

MSCI RESPONSE TO THE AUSTRALIAN CONSULTATION ON THE CORPORATIONS AMENDMENT (FINANCIAL BENCHMARKS) BILL 2017

MSCI

July 2017

MSCI appreciates opportunity to comment on this consultation and we are available for any questions that ASIC and the Australian Treasury may have.

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 has research and commercial offices around the world. MSCI has over 6000 customers worldwide across MSCI's different business units.

MSCI's flagship equity indexes include the MSCI Global Equity Indexes. The MSCI Global Equity Indexes have been calculated for more than 40 years, and today MSCI calculates over 190,000 equity indexes per day. MSCI Global Equity Index families 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 Global Equity Indexes.

MSCI Global 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.

In each of 2014, 2015 and 2016, MSCI announced that it successfully completed an assurance review of its implementation of the IOSCO Principles for Financial Benchmarks. MSCI engaged PricewaterhouseCoopers LLP (PwC) to perform the reviews. The full report, including the PwC assurance review, for MSCI equity indexes (as well as select IPD real estate indexes and benchmarks) are available at www.msci.com/products/indexes/regulation.html.

MSCI COMMENTS

Section	MSCI response
Section 908CB (c) and (f) of the Corporations Amendment (and Chapter 3, Schedule 1, Section 3.6 of the of the Explanatory Materials)	While we support efforts to improve benchmark standards, we believe that forcing the public disclosure of commercial terms and conditions (including fees) and the licensing of benchmarks on non-discriminatory terms is unnecessary for the development, calculation and maintenance of benchmarks, and is inconsistent with IOSCO as well as other benchmark regulation in other jurisdictions. It is not relevant to improving benchmark standards and has the potential to introduce a distortion in an otherwise competitive marketplace. As such, we believe that it is overreaching.
Section 2.17 of the Explanatory Materials	We believe that 90 days may be too short a time period for an administrator to (i) ensure its operations are compliant, and (ii) then apply for the licence to operate.
Chapter 3 of the Explanatory Materials	We believe that any requirement to continue to calculate a benchmark should only apply if there are no other reasonable substitutes in the marketplace for that benchmark.

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ABOUT MSCI

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

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