCI is headquartered in New York, with research and commercial offices around the world.

[1] *As of March 31, 2013, as reported on July 31, 2013 by eVestment, Lipper and Bloomberg* *Jan 2014*