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# MSCI Market Classification Framework



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## MSCI Market Classification Framework

The classification of markets is a key input in the process of index construction as it drives the composition of the investment opportunity sets to be represented. The approach used by MSCI aims to reflect the views and practices of the international investment community by striking a balance between a country's economic development and the accessibility of its market while preserving index stability.

The MSCI Market Classification Framework consists of three criteria: Economic Development, Size and Liquidity Requirements as well as Market Accessibility.

In order to be classified in a given investment universe, a country must meet the requirements of all three criteria as described in the table below.

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 Company size (full market cap) ** Security size (float market cap) ** Security liquidity B.2 Maintenance requirements Number of companies meeting the following Standard Index criteria Company size (full market cap) ** Security size (float market cap) ** Security liquidity Minimum number of securities in the Market Investable Equity Universe	1  USD 232 mm USD 116 mm 2.5% ATVR	3  USD 3,937 mm USD 1,969 mm 15% ATVR	5  USD 7,874 mm USD 3,937 mm 20% ATVR
<b>C Market Accessibility Criteria</b> C.1 Openness to foreign ownership C.2 Ease of capital inflows / outflows C.3 Efficiency of operational framework C.4 Availability of investment instrument C.5 Stability of the institutional framework	At least some At least partial Modest High Modest	Significant Significant Good and tested High Modest	Very high Very high Very high Unrestricted Very high

\* High income threshold: 2024 GNI per capita of USD 13,935 (World Bank, Atlas method)

\*\* Minimum in use for the May 2026 Index Review, updated on a quarterly basis

The Economic Development criterion is only used in determining the classification of Developed Markets while that distinction is not relevant between Emerging and Frontier Markets given the very wide variety of development levels within each of these two universes.

The Size and Liquidity Requirements are based on the minimum investability requirements for the MSCI Global Standard Indexes. The Size and Liquidity Entry Requirements are used for evaluating markets for reclassification, requiring a minimum number of companies meeting Standard Index criteria over each of the last 8 Index Reviews. On the other hand, Size and Liquidity Maintenance Requirements assess the

current classification of markets using a minimum number of companies meeting Standard Index criteria and minimum number of securities in the Market Investable Equity Universe based on latest data. For additional details, please refer to the MSCI Global Investable Market Indexes methodology book at [www.msci.com/index-methodology](http://www.msci.com/index-methodology).

For Developed Markets consolidated at the regional level (e.g., DM Europe), MSCI applies Size and Liquidity Requirements on each individual market within the region. For Emerging or Frontier Markets consolidated at the regional level (e.g., WAEMU and Baltic States), the Size and Liquidity Requirements are assessed on a consolidated basis (i.e., treated as a single market).

While the Size and Liquidity Entry and Maintenance Requirements will serve as general triggers for a potential consultation, MSCI will assess each unique case independently to decide on whether to consult based on this criterion.

Market Accessibility aims to reflect international institutional investors' experience of investing in a given market and as a result, this criterion includes several sub-criteria. These criteria are generally based on qualitative measures that are reviewed for all markets at least once a year during the MSCI Global Market Accessibility Review.

MSCI regularly reviews the market classification of all countries included in the MSCI Indexes to ensure that they remain reflective of the evolution of the different markets. In particular, changes in the assessments under the classification framework serve as the basis for determining the markets that will be reviewed for potential market reclassification as part of the Annual Market Classification Review.

MSCI will only consider markets for upgrade if a change in classification status can be viewed as irreversible. Every June, MSCI will communicate its conclusions from the discussions with the investment community on the list of countries under review and announce the new list of countries, if any, under review for potential market reclassification in the upcoming cycle. While adhering to the regular timeline for such communication helps provide greater predictability and is less disruptive to a market's normal functioning, MSCI may from time to time exercise prudent discretion and consider off-cycle communications should significant market events take place outside the regular review cycle.

## Advanced Frontier Markets

Beginning with the 2025 MSCI Market Classification Review, MSCI has introduced a new subcategory within the Frontier Markets universe: Advanced Frontier Markets (Advanced FM).

This subcategory identifies Frontier Markets that demonstrate market accessibility characteristics closely aligned with those of Developed Markets but remain classified as Frontier Markets due to their size and liquidity constraints.

To be classified as an Advanced FM, a market must meet the following criteria:

- Market Accessibility assessments must show no more than two deviations from the highest rating (++) across the key focus areas of efficiency of the operational framework (excluding stock lending and short selling), openness to foreign ownership, and ease of capital inflows/outflows.
- The market must be rated ++ on capital flow restriction levels, indicating no constraints.

MSCI will announce and review any changes to the composition of the Advanced FM subcategory annually, in conjunction with the publication of the MSCI Global Market Accessibility Review.

The MSCI Frontier Markets classification and the MSCI Frontier Market Indexes are not impacted by this subcategory.

## Market Accessibility Measures

Criteria	Definition
<b>Openness to foreign ownership</b>	
Investor qualification requirements	Existence of qualifying conditions for international investors. Existence of a level playing field for all international investors.
Foreign ownership limit (FOL) level	Proportion of the market being accessible to non-domestic investors.
Foreign room level	Proportion of shares still available for non-domestic investors. Existence of a foreign board where non-domestic investors could trade with each other.
Equal rights to foreign investors	Equal economic and voting rights as well as availability of information in English. Equal rights for minority shareholders.
<b>Ease of capital inflows / outflows</b>	
Capital flow restriction level	Existence of restriction on inflows and outflows of foreign capital to/from the local stock market (excluding foreign currency exchange restrictions).
Foreign exchange market liberalization level	Existence of a developed onshore and offshore foreign exchange market.
<b>Efficiency of the operational framework</b>	
Market entry	
Investor registration & account set up	Existence/level of complexity of registration requirements for international investors such as tax IDs as well as ease/complexity for setting up local accounts (e.g., documents to be provided, approvals required). The time to complete the process includes the preparation of the documents.
Market organization	
Market regulations	Level of advancement of the legal and regulatory framework governing the financial market, the stock exchange and the various entities involved in the financial markets. An important weight is assigned to: ease of access (including in English), lack of ambiguity and prompt enforcement of laws and regulations, as well as consistency over time.
Information flow	Timely disclosure of complete stock market information items (e.g., stock exchange alerts, corporate news, float information, dividend information) in English and under reasonable commercial terms.
Market infrastructure	
Clearing and settlement	Well-functioning clearing and settlement systems based on the broad framework published by the Bank for International Settlements including Delivery Versus Payment (DVP), the absence of pre-funding requirements/practices and the possibility to use overdrafts. Availability of real omnibus structures.
Custody	Level of competition amongst local custodian banks as well as the presence of global custodian banks. Existence of an efficient mechanism that prevents brokers to have unlimited access to the investor's accounts and guarantees the safekeeping of its assets.
Registry / Depository	Well-functioning central registry or independent registrars and a central depository.
Trading	Level of competition amongst brokers ensuring high quality services (e.g., cost efficient trading, ability to execute grouped trades at the same price for the various accounts of a fund manager).
Transferability	Possibility of off-exchange transactions and "in-kind" transfers.
Stock lending	Existence of a regulatory framework as well as an efficient mechanism allowing extensive use of stock lending.
Short selling	Existence of a regulatory and practical framework allowing short selling.
<b>Availability of investment instruments</b>	Existence of no restrictions on access to derived stock exchange information, data and products that prevents the creation of investment instruments.
<b>Stability of institutional framework</b>	Basic institutional principles such as the rule of law and its enforcement as well as the stability of the "free-market" economic system. Track record of government intervention with regards to foreign investors.

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### AMERICA

United States	+ 1 888 588 4567 *
Canada	+ 1 416 687 6270
Brazil	+ 55 11 4040 7830
Mexico	+ 52 81 1253 4020

### EUROPE, MIDDLE EAST & AFRICA

South Africa	+ 27 21 673 0103
Germany	+ 49 69 133 859 00
Switzerland	+ 41 22 817 9777
United Kingdom	+ 44 20 7618 2222
Italy	+ 39 02 5849 0415
France	+ 33 17 6769 810

### ASIA PACIFIC

China	+ 86 21 61326611
Hong Kong	+ 852 2844 9333
India	+ 91 22 6784 9160
Malaysia	1800818185 *
South Korea	+ 82 70 4769 4231
Singapore	+ 65 67011177
Australia	+ 612 9033 9333
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