

Consultation on a Market Reclassification Proposal for Bulgaria

POTENTIAL RECLASSIFICATION FROM STANDALONE TO FRONTIER MARKETS

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.

June 2024

Reclassification Proposal

- MSCI proposes to reclassify Bulgaria from Standalone Market status to Frontier Markets (FM) status.
 - The proposed reclassification would be reflected in all relevant global and regional composite indexes.
 - The proposal is to implement the potential reclassification in one step coinciding with the May 2026 Index Review.
- 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 these indexes.
- MSCI will consult with market participants on this reclassification proposal and announce its decision as part of the MSCI 2025 Market Classification Review.
 - MSCI welcomes feedback from the investment community on the proposal on or before April 15, 2025.

Background and Rationale

- 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 recent 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market now has sufficient companies meeting Size and Liquidity requirements for FM, and the MSCI Bulgaria Index is no longer maintained under Index Continuity Rules.

Bulgaria: Size and Liquidity

MSCI Bulgaria Indexes – Snapshot as of May 2024 Index Review *

	MSCI Bulgaria Index	MSCI Bulgaria IMI
Index Market Capitalization (USD mn)**	383.3	528.3
Number of Securities	2	7
Simulated weight in MSCI FM Index and MSCI FM IMI	0.33%	0.40%

The 2 constituents of the MSCI Bulgaria Index meet Frontier Markets Size and Liquidity requirements and would make up 0.33% of the MSCI Frontier Markets Index if Bulgaria is reclassified.

MSCI Bulgaria Indexes - Constituents

Security Name	RIC Code	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	673.5	235.7	61.51%	44.62%
Sopharma	BGSFA.BB	Health Care	Standard	590.1	147.5	38.49%	27.93%
Doverie Utd Hlng	DUH.BB	Financials	Small Cap	98.3	59.0	-	11.16%
Chimimport	CHIM.BB	Industrials	Small Cap	91.5	22.9	-	4.33%
Agria Group Holding	AGH.BB	Industrials	Small Cap	71.2	17.8	-	3.37%
Telelink Business Svcs	TBS.BB	Information Technology	Small Cap	61.4	18.4	-	3.49%
Bulgarska Fondova Borsa	BGBSE.BB	Financials	Small Cap	53.9	26.9	-	5.10%

Bulgaria: Market Accessibility

Market Accessibility Assessment	2024
Openness to foreign ownership	
Investor qualification requirement	++
Foreign ownership limit (FOL) level	++
Foreign room level	++
Equal rights to foreign investors	++
Ease of capital inflows / outflows	
Capital flow restriction level	++
Foreign exchange market liberalization level	+
Efficiency of the operational framework	
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*	-
Availability of Investment Instrument	++
Stability of institutional framework	+

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 2024 MSCI Global Market Accessibility Review report:

- **Foreign Exchange Market Liberalization Level:** There is no offshore currency market. The Bulgarian government has approved a national plan for its accession to the Eurozone and adoption of the Euro, with a target date of January 1, 2025.
- **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 no formal segregation between custody and trading accounts.

Simulated Impact on the MSCI Frontier Markets Index

	Actual Standard Index			Simulated Standard Index		
	Index Market Cap	Weight	# Sec.	Index Market Cap	Weight	# Sec.
FM	114,882	100.0%	213	115,265	100.0%	213
Vietnam	29,644	25.8%	58	29,644	25.7%	58
Romania	14,648	12.8%	15	14,648	12.7%	15
Morocco	12,987	11.3%	23	12,987	11.3%	23
Kazakhstan	11,213	9.8%	4	11,213	9.7%	4
Iceland	8,825	7.7%	15	8,825	7.7%	15
Slovenia	6,307	5.5%	7	6,307	5.5%	7
Oman	4,641	4.0%	10	4,641	4.0%	10
Pakistan	4,386	3.8%	21	4,386	3.8%	21
Croatia	3,243	2.8%	8	3,243	2.8%	8
Kenya	2,970	2.6%	4	2,970	2.6%	4
Bahrain	2,949	2.6%	5	2,949	2.6%	5
Bangladesh	2,864	2.5%	7	2,864	2.5%	7
Jordan	2,572	2.2%	8	2,572	2.2%	8
Mauritius	2,045	1.8%	2	2,045	1.8%	2
Tunisia	1,300	1.1%	8	1,300	1.1%	8
Estonia	1,103	1.0%	5	1,103	1.0%	5
Sri Lanka	965	0.8%	5	965	0.8%	5
Senegal	773	0.7%	1	773	0.7%	1
Lithuania	675	0.6%	2	675	0.6%	2
Ivory Coast	486	0.4%	3	486	0.4%	3
Bulgaria	0	0.0%	0	383	0.3%	2
Serbia	178	0.2%	1	178	0.2%	1
Benin	107	0.1%	1	107	0.1%	1

Note: All market caps are in USD millions. Data as of the close of April 19, 2024

- The simulated MSCI Bulgaria Index would have a potential weight of 0.33% in the MSCI Frontier Markets Index.

Simulated impact on the MSCI Frontier Markets 100 Index

	Actual Index*		Simulated Index*	
	# Securities	Index Weight	# Securities	Index Weight
VIETNAM	44	26.0%	44	26.0%
KAZAKHSTAN	3	12.5%	3	12.5%
ROMANIA	11	12.5%	11	12.5%
ICELAND	16	12.5%	16	12.5%
MOROCCO	7	11.0%	7	11.0%
PAKISTAN	13	5.8%	13	5.8%
OMAN	6	5.7%	6	5.7%
BANGLADESH	13	4.5%	13	4.5%
KENYA	1	2.7%	1	2.7%
JORDAN	3	2.4%	3	2.4%
ESTONIA	3	1.4%	3	1.4%
SRI LANKA	3	1.3%	3	1.3%
LITHUANIA	2	1.1%	2	1.1%
BAHRAIN	1	0.7%	1	0.7%
BULGARIA	-	-	0	0.0%

MSCI FM 100 Index – Simulated Top 10 Constituents

Security Name	Country	Simulated Weight
KASPI.KZ ADS	KAZAKHSTAN	7.5%
ATTIJARIWAFABANK	MOROCCO	4.5%
BANCA TRANSILVANIA	ROMANIA	3.7%
HOA PHAT GROUP JSC	VIETNAM	3.4%
KAZATOMPROM GDR	KAZAKHSTAN	3.3%
MAREL	ICELAND	2.9%
SAFARICOM	KENYA	2.7%
MAROC TELECOM	MOROCCO	2.7%
OMV PETROM	ROMANIA	2.4%
HIDROELECTRICA	ROMANIA	2.3%

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

Simulated impact on the MSCI FM 15% Country Capped Index

	Actual Index*		Simulated Index**	
	# Securities	Index Weight	# Securities	Index Weight
VIETNAM	58	15.0%	58	15.0%
ROMANIA	15	15.0%	15	15.0%
MOROCCO	23	12.7%	23	12.7%
KAZAKHSTAN	4	11.4%	4	11.4%
ICELAND	15	8.6%	15	8.6%
SLOVENIA	7	6.5%	7	6.5%
OMAN	10	4.5%	10	4.5%
PAKISTAN	21	4.4%	21	4.3%
KENYA	4	3.3%	4	3.3%
CROATIA	8	3.2%	8	3.2%
BAHRAIN	5	2.9%	5	2.9%
BANGLADESH	7	2.4%	7	2.4%
JORDAN	8	2.4%	8	2.4%
MAURITIUS	2	2.1%	2	2.0%
TUNISIA	8	1.3%	8	1.3%
ESTONIA	5	1.1%	5	1.1%
SRI LANKA	5	1.0%	5	1.0%
SENEGAL	1	0.7%	1	0.7%
LITHUANIA	2	0.7%	2	0.7%
IVORY COAST	3	0.5%	3	0.5%
BULGARIA	-	-	2	0.4%
SERBIA	1	0.2%	1	0.2%
BENIN	1	0.1%	1	0.1%

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

Security Name	Country	Simulated Weight
KASPI.KZ ADS	KAZAKHSTAN	6.7%
BANCA TRANSILVANIA	ROMANIA	4.1%
KRKA	SLOVENIA	3.0%
KAZATOMPROM GDR	KAZAKHSTAN	2.9%
ATTIJARIWAFABANK	MOROCCO	2.7%
OMV PETROM	ROMANIA	2.6%
HIDROELECTRICA	ROMANIA	2.5%
MAREL	ICELAND	2.0%
MCB GROUP	MAURITIUS	1.9%
NOVA LJUBLJANSKA BANKA	SLOVENIA	1.7%

- Two Bulgarian securities would be included in the MSCI FM 15% Country Capped Index, with a combined weight of 0.39%.

Discussion Points

- Do you agree with the proposal to reclassify Bulgaria from Standalone to Frontier Markets status given that the market has sufficient companies meeting FM Size and Liquidity requirements?
- If yes, do you agree that it should be implemented in one step at the May 2026 Index Review?
- Are there any major accessibility issues in the Bulgarian market that would make it unsuitable for Frontier Markets status?

MSCI will consult with market participants on this reclassification proposal and announce its decision as part of the 2025 Market Classification Review.

- MSCI welcomes any feedback from the investment community on the proposals on or before April 15, 2025.

Appendix



MSCI Market Classification Framework

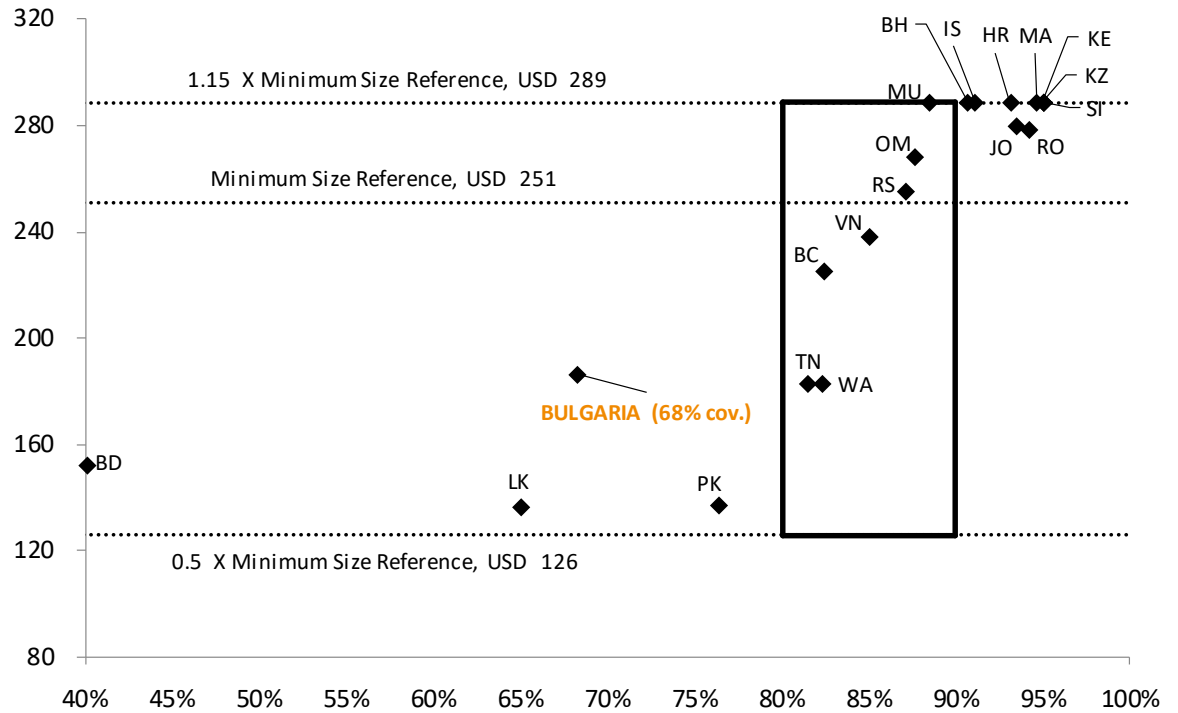
Criteria	Frontier	Emerging	Developed
A Economic Development A.1 Sustainability of economic development	No requirement	No requirement	Country GNI per capita 25% above the World Bank high income threshold* for 3 consecutive years
B Size and Liquidity Requirements B.1 Number of companies meeting the following Standard Index criteria Company size (full market cap) ** Security size (float market cap) ** Security liquidity	1 USD 126 mm USD 63 mm 2.5% ATVR	3 USD 2,548 mm USD 1,274 mm 15% ATVR	5 USD 5,096 mm USD 2,548 mm 20% ATVR
C Market Accessibility Criteria 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: 2022 GNI per capita of USD 13,845 (World Bank, Atlas method)

** Minimum in use for the May 2024 Index Review, updated on a quarterly basis

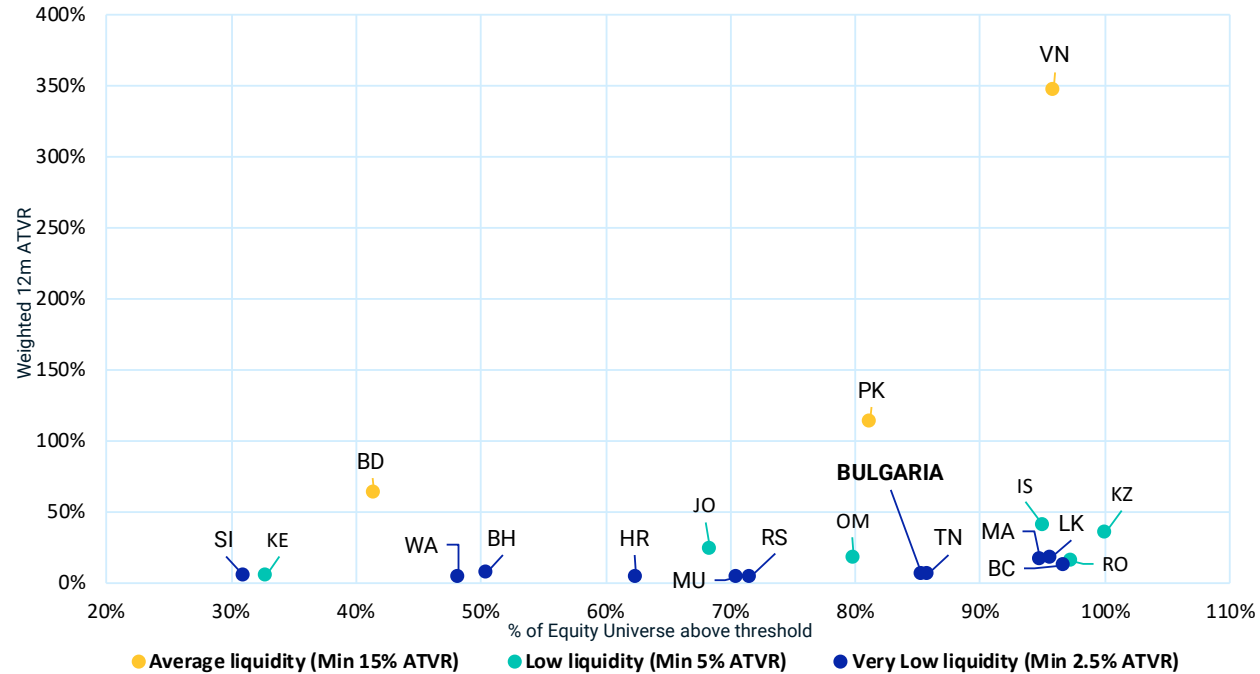
Size profile of Bulgaria

➤ Bulgaria falls within the target size range for Frontier Markets



Liquidity Profile of Bulgaria

- Bulgaria is classified as a Very Low Liquidity Standalone Market, and its weighted ATVR of 5.83% is close to other Very Low Liquidity markets.
- 85% of Bulgaria's equity universe meets the minimum of 2.5% ATVR for Very Low Liquidity markets.



About MSCI

MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 50 years of expertise in research, data and technology, we power better investment decisions by enabling clients to understand and analyze key drivers of risk and return and confidently build more effective portfolios. We create industry-leading research-enhanced solutions that clients use to gain insight into and improve transparency across the investment process. To learn more, please visit www.msci.com.

Notice and Disclaimer

This document and all of the information contained in it, including without limitation all text, data, graphs, charts (collectively, the "Information") is the property of MSCI Inc. or its subsidiaries (collectively, "MSCI"), or MSCI's licensors, direct or indirect suppliers or any third party involved in making or compiling any Information (collectively, with MSCI, the "Information Providers") and is provided for informational purposes only. The Information may not be modified, reverse-engineered, reproduced or disseminated in whole or in part without prior written permission from MSCI. All rights in the Information are reserved by MSCI and/or its Information Providers.

The Information may not be used to create derivative works or to verify or correct other data or information. For example (but without limitation), the Information may not be used to create indexes, databases, risk models, analytics, software, or in connection with the issuing, offering, sponsoring, managing or marketing of any securities, portfolios, financial products or other investment vehicles utilizing or based on, linked to, tracking or otherwise derived from the Information or any other MSCI data, information, products or services.

The user of the Information assumes the entire risk of any use it may make or permit to be made of the Information. NONE OF THE INFORMATION PROVIDERS MAKES ANY EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS WITH RESPECT TO THE INFORMATION (OR THE RESULTS TO BE OBTAINED BY THE USE THEREOF), AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, EACH INFORMATION PROVIDER EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF ORIGINALITY, ACCURACY, TIMELINESS, NON-INFRINGEMENT, COMPLETENESS, MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) WITH RESPECT TO ANY OF THE INFORMATION.

Without limiting any of the foregoing and to the maximum extent permitted by applicable law, in no event shall any Information Provider have any liability regarding any of the Information for any direct, indirect, special, punitive, consequential (including lost profits) or any other damages even if notified of the possibility of such damages. The foregoing shall not exclude or limit any liability that may not be applicable law be excluded or limited, including without limitation (as applicable), any liability for death or personal injury to the extent that such injury results from the negligence or willful default of itself, its servants, agents or sub-contractors.

Information containing any historical information, data or analysis should not be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. Past performance does not guarantee future results.

The Information may include "Signals," defined as quantitative attributes or the product of methods or formulas that describe or are derived from calculations using historical data. Neither these Signals nor any description of historical data are intended to provide investment advice or a recommendation to make (or refrain from making) any investment decision or asset allocation and should not be relied upon as such. Signals are inherently backward-looking because of their use of historical data, and they are not intended to predict the future. The relevance, correlations and accuracy of Signals frequently will change materially.

The Information should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. All Information is impersonal and not tailored to the needs of any person, entity or group of persons.

None of the Information constitutes an offer to sell (or a solicitation of an offer to buy), any security, financial product or other investment vehicle or any trading strategy.

It is not possible to invest directly in an index. Exposure to an asset class or trading strategy or other category represented by an index is only available through third party investable instruments (if any) based on that index. MSCI does not issue, sponsor, endorse, market, offer, review or otherwise express any opinion regarding any fund, ETF, derivative or other security, investment, financial product or trading strategy that is based on, linked to or seeks to provide an investment return related to the performance of any MSCI index (collectively, "Index Linked Investments"). MSCI makes no assurance that any Index Linked Investments will accurately track index performance or provide positive investment returns. MSCI Inc. is not an investment adviser or fiduciary and MSCI makes no representation regarding the advisability of investing in any Index Linked Investments.

Index returns do not represent the results of actual trading of investible assets/securities. MSCI maintains and calculates indexes, but does not manage actual assets. The calculation of indexes and index returns may deviate from the stated methodology. Index returns do not reflect payment of any sales charges or fees an investor may pay to purchase the securities underlying the index or Index Linked Investments. The imposition of these fees and charges would cause the performance of an Index Linked Investment to be different than the MSCI index performance.

The Information may contain back tested data. Back-tested performance is not actual performance, but is hypothetical. There are frequently material differences between back tested performance results and actual results subsequently achieved by any investment strategy.

Constituents of MSCI equity indexes are listed companies, which are included in or excluded from the indexes according to the application of the relevant index methodologies. Accordingly, constituents in MSCI equity indexes may include MSCI Inc., clients of MSCI or suppliers to MSCI. Inclusion of a security within an MSCI index is not a recommendation by MSCI to buy, sell, or hold such security, nor is it considered to be investment advice.

Data and information produced by various affiliates of MSCI Inc., including MSCI ESG Research LLC and Barra LLC, may be used in calculating certain MSCI indexes. More information can be found in the relevant index methodologies on www.msci.com.

MSCI receives compensation in connection with licensing its indexes to third parties. MSCI Inc.'s revenue includes fees based on assets in Index Linked Investments. Information can be found in MSCI Inc.'s company filings on the Investor Relations section of msci.com.

MSCI ESG Research LLC is a Registered Investment Adviser under the Investment Advisers Act of 1940 and a subsidiary of MSCI Inc. Neither MSCI nor any of its products or services recommends, endorses, approves or otherwise expresses any opinion regarding any issuer, securities, financial products or instruments or trading strategies and MSCI's products or services are not a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such, provided that applicable products or services from MSCI ESG Research may constitute investment advice. MSCI ESG Research materials, including materials utilized in any MSCI ESG Indexes or other products, have not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. MSCI ESG and climate ratings, research and data are produced by MSCI ESG Research LLC, a subsidiary of MSCI Inc. MSCI ESG Indexes, Analytics and Real Estate are products of MSCI Inc. that utilize information from MSCI ESG Research LLC. MSCI Indexes are administered by MSCI Limited (UK) and MSCI Deutschland GmbH.

Please note that the issuers mentioned in MSCI ESG Research materials sometimes have commercial relationships with MSCI ESG Research and/or MSCI Inc. (collectively, "MSCI") and that these relationships create potential conflicts of interest. In some cases, the issuers or their affiliates purchase research or other products or services from one or more MSCI affiliates. In other cases, MSCI ESG Research rates financial products such as mutual funds or ETFs that are managed by MSCI's clients or their affiliates, or are based on MSCI Inc. Indexes. In addition, constituents in MSCI Inc. equity indexes include companies that subscribe to MSCI products or services. In some cases, MSCI clients pay fees based in whole or part on the assets they manage. MSCI ESG Research has taken a number of steps to mitigate potential conflicts of interest and safeguard the integrity and independence of its research and ratings. More information about these conflict mitigation measures is available in our Form ADV, available at <https://adviserinfo.sec.gov/firm/summary/169222>.

Any use of or access to products, services or information of MSCI requires a license from MSCI. MSCI, Barra, RiskMetrics, iPD and other MSCI brands and product names are the trademarks, service marks, or registered trademarks of MSCI or its subsidiaries in the United States and other jurisdictions. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and S&P Global Market Intelligence. "Global Industry Classification Standard (GICS)" is a service mark of MSCI and S&P Global Market Intelligence.

MIFID2/MIFIR notice: MSCI ESG Research LLC does not distribute or act as an intermediary for financial instruments or structured deposits, nor does it deal on its own account, provide execution services for others or manage client accounts. No MSCI ESG Research product or service supports, promotes or is intended to support or promote any such activity. MSCI ESG Research is an independent provider of ESG data.

Privacy notice: For information about how MSCI collects and uses personal data, please refer to our Privacy Notice at <https://www.msci.com/privacy-pledge>.



Contact Us

AMERICAS	EUROPE, MIDDLE EAST & AFRICA	ASIA PACIFIC
United States +1 888 588 4567 *	South Africa + 27 21 673 0103	China + 86 21 61326611
Canada + 1 416 687 6270	Germany + 49 69 133 859 00	Hong Kong + 852 2844 9333
Brazil + 55 11 4040 7830	Switzerland + 41 22 817 9777	India + 91 22 6784 9160
Mexico + 52 81 1253 4020	United Kingdom + 44 20 7618 2222	Malaysia 1800818185 *
	Italy + 39 02 5849 0415	South Korea +82 70 4769 4231
	France + 33 17 6769 810	Singapore +65 67011177
		Australia +612 9033 9333
		Taiwan 008 0112 7513*
		Thailand 0018 0015 6207 7181*
		Japan +81 3 4579 0333

* = toll free

[msci.com/contact-us](https://www.msci.com/contact-us)