

MSCI and The Nigerian Stock Exchange Sign Strategic Agreement to Develop and Commercialize Co-branded Indexes

FREQUENTLY ASKED QUESTIONS

1. Who is currently responsible for the construction, maintenance and dissemination of the existing NSE indexes?

ANSWER: The Nigerian Stock Exchange (NSE) indexes are currently constructed, maintained and disseminated by the NSE.

2. Who will be responsible for the construction, maintenance and dissemination of the “new” MSCI/NSE indexes?

ANSWER: MSCI will be responsible for the construction, maintenance and dissemination of the “new” MSCI/NSE indexes.

3. What will be the difference between the existing NSE indexes and the “new” MSCI/NSE indexes?

ANSWER: It is planned that the existing NSE indexes will be enhanced, bringing them more in line with the globally accepted index construction and maintenance standards that MSCI uses to calculate the MSCI global equity indexes. The methodology will be publicly available at or before the time of the launch of the indexes. The exact timing of the launch is yet to be determined

4. Will the names of the indexes change?

ANSWER: Yes, the NSE indexes will be re-branded the MSCI/NSE indexes as a result of this cooperation.

5. Does MSCI also produce indexes that track the Nigerian equity markets?

ANSWER: Yes, Nigeria is currently one of the 24 countries that are covered in the *MSCI Frontier Markets Index*. MSCI currently calculates both a country index for the Nigerian equity markets, as well as regional indexes that include Nigerian equities.

6. How will the MSCI/NSE indexes relate to the MSCI Nigeria Index?

ANSWER: The *MSCI Nigeria Index* is constructed using the *MSCI Global Investable Market Indexes* methodology and will continue to be separate from the “new” MSCI/NSE indexes. The MSCI/NSE indexes will be stand-alone indexes with a distinct methodology, reflecting the performance of equities listed on the Nigerian Stock Exchange.

7. Will the NSE be able to construct and market other indexes separately or will all NSE indexes be co-branded with MSCI?

ANSWER: The NSE may develop other indexes – proprietary and/or with other third parties. This cooperation with MSCI does not prevent the NSE from constructing and maintaining other indexes.

8. Are companies required to meet a minimum capitalization or float requirement to be included in the new indexes?

ANSWER: The detailed methodology regarding the MSCI/NSE indexes will be publicly available at or prior to the time of the launch of the indexes. The exact timing of the launch is yet to be determined.

9. Will the indexes be calculated in currencies other than the Nigerian Naira, i.e., USD?

ANSWER: It is anticipated that the indexes will be made available in both Nigerian Naira and US Dollars. Other currency versions may be made available based on client demand.

10. What is the value proposition of an MSCI/NSE index as opposed to a purely proprietary index?

ANSWER: The combination of the indexing and commercialization experience that MSCI provides along with the central role of the Nigerian Stock Exchange in the local capital markets is expected to deliver value to both parties, as well as to the clients of both parties.

11. What are the likely benefits of this cooperation to both MSCI and the NSE?

ANSWER: What primarily drives MSCI’s decision to engage in a project like this is the opportunity to collaborate on a project where both parties bring unique value propositions to the table. MSCI has always played an important role in helping international investors view the global equity markets and has a particularly long and successful track record of providing the tools and services that help investors understand the emerging and frontier markets.

The Nigerian Stock Exchange operates within the largest economy in Africa and at the heart of a region in which international investor interest is increasingly growing. Uniting the efforts of both firms to develop and commercialize these new indexes together is a winning combination not just for MSCI and the Exchange, but also for users of the indexes, both inside and outside of the Nigeria market.

12. How does the NSE/MSCI cooperation benefit investors?

ANSWER: The introduction of rigorous index construction and maintenance standards to the existing NSE indexes will be an improvement that will benefit the users of the indexes, both domestically and internationally.

13. How will this cooperation deepen the Nigerian capital market?

ANSWER: In addition to delivering improvements to the actual indexes, MSCI will help commercialize the MSCI/NSE indexes globally which should provide more visibility for the Nigerian capital markets. Domestically, the NSE will leverage the improvements and increased visibility in our marketing of the

“new” indexes to attract more managers of funds and more companies from different industry sectors to the market.

14. How does this cooperation for the development of new indexes address the liquidity challenges most frontier market indexes are faced with?

ANSWER: The liquidity of index constituents is based on the index design and construction, but also, ultimately, on the liquidity of the underlying equity market. MSCI will work to improve the index design and construction of the existing indexes, as well as to commercialize them, driving demand for the indexes as benchmarks, and licensing them as the basis for index-linked financial products. If more investors use the indexes or trade products based on the indexes, this could lead to greater liquidity in the Nigerian equity markets.

15. When will the cooperation take effect, i.e., when will the indexes change from NSE 30 and NSE 50 to MSCI/NSE 30 and MSCI/NSE 50?

ANSWER: MSCI and the NSE signed the cooperation agreement recently. It is expected that the new indexes will be launched later this year.

16. From a portfolio management perspective, can the proposed indexes be viewed as viable investment benchmark indexes for active and passive portfolio managers?

ANSWER: The MSCI/NSE indexes will incorporate sound index construction principles that will make them suitable as a benchmark for funds and as an underlying index for the creation of index-linked financial products.

17. What will happen to existing market data agreements that subscribers currently have with the NSE? Will NSE market data subscribers now have to go to MSCI to obtain NSE market data and reports?

ANSWER: No. The NSE is a registered securities exchange with the *Securities and Exchange Commission* of Nigeria, and as an exchange, creates, manages and sells its proprietary market data. NSE market data will remain the property of the NSE, and subscribers to NSE data will continue to receive it directly from the NSE. Currently, NSE index-related data is bundled with all other market data, however, in the near future, such index-related data will be completely unbundled from other NSE market data, and will be available for subscription as a separate data product. Subscribers to NSE market data products will continue to be serviced by the Nigerian Stock Exchange through the terms of their existing agreements. After the launch of the MSCI/NSE indexes and after the expiration of their existing agreements, if current subscribers would like to receive additional MSCI/NSE index-related data and reports, they will be required to execute another agreement with the NSE or MSCI.

18. What will happen to existing index licensing agreements that fund managers have with the NSE? Will index licensors and index data/report subscribers now have to go to MSCI to obtain index licenses and/or index data and reports?

ANSWER: Each licensor of NSE indexes and each subscriber to NSE index-related data and reports has executed an agreement with the NSE. These NSE customers will continue to be serviced by the Nigerian Stock Exchange through the terms of their existing agreements. After the launch of the MSCI/NSE indexes and after the expiration of their existing agreements, if current subscribers would like to license the MSCI/NSE indexes or index-related data and reports, they will be required to execute another agreement with the NSE or MSCI.

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, portfolio risk and performance analytics, and ESG data and research.

The company’s flagship product offerings are: the MSCI indexes with over USD 9.5 trillion estimated to be benchmarked to them on a worldwide basis²; 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.

²As of June 30, 2014, as reported on September 30, 2014, by eVestment, Morningstar and Bloomberg

For further information on MSCI, please visit our web site at www.msci.com

About NSE

The Nigerian Stock Exchange services the largest economy in Africa, and is championing the development of Africa’s financial markets. The Exchange offers listing and trading services, licensing services, market data solutions, ancillary technology services, and more. The Nigerian Stock Exchange continues to evolve to meet the needs of its valued customers, and to achieve the highest level of competitiveness. It is an open, professional and vibrant exchange, and the Entrepreneurial Growth hub of Africa. The Nigerian Stock Exchange aspires to be Africa’s foremost securities exchange, connecting Nigeria, Africa and the world.

For further information on the Nigerian Stock Exchange, please visit our web site at www.nse.com.ng

Media Enquiries:

Paul Griffin, MSCI, London	+ 44.20.7618.2594
Kristin Meza, MSCI, New York	+ 1.212.804.5330
Yvonne Emordi, NSE, Lagos	+ 234.808.034.7840
Clifford Akpolo, NSE, Lagos	+ 234.803.844.4191
Nick Denton Christian Pickel, MHP Communications, London	+ 44.20.3128.8754/8208

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