

MSCI'S FEEDBACK ON THE PUBLIC CONSULTATION ON THE REVIEW OF THE EU BENCHMARK REGULATION

MSCI

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INTRODUCTION

MSCI appreciates the opportunity to comment on the Public Consultation on the Review of the EU Benchmark Regulation.

ABOUT MSCI

MSCI 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, ESG research and tools, and portfolio risk and performance analytics. MSCI is headquartered in New York, with research and commercial offices around the world.

MSCI has been calculating indexes for more than 50 years. The MSCI equity indexes include country and regional indexes, size indexes (large cap, small cap, and 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.

During 2013 and 2014, MSCI implemented the IOSCO Principles for Financial Benchmarks, was externally audited during each of 2014, 2015 and 2016 for the MSCI equity indexes and select MSCI private real estate indexes, and posted the adherence statements and audit reports on the Index Regulation page of www.msci.com. During 2017, 2018 and 2019, MSCI devoted those resources to implementing the EU benchmark regulation ("BMR"), and MSCI posted the IOSCO adherence statements on the Index Regulation page of www.msci.com.

On 5 March 2018, MSCI Limited, which is a UK subsidiary of MSCI Inc., was granted authorization by the UK FCA as a UK administrator under the BMR for the MSCI equity indexes. MSCI was the first major global equity index provider to become authorized under the BMR. On 13 June 2019, MSCI notified the FCA in relation to specific UK MSCI Private Real

Estate Indexes used as regulated benchmarks under the BMR. On 16 December 2019, MSCI notified the FCA in relation to the MSCI fixed income indexes.

MSCI'S FEEDBACK

In relation to the efficiency and proportionality of the regime:

1. Benchmark statements
 - We believe that benchmark statements should continue to be permitted at the family level (and not only at the benchmark level), otherwise there will be great cost involved for administrators of large numbers of benchmarks to create and maintain individual benchmark statements for hundreds of thousands of benchmarks.
 - We believe the benchmark statements should be completely changed, and should instead provide a roadmap for users with links where information about the benchmarks can be found, e.g., methodologies, benchmark statements, etc.
2. ESMA register
 - We believe the benchmarks register should be decommissioned, and instead the administrator register should be expanded to include the families and a link to the administrator website page where a list of regulated benchmarks can be found on the administrator's website.
3. Definition of regulated-data benchmarks
 - Because the definition of "regulated-data benchmarks" does not include input data from non-EU stock exchanges, it means that equity benchmarks that represent any countries and/or regions outside the EU are excluded from the definition of "regulated-data benchmarks". That represents a large swathe of benchmarks, and definitionally presents an anomaly in the regulation in that most of the equity benchmarks which were intended to be covered by that definition are, in fact, excluded.
 - If a solution to correct definition of "regulated-data benchmarks" (to include all equity benchmarks) cannot be found, then we recommend that the definition of critical benchmarks be amended to expressly exclude equity benchmarks using input data from stock exchanges globally.
4. Equivalence
 - In the event Equivalence is granted and is ever subsequently revoked, the statutory timeframes for the recognition and endorsement application processes should be shortened to (i) allow those affected third country administrators to apply to another jurisdiction, and (ii) avoid any gaps and any interruption in the use of third country benchmarks by EU users/investors. Additionally, to allow the affected third country administrators to apply to another jurisdiction a grandfathering period

should be provided (e.g., 18 months) so that EU investors are not hurt, and markets are not disrupted.

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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.

For more information, visit us at www.msci.com.

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