

MSCI to Retain Existing Indexes Unchanged for Voting Structures but Also Launch New Index Series

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Unlike [S&P and FTSE](#), after an 18-month consultation period, MSCI [has announced](#) that equity securities with unequal voting structures will continue to be included in the MSCI Global Investable Market Indexes at their free float market capitalization weight.

MSCI will instead launch a new index series to reflect the desire of some investors to take into account unequal voting structures in the indexes that they use.

The company's press release states that it "supports fully" the one share, one vote principle, and that having equal voting rights should be a key consideration in equity investing. However, the role of the indexes in this governance debate and how they should treat companies with unequal voting structures have divided international institutional investors.

Some investors believe that the exclusion of companies with unequal voting structures from indexes are justified, while [other investors](#), even those with policies that prefer one share, one vote structures, stress that equity benchmark indexes are designed to reflect the broader market. Those investors stress that the question of unequal voting rights should be attended to by other stakeholders such as securities regulators, stock exchanges, asset owners and asset managers.

Ultimately, MSCI concluded that its indexes should "represent the broadest investment opportunity" available, and that the benchmarks should not be "constrained" by preferences or views on governance. But as a recognition that many equity investors find voting rights to be a critical issue, MSCI will create an additional index series that will specifically include such rights in the eligibility criteria and construction methodology, providing investors with an alternative index if they wish to exclude companies that do not meet those standards.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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