



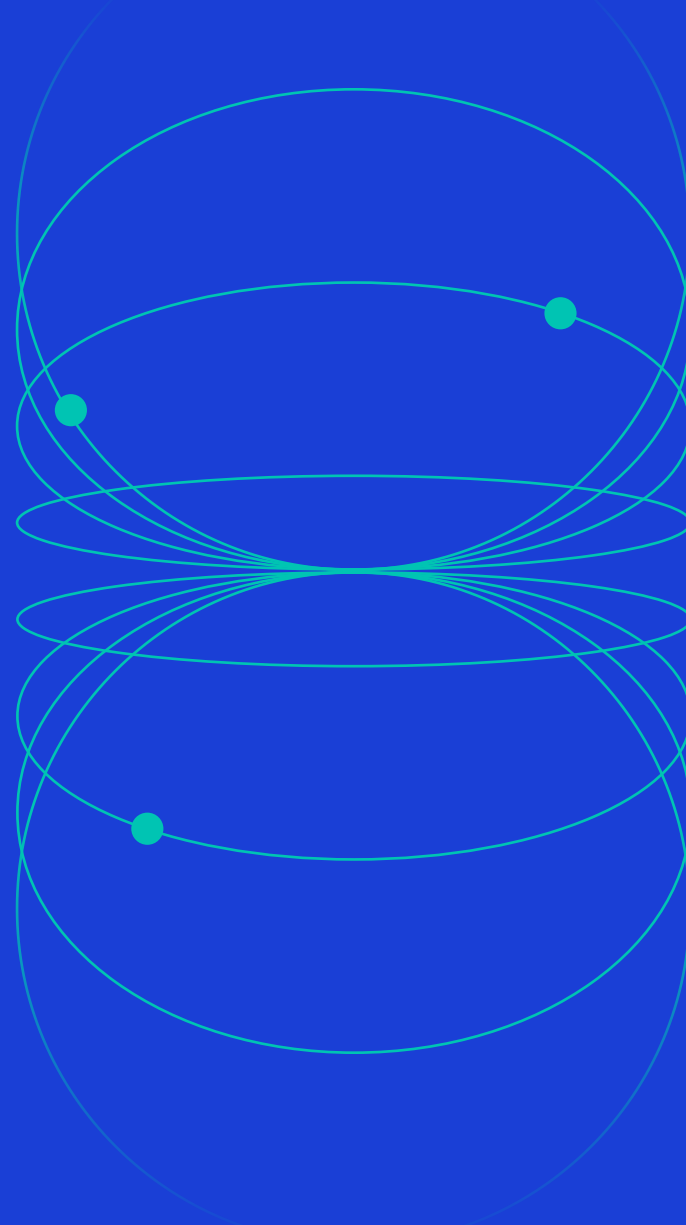
# Consultation on a Market Reclassification Proposal for Bulgaria

Potential Reclassification from Standalone to  
Frontier Markets

June 2025

This consultation may or may not lead to the implementation of any or all of the proposed changes in the highlighted or any other MSCI indexes. Consultation feedback will remain confidential. MSCI may publicly disclose feedback if specifically requested by specific market participants. In that case, the relevant feedback would be published together with the result of the consultation.

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# Reclassification Proposal

- As part of the MSCI 2024 Market Classification Review, MSCI launched a consultation on a proposal for potential reclassification of Bulgaria from Standalone Market status to Frontier Market (FM) status.
- Following client feedback, MSCI extended the review for a potential reclassification at the 2025 Market Classification Review. MSCI continues to welcome feedback on this reclassification proposal until March 31, 2026, and will announce its decision as part of the MSCI 2026 Market Classification Review.

- The proposed reclassification would be reflected in all relevant global and regional composite indexes.
- MSCI currently applies FM size and liquidity requirements to maintain the existing Standalone MSCI Bulgaria Indexes.
- As such, a potential reclassification of Bulgaria to FM status is not expected to result in any changes in the composition of MSCI Bulgaria Indexes.

Note: this consultation document was first published on June 20, 2024, as part of the MSCI 2024 Market Classification Review, and was updated on June 24, 2025, as part of the MSCI 2025 Market Classification Review. For further details, please refer to the MSCI 2025 Market Classification Review Press Release available at: [www.msci.com/market-classification](https://www.msci.com/market-classification).

# Background & Rationale

## Size and Liquidity

- The MSCI Bulgaria Index was launched on December 18, 2007 along with the inception of the MSCI FM Index. Bulgaria was later reclassified from FM to Standalone Markets status as part of the August 2016 Index Review after a continuous decline in the size and liquidity of the Bulgarian equity market.
- The MSCI Bulgaria Index was thus maintained under Index Continuity Rules\* up to as recently as the May 2023 Index Review.
- At the August 2023 Index Review, MSCI implemented changes to the index construction and maintenance methodology for the MSCI Frontier Markets Indexes, including: (1.) Independent size cutoffs for Frontier Markets that are no longer linked to Developed Markets, and (2.) For each individual Frontier Market, a reduction in the minimum number of companies meeting Standard Index requirements for Size and Liquidity from two companies to one.
- **The Bulgarian equity market now has sufficient companies meeting Size and Liquidity requirements for FM, and the MSCI Bulgaria Index is no longer maintained under Index Continuity Rules.**

## Market Accessibility

- During the consultation launched as part of the MSCI 2024 Market Classification Review, **international institutional investors cited limited market liquidity, insufficient market information, and underdeveloped trading and post-trading infrastructure as accessibility issues in the market.**
- Additionally, **the timing of Bulgaria's Eurozone accession and Euro adoption were noted as key factors in determining the appropriate timing for a potential reclassification of Bulgaria to prevent any potential operational challenges.**
- On June 4, 2025, the European Commission concluded that Bulgaria was ready to adopt the euro as of 1 January 2026. The assessment was complemented by the European Central Bank's own Convergence Report. **The European Commission adopted proposals for a Council Decision and a Council Regulation on euro introduction in Bulgaria on 1 January 2026.** The Council of the EU will take the final decisions on Bulgaria's euro adoption, following discussions in the Eurogroup and the European Council, and after the European Parliament and the ECB have delivered their opinions.

\* As per the MSCI Global Investable Market Indexes methodology, Index Continuity Rules are applied if after the application of the index construction methodology, the Standard Index does not contain enough securities. In this case, the largest securities by free float-adjusted market capitalization among the securities included in the Market Investable Equity Universe are added to the Standard Index until the minimum number of securities is reached. Prior to the August 2023 Index Review, the minimum number of securities for Frontier Markets Standard Indexes was 2.

# Bulgaria: Size and Liquidity

→ The 2 constituents of the MSCI Bulgaria Index meet Frontier Markets Size and Liquidity requirements and would make up 0.32% of the MSCI Frontier Markets Index if Bulgaria is reclassified.

MSCI Bulgaria Indexes – Snapshot as of May 2025 Index Review \*

	MSCI Bulgaria Index	MSCI Bulgaria IMI
Index market capitalization (USD mn) **	433.5	590.4
Number of securities	2	8
Simulated weight in MSCI FM Index and MSCI FM IMI, respectively	0.32%	0.39%

MSCI Bulgaria Indexes – Constituents \*

Security Name	RIC	GICS® Sector	Size Segment	Issuer Mcap (USD mn)	Sec Index Mcap (USD mn) **	Weight in MSCI Bulgaria Index	Weight in MSCI Bulgaria IMI
Shelly Group	SLYG.BB	Information Technology	Standard	706.9	282.8	65.2%	47.9%
Sopharma	BGSFA.BB	Health Care	Standard	602.8	150.7	34.8%	25.5%
Doverie Utd HIng	DUH.BB	Financials	Small Cap	101.1	60.6	-	10.3%
Bulgarska Fondova Borsa	BGBSE.BB	Financials	Small Cap	58.4	29.2	-	4.9%
Chimimport	CHIM.BB	Industrials	Small Cap	95.3	23.8	-	4.0%
Agria Group Holding	AGH.BB	Industrials	Small Cap	84.4	21.1	-	3.6%
Wiser Technology	WISR.BB	Information Technology	Small Cap	43.8	13.2	-	2.2%
Neohim	NEOH.BB	Materials	Small Cap	36.0	9.0	-	1.5%

\* All information is based on pro forma data as of the May 2025 Index Review, using prices as of April 17, 2025.

\*\* Free float adjusted market capitalization.

# Bulgaria: Market Accessibility

- There have been no changes in market accessibility ratings for Bulgaria since its reclassification to Standalone Market status in August 2016.
- Below are the latest comments on this market as contained in the 2025 MSCI Global Market Accessibility Review report:
  - **Foreign Exchange Market Liberalization Level:** There is no offshore currency market. The target date for Bulgaria's accession to the Eurozone and adoption of the Euro has been postponed to January 1, 2026, from January 1, 2025 previously.
  - **Investor Registration & Account Set Up:** The process to set up an account is lengthy due to the requirement to provide several documents in notarized form.
  - **Information Flow:** Stock market information is occasionally not disclosed in a timely manner and there is no central source of such information.
  - **Custody:** There is formal segregation between custody and trading accounts. More time is needed to assess the efficiency of the trading and post-trading workflow in the market.

Market Accessibility Assessment		2025
<b>Openness to foreign ownership</b>		
	Investor qualification requirement	++
	Foreign ownership limit (FOL) level	++
	Foreign room level	++
	Equal rights to foreign investors	++
<b>Ease of capital inflows / outflows</b>		
	Capital flow restriction level	++
	Foreign exchange market liberalization level	+
<b>Efficiency of the operational framework</b>		
	Market entry	
	Investor registration & account set up	+
	Market organization	
	Market regulations	++
	Information flow	+
	Market infrastructure	
	Clearing and settlement	++
	Custody	-
	Registry / Depository	++
	Trading	++
	Transferability	++
	Stock lending*	-
	Short selling*	-
<b>Availability of Investment Instrument</b>		++
<b>Stability of institutional framework</b>		+

For further details, please refer to the MSCI 2025 Global Market Accessibility Review Report available at: [www.msci.com/market-classification](https://www.msci.com/market-classification).

\* Stock lending and short selling are activities that are either not developed or are completely prohibited in Standalone Markets and the summary does not highlight these issues on a market-by-market basis.

# Simulated Impact on the MSCI Frontier Markets Index

→ The simulated MSCI Bulgaria Index would have a potential weight of 0.32% in the MSCI Frontier Markets Index.

	Actual Standard Index			Simulated Standard Index		
	Index Market Cap*	Weight	# Sec.	Index Market Cap*	Weight	# Sec.
<b>FM</b>	<b>133,395</b>	<b>100.0%</b>	<b>234</b>	<b>133,829</b>	<b>100.0%</b>	<b>236</b>
Vietnam	31,197	23.39%	64	31,197	23.31%	64
Morocco	20,457	15.34%	30	20,457	15.29%	30
Romania	15,367	11.52%	14	15,367	11.48%	14
Slovenia	9,161	6.87%	7	9,161	6.85%	7
Kazakhstan	8,906	6.68%	3	8,906	6.65%	3
Iceland	7,931	5.95%	14	7,931	5.93%	14
Pakistan	7,053	5.29%	26	7,053	5.27%	26
Oman	5,982	4.48%	10	5,982	4.47%	10
Croatia	5,120	3.84%	10	5,120	3.83%	10
Kenya	3,960	2.97%	6	3,960	2.96%	6
Bahrain	2,878	2.16%	5	2,878	2.15%	5
Jordan	2,802	2.10%	7	2,802	2.09%	7
Mauritius	2,588	1.94%	2	2,588	1.93%	2
Bangladesh	2,517	1.89%	7	2,517	1.88%	7
Tunisia	1,762	1.32%	9	1,762	1.32%	9
Sri Lanka	1,391	1.04%	5	1,391	1.04%	5
Estonia	1,331	1.00%	6	1,331	0.99%	6
Senegal	1,077	0.81%	1	1,077	0.80%	1
Ivory Coast	900	0.67%	4	900	0.67%	4
Lithuania	822	0.62%	2	822	0.61%	2
<b>Bulgaria</b>	<b>0</b>	<b>0.00%</b>	<b>0</b>	<b>433</b>	<b>0.32%</b>	<b>2</b>
Benin	148	0.11%	1	148	0.11%	1
Serbia	43	0.03%	1	43	0.03%	1
Latvia	0	0.00%	0	0	0.00%	0
Mali	0	0.00%	0	0	0.00%	0
Niger	0	0.00%	0	0	0.00%	0

Note: all information is based on pro forma data as of the May 2025 Index Review, using prices as of April 17, 2025.

\* Free float adjusted market capitalization.

# Simulated Impact on the MSCI Frontier Markets 100 Index

→ No Bulgarian securities would be included in the MSCI Frontier Markets 100 Index.

MSCI FM 100 Index – Simulated Top 10 Constituents

Security Name	Market	Index Weight
KASPI.KZ ADS	KAZAKHSTAN	5.8%
BANCA TRANSILVANIA	ROMANIA	4.9%
VINGROUP JSC	VIETNAM	3.7%
ATTIJARIWafa BANK	MOROCCO	3.6%
HOA PHAT GROUP JSC	VIETNAM	2.8%
KAZATOMPROM GDR	KAZAKHSTAN	2.8%
OMV PETROM	ROMANIA	2.7%
HIDROELECTRICA	ROMANIA	2.7%
HALYK SAVINGS BANK GDR	KAZAKHSTAN	2.4%
VINHOMES JSC	VIETNAM	2.3%

Market	Actual Index*		Simulated Index**	
	# Securities	Index Weight	# Securities	Index Weight
VIETNAM	44	24.7%	44	24.7%
ROMANIA	9	15.3%	9	15.3%
MOROCCO	19	15.3%	19	15.3%
KAZAKHSTAN	3	10.9%	3	10.9%
ICELAND	15	10.4%	15	10.4%
PAKISTAN	16	6.3%	16	6.3%
OMAN	6	6.3%	6	6.3%
JORDAN	6	2.9%	6	2.9%
BANGLADESH	13	2.7%	13	2.7%
KENYA	1	2.1%	1	2.1%
SRI LANKA	4	1.0%	4	1.0%
LITHUANIA	2	1.0%	2	1.0%
ESTONIA	1	0.6%	1	0.6%
BAHRAIN	1	0.4%	1	0.4%
<b>BULGARIA</b>	-	-	<b>0</b>	<b>0.0%</b>

For more details, please refer to the MSCI Frontier Markets 100 Index Methodology available at: <https://www.msci.com/index-methodology>.

\* Based on the pro forma data as of the May 2025 Index Review, using prices as of April 17, 2025. \*\* Simulated pro forma data as of the May 2025 Index Review, using prices as of April 17, 2025.

# Simulated Impact on the MSCI FM 15% Country Capped Index

→ Two Bulgarian securities would be included in the MSCI FM 15% Country Capped Index, with a combined weight of 0.44%.

MSCI FM 15% Country Capped Index – Simulated Top 10 Constituents

Security Name	Market	Index Weight
KASPI.KZ ADS	KAZAKHSTAN	4.0%
KRKA	SLOVENIA	3.8%
BANCA TRANSILVANIA	ROMANIA	3.7%
ATTIJARIWafa Bank	MOROCCO	2.6%
HIDROELECTRICA	ROMANIA	2.0%
OMV PETROM	ROMANIA	2.0%
KAZATOMPROM GDR	KAZAKHSTAN	2.0%
MCB GROUP	MAURITIUS	1.9%
NOVA LJUBLJANSKA BANKA	SLOVENIA	1.9%
VINGROUP JSC	VIETNAM	1.9%

Market	Actual Index*		Simulated Index**	
	# Securities	Index Weight	# Securities	Index Weight
VIETNAM	64	15.0%	64	15.0%
MOROCCO	30	15.0%	30	14.7%
ROMANIA	14	12.5%	14	12.9%
SLOVENIA	7	8.2%	7	8.1%
ICELAND	14	7.5%	14	7.7%
KAZAKHSTAN	3	7.6%	3	7.5%
PAKISTAN	26	5.8%	26	5.6%
OMAN	10	5.1%	10	5.2%
CROATIA	10	4.6%	10	4.5%
KENYA	6	3.6%	6	3.5%
BAHRAIN	5	2.4%	5	2.4%
JORDAN	7	2.3%	7	2.3%
MAURITIUS	2	2.2%	2	2.1%
BANGLADESH	7	2.0%	7	1.9%
TUNISIA	9	1.4%	9	1.4%
SRI LANKA	5	1.2%	5	1.2%
ESTONIA	5	0.9%	5	0.9%
SENEGAL	1	0.9%	1	0.9%
IVORY COAST	4	0.8%	4	0.8%
LITHUANIA	2	0.7%	2	0.7%
<b>BULGARIA</b>	<b>0</b>	<b>0.0%</b>	<b>2</b>	<b>0.4%</b>
BENIN	1	0.1%	1	0.1%
SERBIA	1	0.03%	1	0.03%

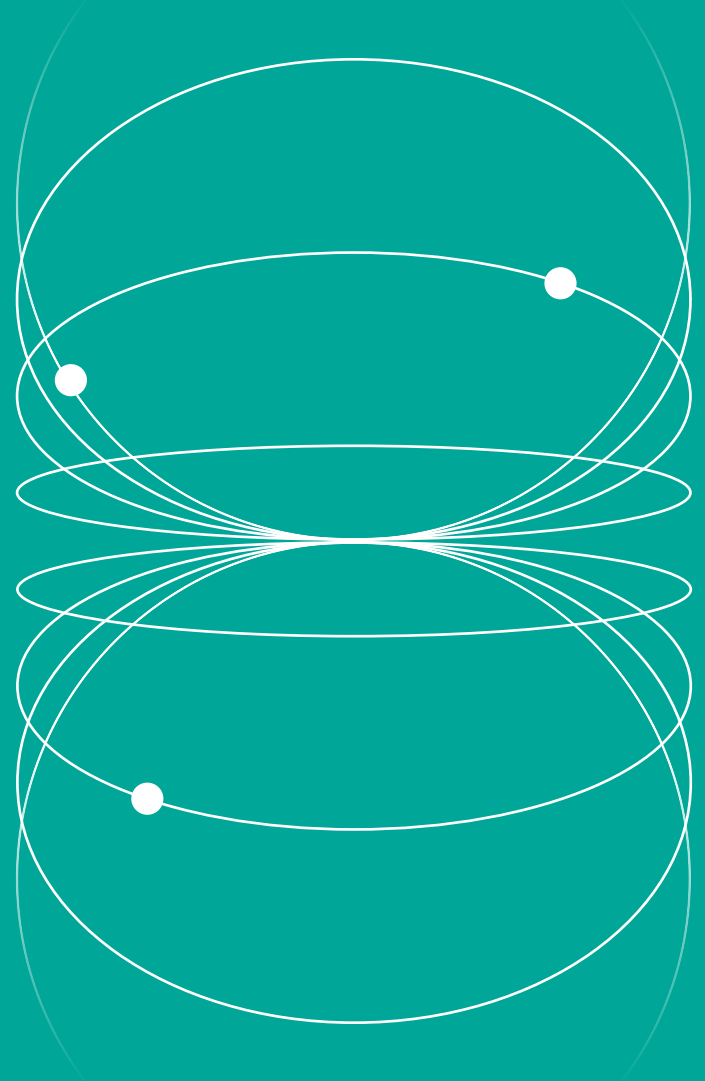
\* Based on the pro forma data as of the May 2025 Index Review, using prices as of April 17, 2025. \*\* Simulated pro forma data as of the May 2025 Index Review, using prices as of April 17, 2025.



# Discussion Points

- Is the level of accessibility of the Bulgarian equity market for international institutional investors sufficient to warrant a reclassification of Bulgaria to Frontier Markets?
  - Are there any concerns related to the availability of market information, trading liquidity or trading/post-trading infrastructure, especially compared to other Frontier Markets?
  - Are there any operational concerns on index replication following a potential adoption of the Euro by Bulgaria?
  - If you agree with the proposal to reclassify Bulgaria from Standalone to Frontier Markets status, what would be the ideal timeline for implementation?
- 
- MSCI welcomes feedback on this reclassification proposal until March 31, 2026, and will announce its decision as part of the MSCI 2026 Market Classification Review.

# Appendix



# MSCI Market Classification Framework

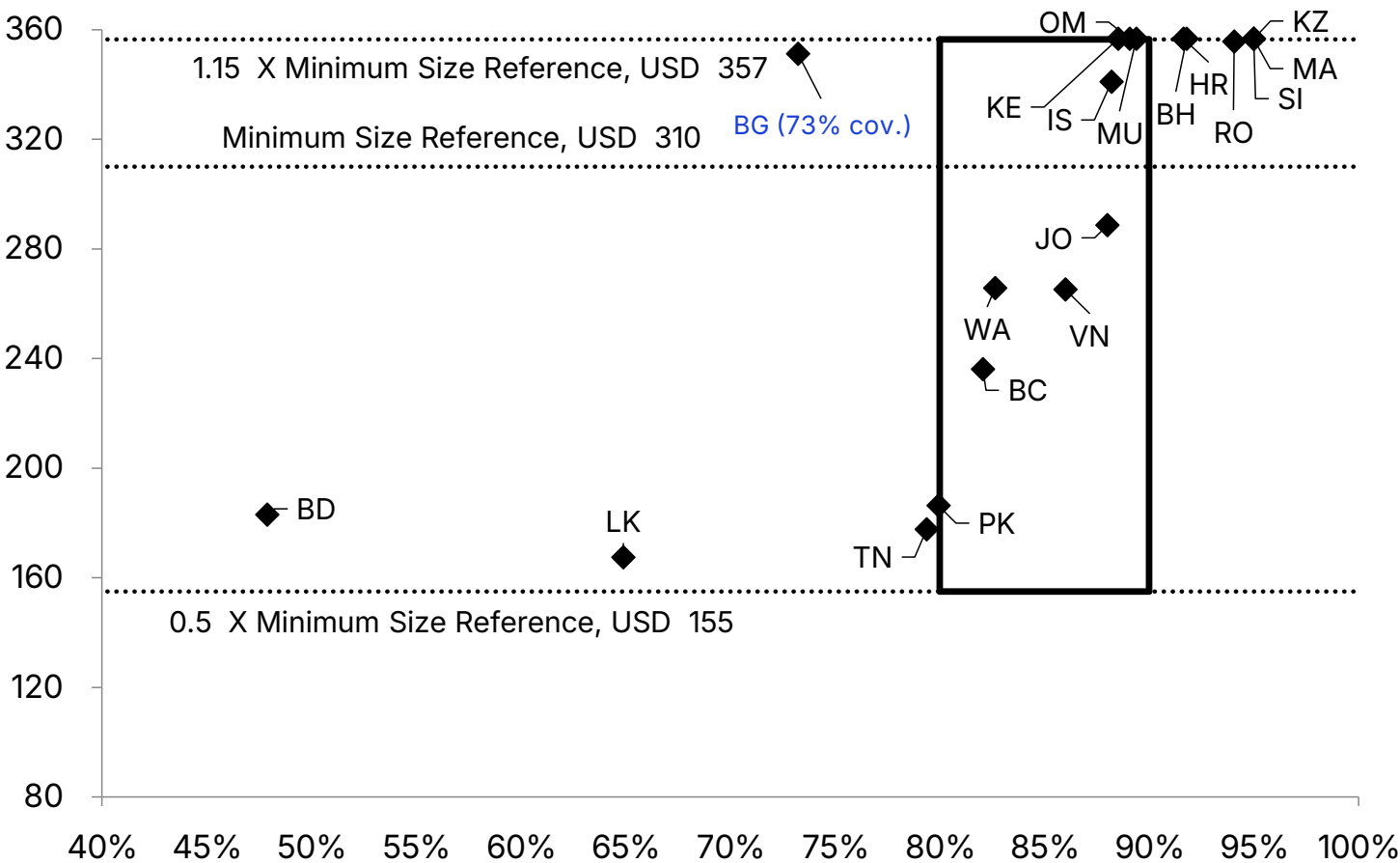
→ Note: the enhancements to the Size and Liquidity Requirements of the MSCI Market Classification Framework, implemented as part of the MSCI 2025 Market Classification Review, were not applied to the Size and Liquidity assessment of Bulgaria.

Criteria	Frontier	Emerging	Developed
<b>A. Economic Development</b>			
A.1 Sustainability of economic development	No requirement	No requirement	Country GNI per capita 25% above the World Bank high income threshold* for 3 consecutive years
<b>B. Size and Liquidity Requirements</b>			
B.1 Entry requirement			
Number of companies meeting the following Standard Index criteria over each of the last 8 Index Reviews	1	3	5
Company size (full market cap)**	USD 155 mm	USD 2,964 mm	USD 5,928 mm
Security size (float market cap)**	USD 78 mm	USD 1,482 mm	USD 2,964 mm
Security liquidity	2.5% ATVR	15% ATVR	20% ATVR
B.2 Maintenance requirements			
Number of companies meeting the Standard Index criteria (evaluated using same thresholds as above)	-	1	1
Minimum number of securities in the Market Investable Equity Universe	1	3	5
<b>C. Market Accessibility Criteria</b>			
C.1 Openness to foreign ownership	At least some	Significant	Very high
C.2 Ease of capital inflows / outflows	At least partial	Significant	Very high
C.3 Efficiency of operational framework	Modest	Good and tested	Very high
C.4 Availability of Investment Instrument	High	High	Unrestricted
C.5 Stability of the institutional framework	Modest	Modest	Very high

For further details, please refer to the MSCI 2025 Market Classification Framework available at: [www.msci.com/market-classification](https://www.msci.com/market-classification). \* High income threshold: 2023 GNI per capita of USD 14,005 (World Bank, Atlas method). \*\* Minimum in use for the May 2025 Index Review, updated on a quarterly basis.

# Size Profile of Bulgaria

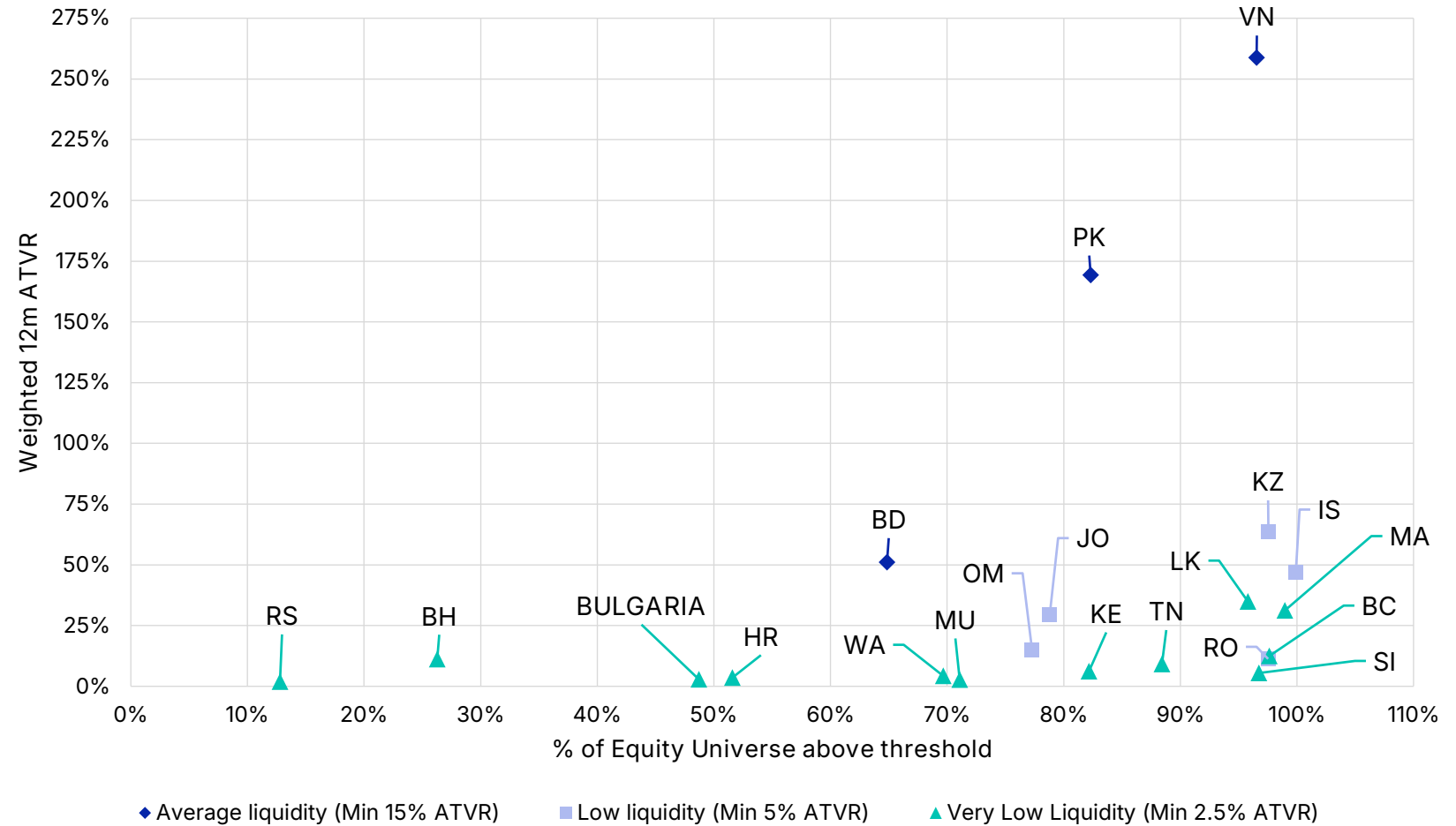
→ Bulgaria falls within the target size range for Frontier Markets.



Note: the box depicts the Size and Coverage ranges for Frontier Markets and Bulgaria, based on pro forma data as of the May 2025 Index Review, using prices as of April 17, 2025. For more details, please refer to Section 2.3 of the MSCI Global Investable Market Indexes Methodology available at: <https://www.msci.com/index-methodology>.

# Liquidity Profile of Bulgaria

- Bulgaria is classified as a Very Low Liquidity Standalone Market, and its weighted ATVR of 2.8% is close to other Very Low Liquidity markets.
- 49% of Bulgaria's equity universe meets the minimum of 2.5% ATVR for Very Low Liquidity markets.



Note: all information is based on pro forma data as of the May 2025 Index Review, using prices as of April 17, 2025. For more details on the liquidity categorization of Frontier Markets, please refer to Section 5.2.3.1 of the MSCI Global Investable Market Indexes Methodology available at: <https://www.msci.com/index-methodology>.

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