

April 10, 2024

Via electronic correspondence

Ekua Odoi, VP, ESG & Climate Marketing – Americas
Robert Goyeneche, Executive Director, Client Coverage

MSCI

Re: Invitation to discuss consultations on significant changes to benchmark indexes

Dear Ms. Odoi and Mr. Goyeneche:

I write on behalf of the Council of Institutional Investors (CII), a nonprofit, nonpartisan association of US public, corporate and union employee benefit funds, other employee benefit plans, state and local entities charged with investing public assets, and foundations and endowments with combined assets under management of approximately \$5 trillion. Our associate members include non-US asset owners with about \$5 trillion in assets; and a range of asset managers with more than \$55 trillion in assets under management; and numerous research providers, including MSCI.¹ Many CII members are index provider clients.

As you know, significant changes to benchmark index methodologies impact both index provider clients and market participants broadly. Earlier this month, following an inquiry that began in July 2023, CII's U.S. Asset Owner Members voted to adopt the *Statement on Index Provider Consultation Processes* (Statement),² which calls on index providers to conduct robust public consultation processes when contemplating significant changes to methodologies they use to determine major benchmark indexes. We are reaching out to several major index providers regarding this matter.

The Statement recommends “at least” the following practices, highlighted below in bold. We contrast these recommendations with our understanding of current MSCI Standard Index practices.³

- **Notice of the consultation should be broadly disseminated, such as through a press release.**

¹ For more information about the Council of Institutional Investors (CII), including its board and members, please visit CII's website at <http://www.cii.org>.

² *Statement on Index Provider Consultation Processes*, adopted March 6, 2024, available at https://www.cii.org/policies_other_issues#IPCP.

³ CII's understanding is based on MSCI Index Policies, available at <https://www.msci.com/documents/10199/63cc6c6a-6709-a83e-16b9-e5acdc07083>.

- Current Standard Index practice: “A consultation begins in general with an announcement giving the highlights of the MSCI proposal(s) and indicating the location of the consultation document on MSCI’s website. The announcement is widely distributed through multiple channels, including the MSCI website, Bloomberg, Reuters and directly to MSCI’s clients.”
- **The consultation period should be in line with the 30-to-90-day comment period provided for federal regulations.**
 - Current Standard Index practice: “Methodology changes are generally announced at least one month prior to their implementation, unless specific circumstances require a faster implementation timeline as determined by the [Equity Index Committee].”

Each response letter should be posted in a timely manner, such as within one week of receipt, excepting responses with reasonable requests for confidentiality.

- Current Standard Index practice: “The final decision, including the rationale that has led to it is communicated publicly to all market participants at the same time. If the decision does not fully reflect the view of the majority of the consultation participants, this is highlighted in the communication.”
- **Confidential submissions should be discouraged, and exceptions to the public posting of comments should be narrowly interpreted.**
 - Current Standard Index practice: “Most consultation participants request that their feedback remain confidential. MSCI may nevertheless publicly disclose feedback if specifically requested by respective market participants. In that case, the relevant feedback would be published together with the final results of the consultation.”

My colleagues and I would welcome the opportunity to meet virtually with you for a 30-minute off-the-record discussion of the gaps between MSCI’s benchmark consultation processes and the Statement’s recommended practices. At your convenience, please provide Allie Martin (allie@cii.org) with your availability, and she will be glad to arrange logistics.

Sincerely,



Amy Borrus
Executive Director