

# EMERGING MARKETS



**FTSE  
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An LSEG Business

**MSCI**



## Thematic report



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# The upgrade of Vietnam's stock market classification

# Market Classification by MSCI, FTSE Russell, and S&P Global

 Vietnam's Current Market Classification Status

 Vietnam's Target Market Classification

- Level of economic development
- Political stability
- Market size and liquidity
- Market operational efficiency,
- Accessibility for foreign investors,
- Capital flow mobility.

**MSCI**  
75 Countries

A

**Developed Market: 23**

Large market capitalization, high openness, effective regulatory governance, high per capita income, complex financial products, and active capital circulation.

B

**Emerging Market: 24**

Accessible to foreign investors, high market liquidity and scale, and strict regulatory framework.

C

**Advanced Frontier Market: 05**

Frontier Markets exhibit characteristics and market accessibility closely aligned with those of Developed Markets (effective from June 2025).

D

**Frontier Market: 23**

These markets have begun to gain access to foreign capital.

A

**Developed Market: 25**

B

**Emerging Market: 23**

**Advanced Emerging: 10**

**Secondary Emerging: 13**

C

**Frontier Market: 30**

A

**Developed BMI: 25**

B

**Emerging BMI: 23**

C

**Frontier BMI: 32**

**FTSE RUSSELL**  
An LSEG Business  
78 Countries

**S&P Dow Jones Indices**

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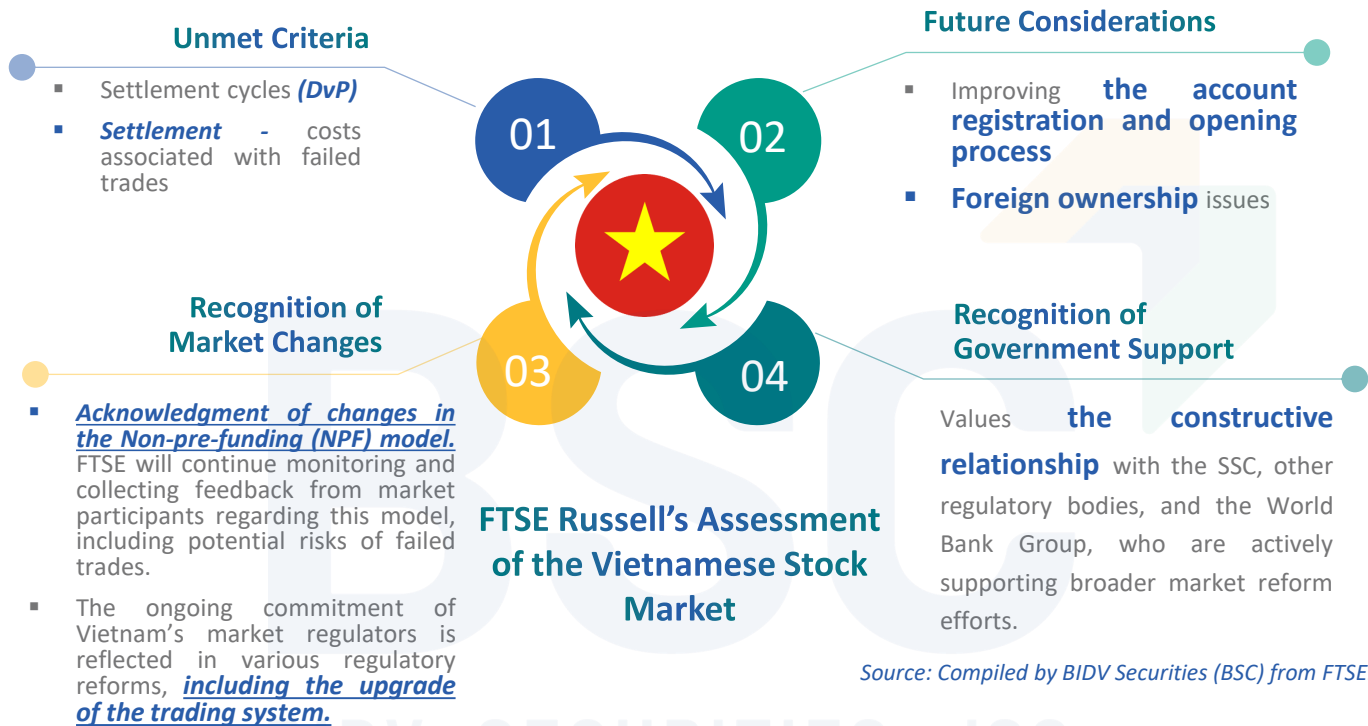
80 Countries

*Standalone market classification is not included above*

*Source: BSC Research compiled from MSCI, FTSE, and S&P Global*



Vietnam **remains on the Watch List** for a possible upgrade to Secondary Emerging Market status in the March 2025 country classification review by FTSE Russell. The status of Vietnam's market will be updated in the September 2025 review cycle.



**Remarks:** Key highlights in the March 2025 market classification review compared to September 2024

**- Positive points: FTSE no longer mentioned the three concerns that were raised in the previous report, including:**

(1) Operational rules from VSDC – following the issuance of guiding regulations by VSDC to implement the Non-Pre-Funding (NPF) solution; (2) Information accessibility for foreign investors – after listed companies began publishing bilingual reports in accordance with the roadmap outlined in Circular 68; (3) A clear roadmap for implementing new regulations – after the SSC released a roadmap of 09 solution groups on 11/03/2025, aimed at achieving the upgrade of Vietnam's stock market.

## FTSE Market Quality Assessment Criteria (Watch List – March 2025)

CRITERIA	SEC EMG WATCH	VIETNAM**
Per Capita Income (World Bank Data)		Lower-Medium
Credit Ratings		Speculation
<b>Trading Environment &amp; Legal Framework</b>		
Stock market regulators regularly monitor market activities (e.g., SEC, FSA, SFC).	X	Qualified
Fair and Unbiased Treatment of Minority Shareholders		Partially Qualified
No or Selective Restrictions on Foreign Ownership		Partially Qualified
No Prohibition, Restriction, or Penalty on Capital Investment, Repatriation, and Income Transfers	X	Qualified
Simplified or No Registration Process for Foreign Investors		Partially Qualified
<b>Foreign Exchange Market</b>		
Developed Foreign Exchange Market		Partially Qualified
<b>Stock Market</b>		
Brokerage Fees – Sufficiently Competitive to Ensure High-Quality Services	X	Qualified
Transaction Costs – Competitive and Reasonable	X	Qualified
Taxes – Fair and Equivalent Regulations for Domestic and Foreign Investors		Qualified
Stock Borrowing Permission		Partially Qualified
Short Selling Permission		Not Qualified
Developed Derivatives Market		Partially Qualified
Off-Exchange Trading Permission		Not Qualified
Efficient Trading Mechanism		Partially Qualified
Transparency – Market Depth Information, Visibility, and Timely Trade Reporting	X	Qualified
<b>Clearing, Settlement, and Custody</b>		
Settlement – Costs Associated with Failed Transactions	X	Partially Qualified
Settlement Cycle (DVP)	X	T+2
Securities Depository Center	X	Qualified
Central Counterparty (CCP)		Not Qualified
Settlement – Free Securities Allocation		Not Qualified
Sufficient Competition to Ensure High-Quality Custody Services	X	Qualified
Account Structure Operates at Custodian Bank Level (Securities & Cash)		Not Qualified

Source: BIDV Securities Company (BSC), compiled from FTSE

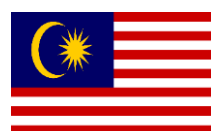
STT	Criteria	Remarks on Changes 2025 vs 2024	2025 vs 2024	Differences Between 2025 and 2024
1	Foreign Ownership Limit Level	✓ Yes	Acknowledged Change	The foreign ownership limit was raised from 51% to 75% in non-sensitive sectors. However, barriers remain as over 10% of the market is still subject to ownership restrictions.
2	Foreign Room Level	✗ No	No Improvement	Unchanged, the market remains significantly affected by low foreign room levels.
3	Equal Rights to Foreign Investors	✗ No	No Improvement	No content change; continued limitations in information disclosure and foreign investor rights.
4	Foreign Exchange Market Liberalization	✗ No	No Improvement	<b>There is still no free foreign exchange market:</b> for example, FX transactions are tightly linked to securities trading.
5	Investor Registration & Account Set Up	No	Information Acknowledged	Registration is mandatory, and account setup must be approved by the Vietnam Securities Depository and Clearing Corporation (VSDC).
6	Market Regulations	✗ No	No Improvement	Not all regulations are available in English.
7	Information Flow	✓ Yes	Acknowledged Change	A roadmap was announced in September 2024 requiring companies to disclose information in English from January 1, 2025, to January 1, 2028. <b>MSCI will closely monitor the implementation of this change.</b>
8	Clearing and Settlement	✓ Yes	Acknowledged Change	<b>December 2024:</b> Implementation of the non-pre-funding solution to enhance trading efficiency. <b>MSCI will need more time to assess the effectiveness of this solution.</b>
9	Transferability	✓ Yes	Change Acknowledged Since 2024, with Caution Noted	While improvements were acknowledged earlier in 2024, MSCI noted that <b>VSDC typically takes several days to review mandatory documentation before such transactions can be executed.</b>

Source: BIDV Securities Company (BSC), compiled from MSCI

- In the 2025 review report, all criteria for Vietnam's market classification remained unchanged from 2024, **thus, in the past two years, Vietnam's market was upgraded by MSCI in only one criterion – Transferability: from “-” to “+” in June 2024.**
- **Regarding the non-pre-funding solution and the disclosure roadmap:** MSCI also emphasized that additional time is needed to assess the effectiveness of the solutions and roadmap proposed by Vietnamese regulators. This requires continued strong efforts from regulators and market participants to implement and realize these solutions in order to meet MSCI's high standards in the future.



# MSCI assessment of Vietnam's stock market and comparison with ASEAN countries



## Market classification

### Emerging market

### Frontier market

## Openness to foreign investors

Level of investor qualification

++

++

++

++

++

Foreign ownership limit

-

+

++

-

-

Room available for foreign investors

-

++

++

-

-

Equal rights for foreign investors

-

+

+

+

-

## Ease of capital inflows/outflows

Capital flow restriction

++

++

++

++

++

Level of foreign exchange market openness

+

+

-

-

-

## Market accessibility

Account opening and registration process

++

++

++

++

+

## Market regulation framework

Market regulation & legal framework

++

++

++

++

+

Market information sources

++

++

+

++

-

## Market infrastructure

Custody system

+

++

+

+

-

Supervision and custody activities

++

++

++

++

++

Depository and registry

++

++

++

++

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Trading activities

++

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Transferability

++

+

+

++

+

Securities lending

+

++

+

-

-

Short selling

+

+

+

-

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## Availability of investment instruments

++

++

++

++

++

## Stability of institutional framework

+

+

+

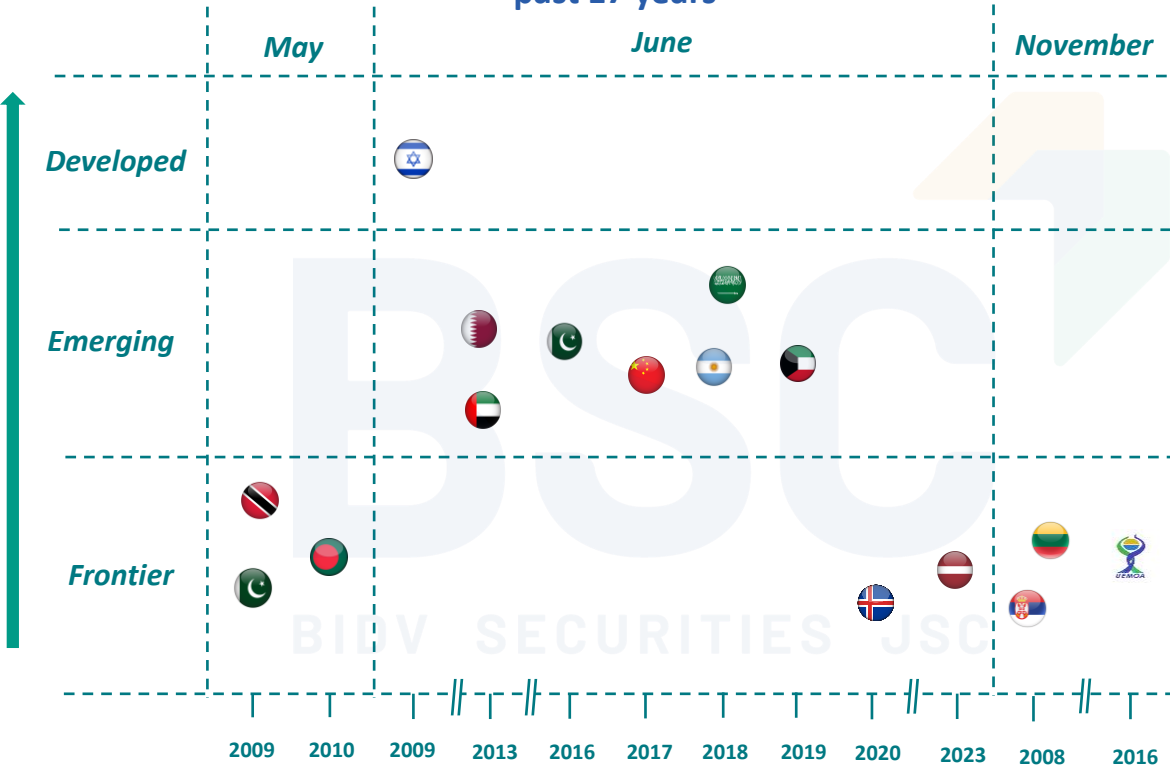
+

+

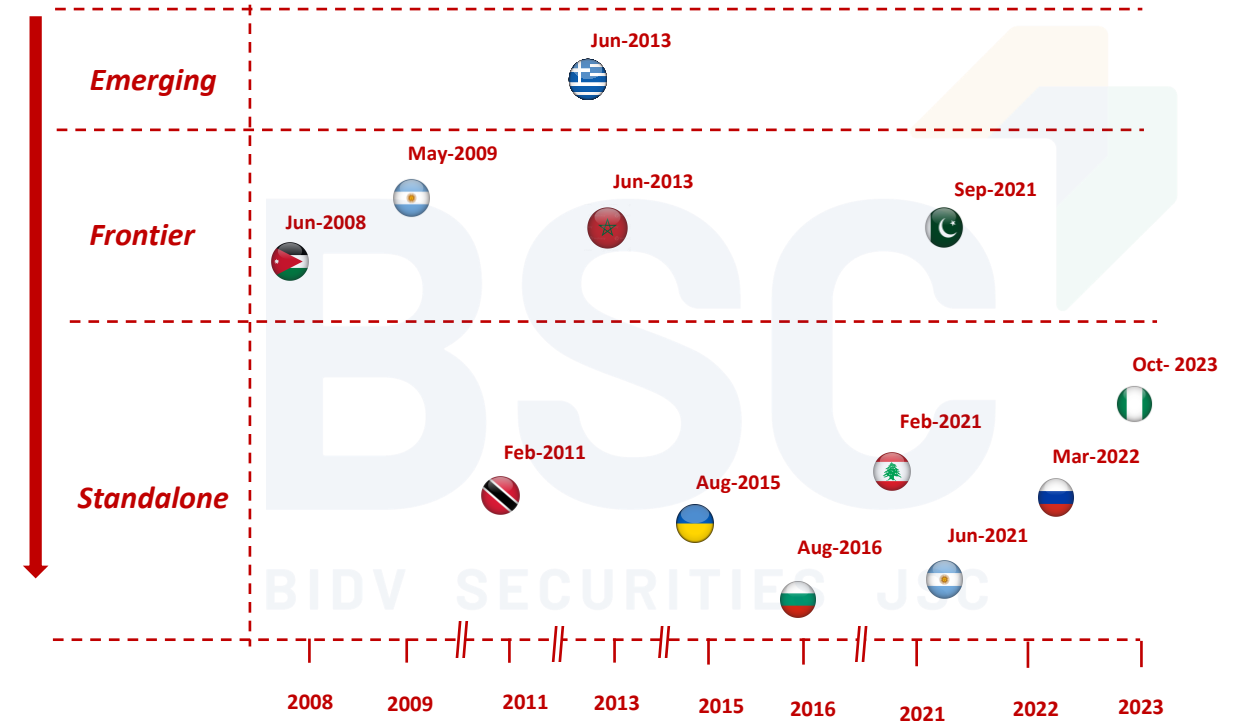
++: No issues; +: Minor issues / can be improved; -: Needs improvement

# MSCI's History of Country Upgrades and Downgrades from 2008 to 2024

MSCI has **upgraded** markets 16 times across 15 countries/entities over the past 17 years



MSCI has also **downgraded** markets 12 times involving 11 countries

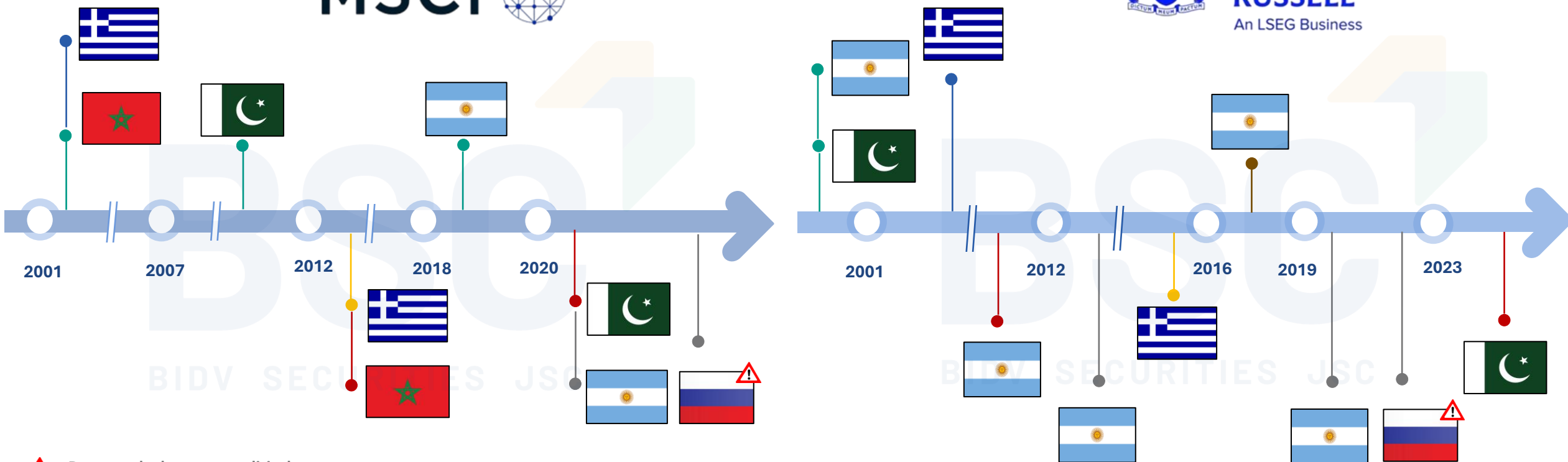


- MSCI has mostly announced market upgrade approvals in June — the regular timeline for its annual market classification review — accounting for 10 out of 16 upgrade announcements across 15 countries over the past 17 years.
- However, MSCI has also made announcements at other times, including in May and November, during its quarterly index reviews.** This demonstrates MSCI's flexibility and proactiveness, in contrast to FTSE Russell, which tends to concentrate its announcements around March and September — typically reserved for special cases.
- Notably, the West African Economic and Monetary Union (WAEMU) was included in the MSCI Frontier Markets Index (11/2016), despite not being mentioned during the June 2016 review.

- Unlike FTSE Russell, MSCI's decisions to downgrade a market are based on developments within the country, following consultations with large institutional investors. **MSCI does not follow a fixed timeline for downgrade announcements.**
- The timing of MSCI's 12 downgrade announcements is spread across various months: February and August (2 times each), June (4 times), and once each in March, May, September, and October.
- The opinions of institutional investors and market participants play a crucial role. MSCI considers their feedback before making a downgrade decision or may grant an extension period prior to the official announcement — as seen most recently in the case of Nigeria.**



# Countries Upgraded and Then Downgraded by MSCI and FTSE



- Downgrade due to geopolitical conflict
- Upgraded to Developed Market
- Upgraded to Emerging Market
- Upgraded to Frontier Market
- Downgraded to Emerging market
- Downgraded to Frontier market
- Downgraded to Unclassified (FTSE), Standalone (MSCI)

- In the past, several countries that were previously upgraded were subsequently downgraded shortly afterward — notable examples include Argentina, Greece, and Pakistan.
- The primary reasons for these downgrades largely stemmed from major economic disruptions: Argentina – financial crisis, public debt, and political instability; Russia – geopolitical conflict; Greece – sovereign debt crisis; Pakistan – political instability and the impact of natural disasters.
- **Russia was officially downgraded by both FTSE Russell and MSCI in March 2022, from Emerging Market to Unclassified, following the outbreak of the geopolitical conflict with Ukraine.**

# Investment Flows of Funds Allocated to Emerging Markets in ASEAN

 Secondary Emerging  
Classified by FTSE



Exchange-Traded Fund



Open-ended Fund



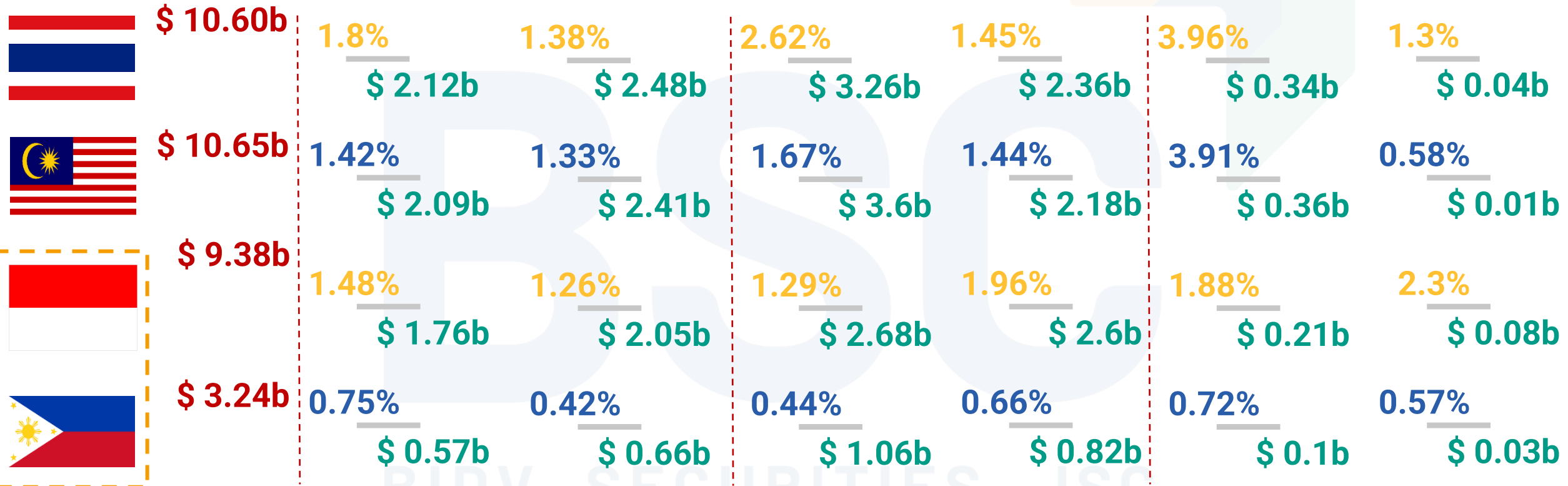
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**S&P Dow Jones  
Indices**

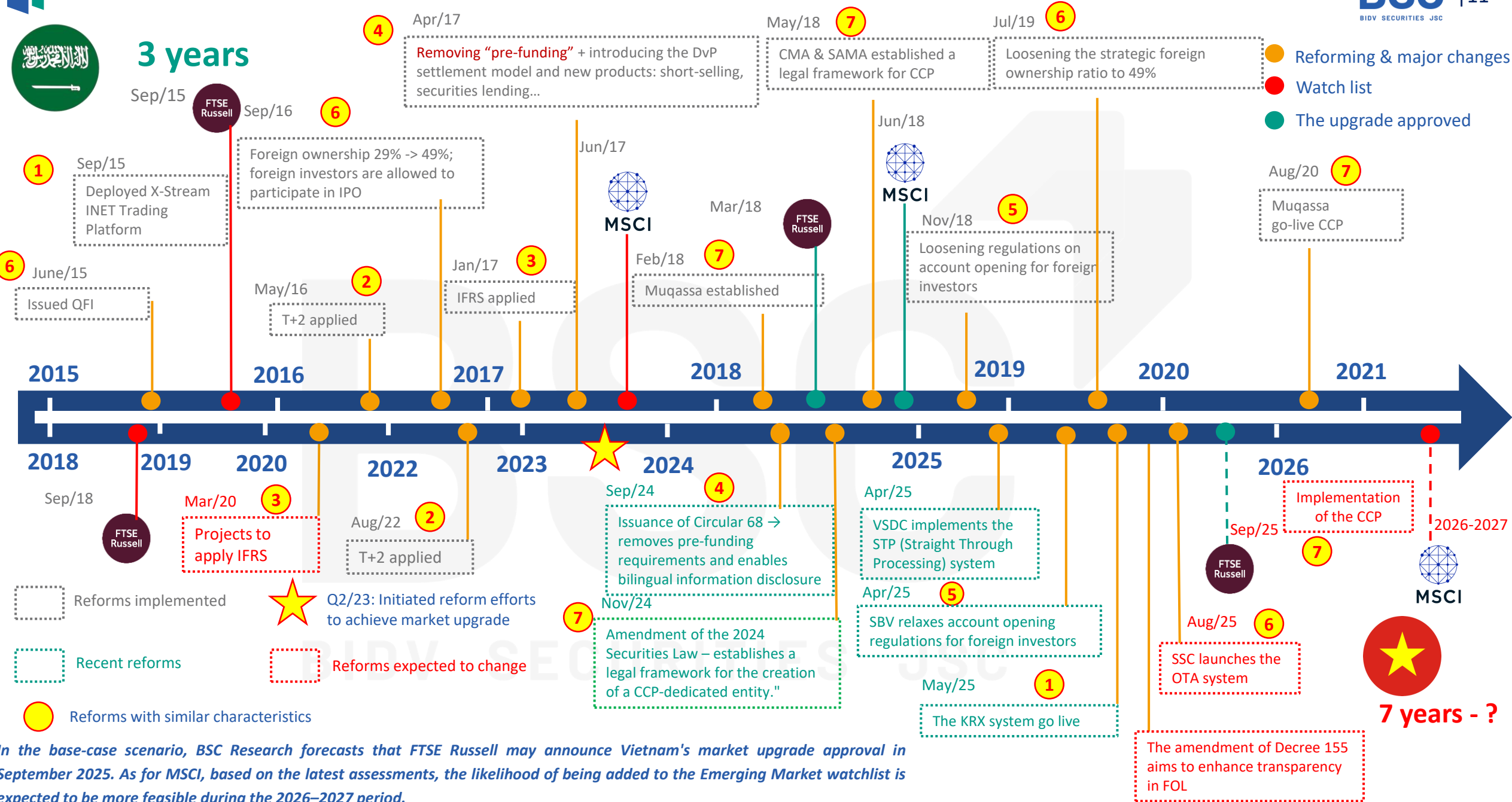
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**Note:** The above-mentioned weight is the average proportion that each country is held by investment funds (ETFs, open-end funds). The value includes the total holdings in funds by country, compiled by BSC Research from Bloomberg data. Additionally, global investment funds may use private indices or their own criteria for capital allocation, meaning actual investment in Emerging Markets could be significantly higher.

Source: BIDV Securities Company (BSC) compiled from Bloomberg. Data as of 26/02/2025

# KRX go-live and the revision of FII account opening regulations - a significant step toward the stock market upgrade goal



In the base-case scenario, BSC Research forecasts that FTSE Russell may announce Vietnam's market upgrade approval in September 2025. As for MSCI, based on the latest assessments, the likelihood of being added to the Emerging Market watchlist is expected to be more feasible during the 2026–2027 period.



# SSC has implemented most of the solutions to realize the market upgrade objective

**Proposal to retain foreign ownership room for foreign investors when conducting share buyback transactions from securities firms** → The implementation of the KRX system will enable the retention of foreign room until T+3

**Foreign room** ✓

**Information disclosure** ✓

SSC plans to amend the information disclosure appendix by removing the requirement to disclose the identity of the authorized representative

**Solution group related to Circular 68**

**NPF solution** ✓

SSC has held discussions with securities firms regarding **their consensus on handling the following issues**: (1) the list of securities eligible for the Non-Pre-Funding (NPF) mechanism, (2) the determination of minimum cash requirements, (3) the process for handling failed trades, and (4) the contractual framework with clients.

**-> Minimizing inconsistencies in the implementation of the NPF model.**

The dialogue group consists of SSC, securities firms, custodian banks, investment funds, and experts

**→ tasked with resolving issues to ensure the best possible market experience for foreign investors**

**→ supporting the market upgrade process**

**Establishment of a dialogue group** ✓

**Policy solutions working group**

**09 actionable solutions toward market reclassification**

**SSC** State Securities Commission of Vietnam

VSDC will implement the Straight Through Processing (STP) system for electronic trade communication between securities firms and custodian banks. At the same time, the STP system will be upgraded to adopt SWIFT-standard messaging -> improving convenience for servicing foreign investors.

**-> Launched on 05/05/2025**

SSC has instructed the stock exchanges and VSDC to promptly implement the required tasks and report back to the SSC

**-> KRX system go live in 05/05/2025**

**Implementation of OTA** ✗

VSDC is expected to implement the Omnibus Trading Account (OTA), which will allow fund management companies to execute buy/sell orders simultaneously for all their managed funds, without having to place separate orders for each individual account. This initiative will simplify order placement for asset managers and foreign investors, offering greater convenience.

**-> The implementation is expected to take place before August 2025**

**Amendment of regulations on FII account opening** ✓



SBV will amend certain legal regulations to simplify and shorten the account opening process for foreign investors engaging in indirect investment activities.

**Technology infrastructure solution group**

**CCP** ✗

Upcoming tasks to be implemented: (1) Establishing a subsidiary under VSDC dedicated to Central Counterparty (CCP) operations; (2) Finalizing the settlement procedures between VSDC and market participants; (3) Enabling commercial banks to become clearing members

**→ The CCP is expected to be operational in 2026.**

**STP** ✓

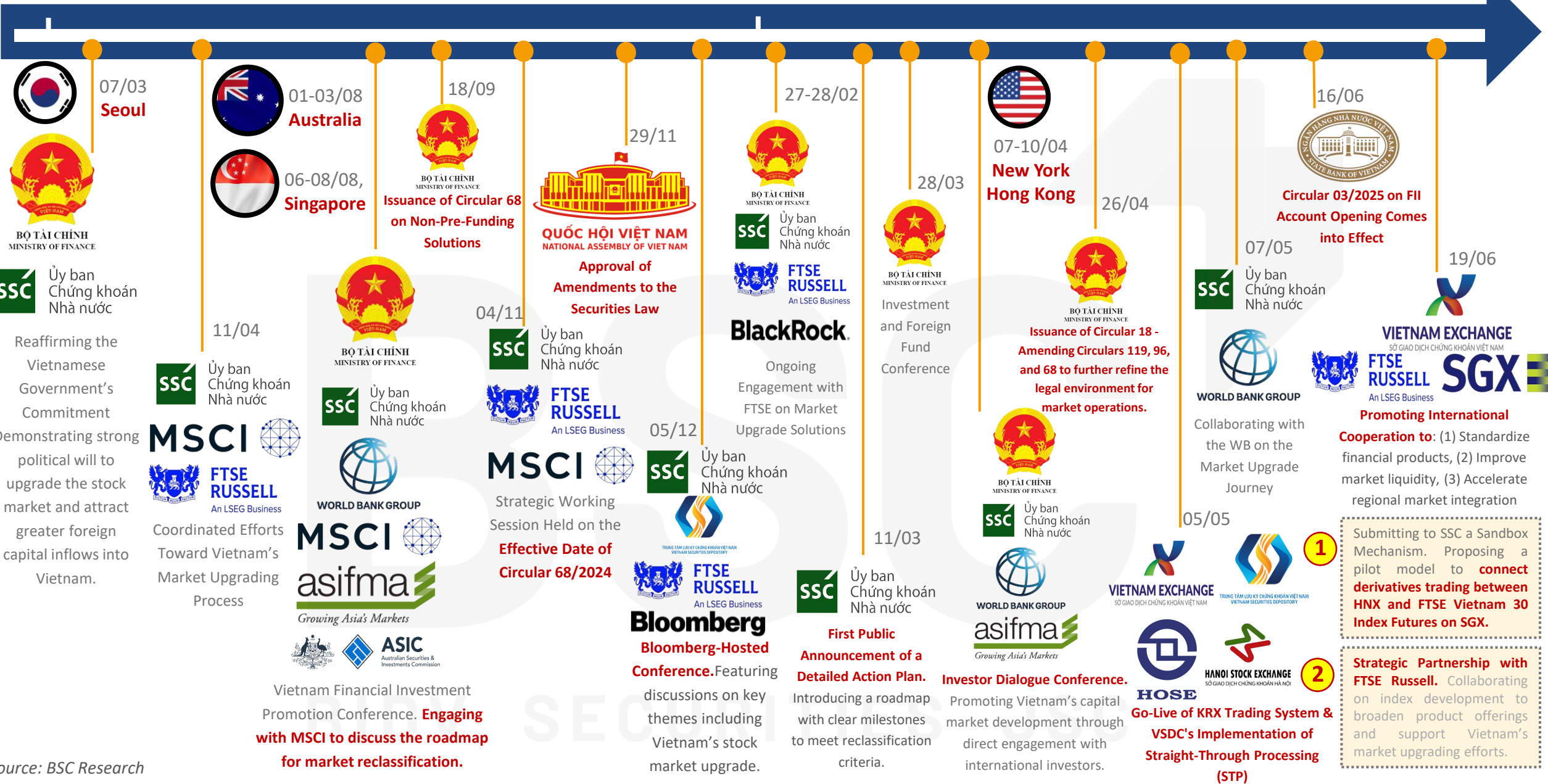
**KRX** ✓

# Accelerating actions to realize market upgrading objectives



2024

2025







## Case study: Saudi Arabia

# Why Choose Saudi Arabia?

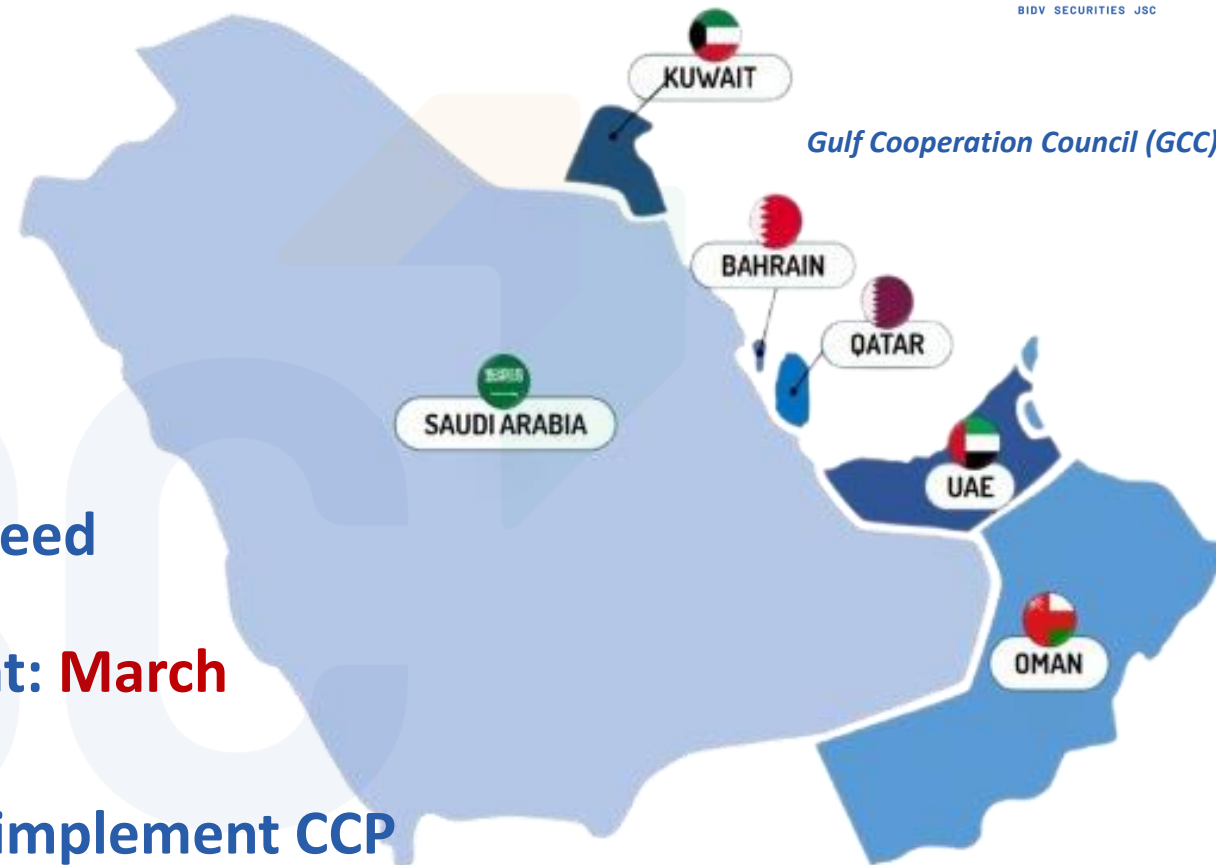


2018 Upgraded

1<sup>st</sup> Fastest upgrade speed

Upgrade announcement: March

1<sup>st</sup> Country in GCC to implement CCP

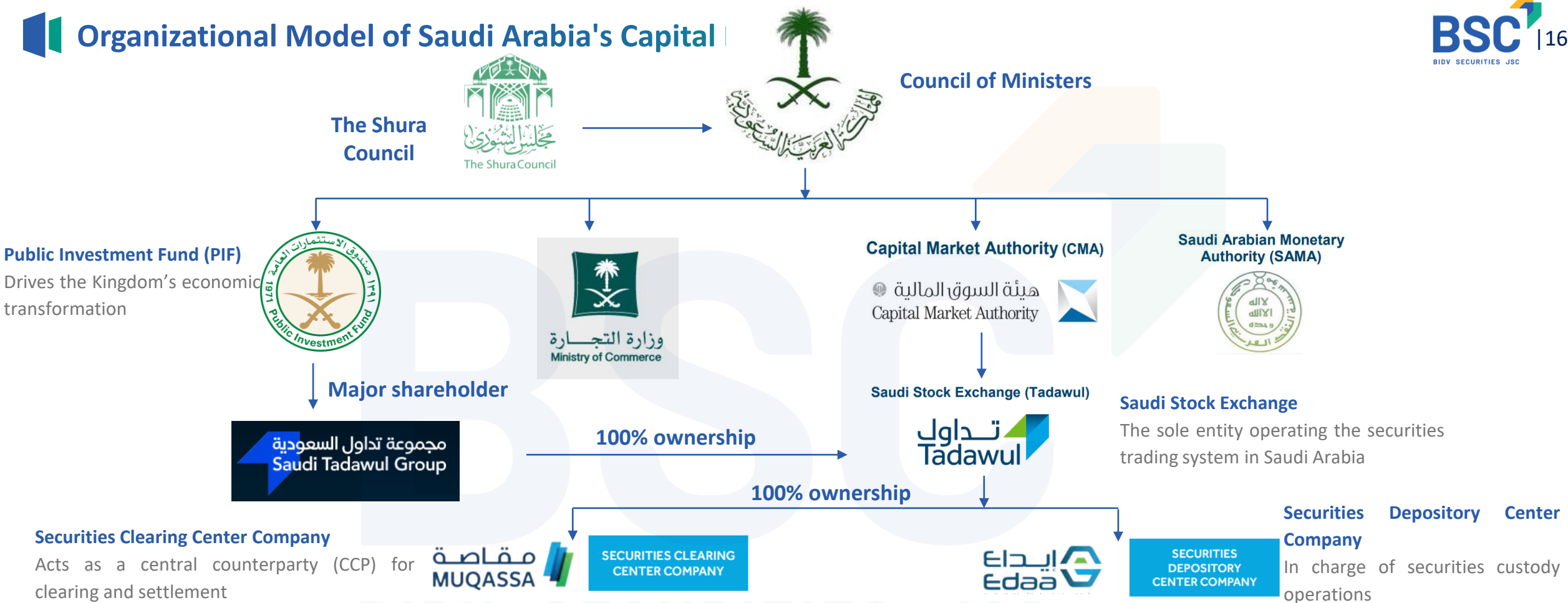


Gulf Cooperation Council (GCC)

Source: BCB, FTSE Russell, MSCI, CCP Global, BSC Research

- Setting a comprehensive national development goal for the Kingdom of Saudi Arabia toward 2030 requires breakthrough reforms and structural transformations — in which the capital market plays a pivotal role, and the objective of being upgraded to Emerging Market status is a mandatory milestone. This context closely resembles Vietnam's current phase, where a major institutional reform is being pursued to streamline the state apparatus, paving the way for a new era — a period of national resurgence — with strong political determination and the concerted efforts of the entire political system. Furthermore, the year 2025 is the deadline set by the Prime Minister for the Ministry of Finance and the State Securities Commission of Vietnam to secure the country's reclassification to Emerging Market status, as stipulated in Decision No. 1726/QĐ-TTg dated December 29, 2023, on the capital market development strategy through 2030;
- With a clearly defined direction, decisive implementation, and high-level political will to promote economic development — of which the capital market is a key pillar — the Saudi Arabian stock market was officially upgraded to Emerging Market status in 2018 by all three major international index providers: FTSE Russell, MSCI, and S&P Global. It is particularly noteworthy that Saudi Arabia was on MSCI's watch list for less than one year before being officially reclassified — the shortest watch-list period on record for a country to be upgraded by MSCI. Additionally,. Saudi Arabia is among the very few countries for which FTSE Russell issued a reclassification announcement in March — an exceptional timing outside the typical September review cycle — during the 2008–2024 period.





**Key Institutions in the Structure of Saudi Arabia's Financial Market:** Saudi Arabia is an absolute monarchy, in which the King serves as both the Head of State and Head of Government — holding the supreme authority over the legal and executive systems of the Kingdom.

- **Council of Ministers:** Chaired by the King and comprising the Crown Prince along with relevant ministers, this is the central executive body responsible for overseeing all administrative affairs of the Kingdom.
- **The Shura Council:** Acts as the legislative advisory body. It provides counsel on policies, regulations, and socio-economic plans to the Council of Ministers prior to submission for the King's approval.
- **Saudi Central Bank (SAMA):** The monetary authority responsible for regulating banking activities, managing foreign exchange reserves, and ensuring price and exchange rate stability. It plays a critical role in maintaining the sound growth of the national financial system.
- **Capital Market Authority (CMA):** Responsible for issuing regulations and developing the capital market. Its main objectives include fostering a conducive investment environment, promoting market transparency, and protecting investors from fraudulent practices.



# Development History of the Saudi Arabian Stock Market from 2007 to 2023

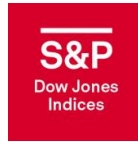
Saudi Stock Exchange (Tadawul)



- '07: Establishment of Tadawul
- '07: Establishment of the main market
- '08: CMA approved Derivatives Swaps
- '09: Launch of the fixed income market
- '10: Launch of ETF platform
- '12: Establishment of TREC LLC



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- '17: Launch of the parallel market "NOMU"
- '17: Settlement cycle shortened to T+2
- '17: TPCC & Sukuk listed on EDAA
- '18: Establishment of Muqassa – the clearing and settlement center

- 1. Muqassa licensed as CCP
- 2. Launch of derivatives market with CCP settlement
- 3. Derivatives contracts launched on NOMU
- 4. Sukuk and commodity ETFs listed

- '22: Enhanced post-trade processing
- '22: PIF sold 10% stake in STG
- '23: STG acquired 51% stake in DirectFN
- '23: Single stock options approved

2007-13

2017/18

مقاصة  
MUQASSA

2020

2022/23

Capital Market Authority (CMA)



- '03: CMA established

2013-2016

- '13: Launch of regulatory framework for Qualified Foreign Investors (QFI)
- '15: QFI access officially approved
- '15: Tadawul implemented X-Stream trading platform in partnership with NASDAQ
- '16: Launch of REITs platform

2019

- 1. Saudi Aramco listed
- 2. Included in the emerging market indices of MSCI, S&P, and FTSE
- 3. Allow SOEs to list with simplified disclosure rules

أرامكو السعودية  
saudi aramco



2021

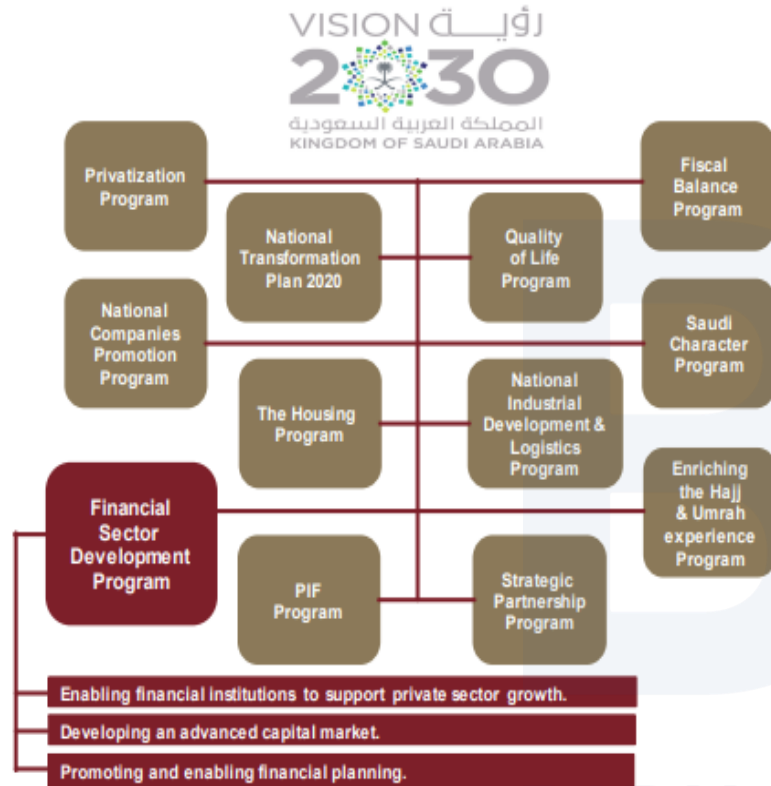
- 1. Clearstream integrated with Edaa – allowed foreign investors access via ICSD
- 2. Launch of Closed-End Funds platform
- 3. STG listed on the stock exchange

مجموعة تداول السعودية  
Saudi Tadawul Group

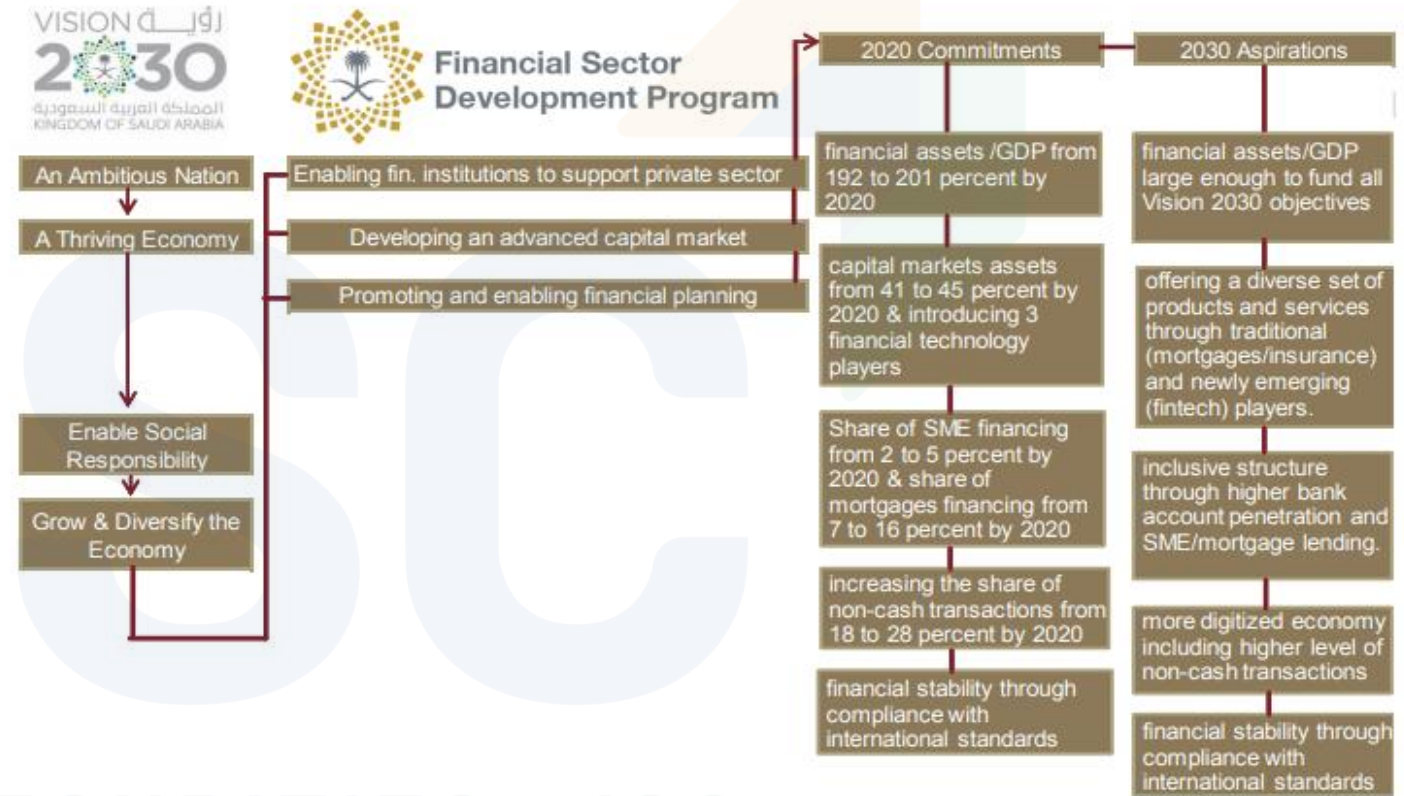
Sources: Company IPO Prospectus, News releases, Al Rajhi Capital, Tadawul, BSC Research

- Although the Saudi stock market has been operating since 1954, it only truly entered a transformation phase in 2003 with the establishment of the Capital Market Authority (CMA) – aiming to develop the domestic capital market in a systematic and professional manner, aligned with international standards.
- The stock market gradually opened to foreign investors, but still faced many obstacles. A significant shift began in 2015, when the CMA issued the QFI regulations to attract foreign capital inflows. Subsequently, institutions such as Edaa and Muqassa were established to realize the goal of upgrading the market to emerging status and to enhance market infrastructure —> following the development path set by Saudi Arabia's Vision 2030.

**Table 1: Vision 2030 and the Financial Sector Development Program**



**Table 2: The FSDP's commitments and aspirations**



Sources: Jadwa Investment, BSC Research

In an effort to develop a sustainable financial market and attract foreign capital, the Government of Saudi Arabia has introduced a series of reforms in orientation, structure, and legal frameworks — with a particular focus on the stock market.

**Key capital market reforms implemented by Saudi regulatory authorities between 2015 and 2020 include:**

- (1) Launching the Financial Sector Development Program (FSDP), implementing the Qualified Foreign Investor (QFI) framework, and continuously updating and adjusting the program to meet foreign investor demands in a timely manner;
- (2) Proactively liberalizing foreign ownership limits, removing the pre-funding requirement, deploying the new trading platform X-Stream, introducing the Delivery versus Payment (DvP) settlement model, and launching new financial products;
- (3) Ensuring close coordination between the Capital Market Authority (CMA) and the Saudi Central Bank (SAMA), including the establishment of a framework for Central Counterparty (CCP) operations — which led to the creation of Muqassa.



# Saudi Arabia's process in meeting FTSE Russell's criteria



Gross National Income per capita (World Bank data)
Creditworthiness
Trading Environment and Regulatory Framework
1 Oversight by market authorities (e.g., SEC, FSA, SFC)
2 Fair and non-discriminatory treatment of minority shareholders
3 No or few selective restrictions on foreign ownership
4 No prohibitions, restrictions, or penalties on capital investment or repatriation of capital and income
5 Streamlined or no registration process for foreign investors
Foreign Exchange Market
6 Developed foreign exchange market
Capital Market
7 Brokerage fees - Sufficient competition to ensure high-quality brokerage services
8 Transaction costs - Implicit and explicit costs are competitive and reasonable
9 Taxes - Application of reasonable and equivalent tax regulations for domestic and foreign investors
10 Securities lending permitted
11 Short selling permitted
12 Developed derivatives market
13 Off-exchange transactions permitted
14 Efficient trading mechanism
15 Transparency - Timely market depth information and trade reporting process
Payment, Clearing, and Settlement
16 Settlement - Costs related to failed trades
17 Settlement cycle (DvP)
18 Central Securities Depository (CSD)
19 Central Counterparty (CCP)
20 Settlement - Free of payment (FOP) delivery
21 Custody - Sufficient competition to ensure high-quality custody services
22 Account structure operates at a peer-to-peer level for custody (securities and cash)

SECONDRARY EMERGING MARKET WATCH 9 criteria	Watch list 09/2015	03/2016	09/2016	03/2017	09/2017	Upgraded 03/2018
	1.5 Year					
	1 Year					
	Met					Met
	Not Met			Restricted	Met	Met
	Not Met			Not Met	Not Met	Met
	Not Met	Not Met	Not Met	Met		Met
	Met					Met
	Not Met	Not Met	Not Met	Not Met	Restricted	Restricted
	Not Met	Not Met	Not Met	Not Met	Restricted	Restricted
	Met					Met
	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Restricted	Met
	Not Met	Not Met	Not Met	Not Met	Restricted	Met
	Met					Met
	Not Met	Not Met	Not Met	Restricted	Met	Met

Source: FTSE Russell, BSC Research

Framework for assessing conditions for upgrade to Secondary Emerging Market

MSCI, FTSE Russell, S&P Global upgrade

## Key Notes on the Upgrade Process:

The Saudi Arabian stock market needed **2.5 years** to be approved for an upgrade to Secondary Emerging Market status after being added to the watchlist.

But, *changes were officially recognized by FTSE Russell starting from March 2017.*

These changes were evaluated during the semi-annual reviews conducted in March and September each year by FTSE Russell.

At the time of the upgrade approval, the Saudi stock market had fulfilled all 9 out of 9 criteria set for classification as a Secondary Emerging Market.

Subsequently, Saudi Arabia underwent 6 transition phases to complete the upgrade process set by FTSE Russell (originally expected to be 5 phases), from March 2019 to June 2020.



	2016	Watch list 2017	Upgraded 2018	2019
<b>Openness to Foreign Investors</b>				
1 Openness to Foreign Investors	+	+	+	+
2 Foreign ownership limits	-/?	-/?	-/?	-/?
3 Remaining room for foreign investors	-/?	-/?	-/?	-/?
4 Equal rights for foreign investors	-/?	-/?	-/?	-/?
<b>Ease of Capital Inflows/Outflows</b>				
5 Level of restrictions on capital flows	++	++	++	++
6 Level of foreign exchange market liberalization	++	++	++	++
<b>Market Accessibility</b>				
7 Registration and account setup process for investors	-/?	-/?	+	+
<b>Market Organization</b>				
8 Market regulations	+	+	++	++
9 Information flow	-/?	+	+	+
<b>Market Infrastructure</b>				
10 Clearing and settlement	-/?	+	+	+
11 Oversight and custody operations	-/?	+	+	+
12 Registration/custody authorities	++	++	++	++
13 Trading activity	++	++	++	++
14 Transferability	-/?	-/?	-/?	-/?
15 Securities lending activity	-/?	-/?	-/?	-/?
16 Short selling activity	-/?	-/?	-/?	-/?
<b>Availability of Investment Instruments</b>	+	+	+	++
<b>Stability of the Institutional Framework</b>	+	+	+	+
-/? : Improvement needed / under assessment		Changes reflect a trend of improvement		
+: No major issues, can be improved		Changes recognized by MSCI and upgraded		
++: No issues		MSCI, FTSE Russell, S&P Global upgrade		

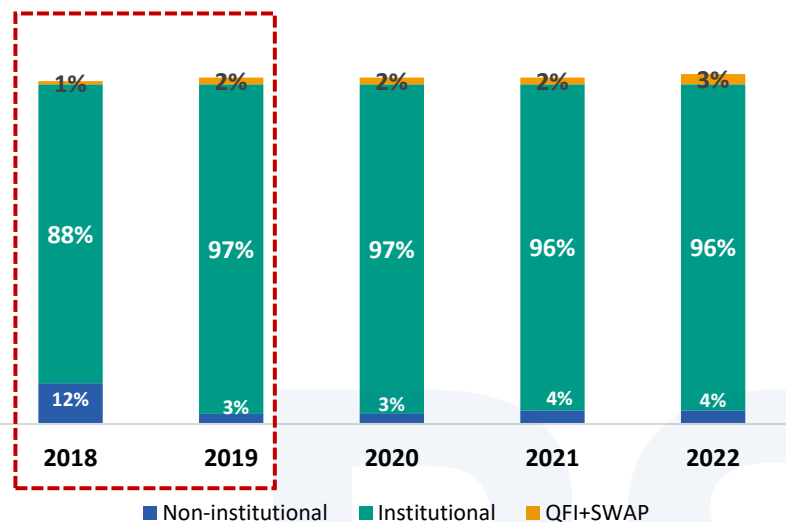
## Key Notes on the Upgrade Process:

- The Saudi Arabian stock market was on the **MSCI Watch List for only 1 year before receiving an official upgrade** – this is the **shortest period a country has remained on the MSCI Watch List before being upgraded to Emerging Market status**.
- The Saudi stock market underwent 2 transition phases to complete the upgrade process under MSCI's roadmap, from May 2019 to September 2019.
- One notable point in the criteria **“Foreign ownership limit” – even though MSCI did not revise its evaluation level (kept it at “-/?”), MSCI still decided to upgrade** due to major reforms by CMA in issuing QFI regulations and follow-up updates to facilitate foreign investor participation. This could serve as a reference case for Vietnam in future MSCI assessments.
- Rapid and determined government intervention** helped Saudi Arabia receive approval for an upgrade from FTSE, MSCI, and S&P in a short period. This success has been highly praised internationally, especially for regulatory reforms and the **close coordination between the two key agencies: CMA and SAMA, which was a critical factor in developing and upgrading the capital market**.

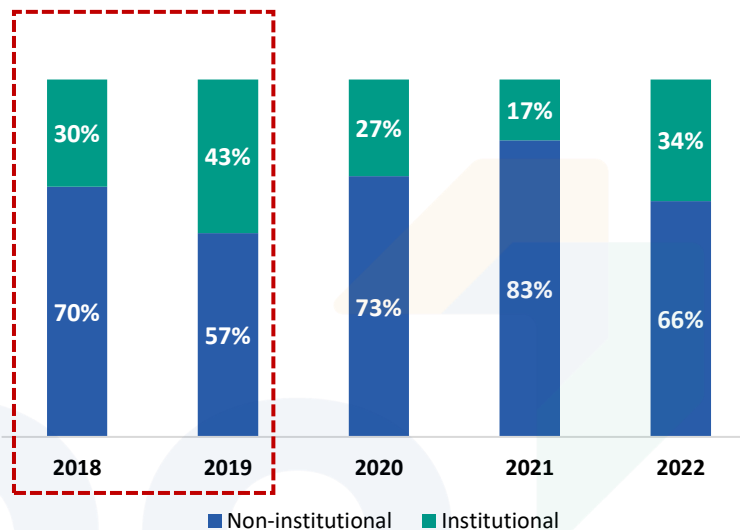


# The structure of the Saudi Arabia's stock market before and after being upgraded

Ownership by Category of Investors



Percentage of Trading by Investor Type

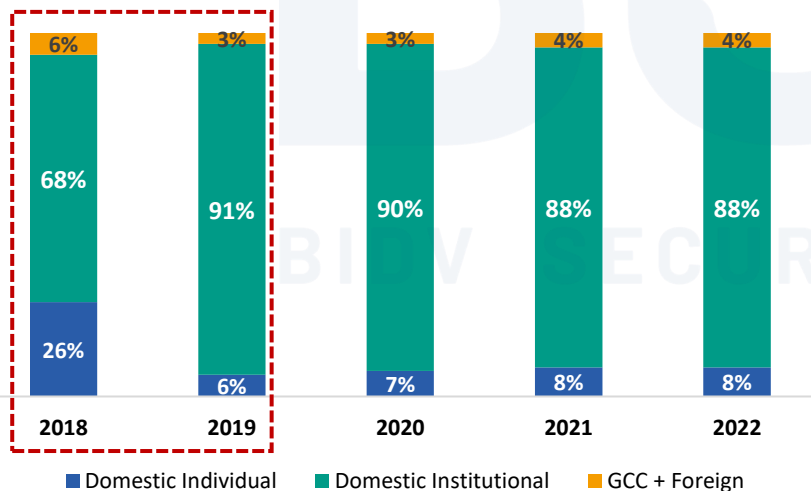


## Key notes on the Saudi's stock market:

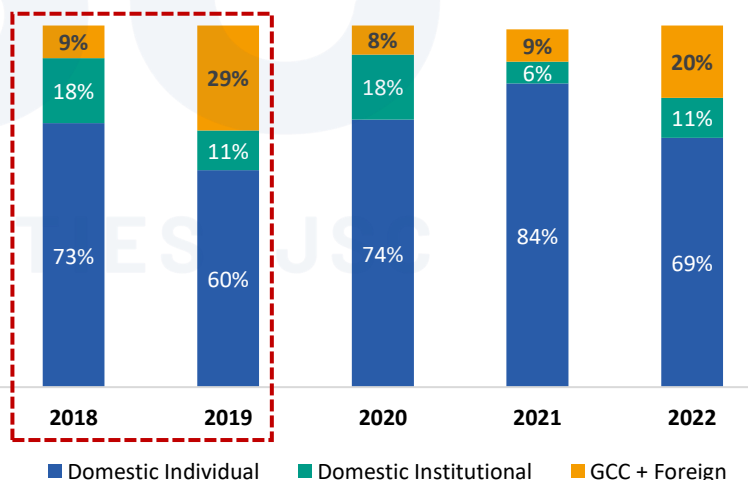
- The Saudi Arabian stock market has generally remained quite closed, with a relatively low level of foreign ownership. This rate increased in 2018 when the market was upgraded by three international rating agencies but has since stabilized at an average of 3–4%;
- A notable development since the upgrade is the significant increase in the proportion of institutional investors, rising from 68% in 2018 to 91% in 2019 and maintaining a stable level of 88–90% in subsequent years. This implies a sharp decline in the participation of domestic retail investors, aligning with the Saudi government's goal of fundamentally restructuring the market.
- According to the CMA, by the end of 2017—just before the market upgrade—there were approximately 4.6 million retail investors compared to 5,500 institutional investors. In comparison with other markets, the proportion of trading value from individual investors in Saudi Arabia was around 85%, slightly higher than China's, significantly higher than India's (where retail trading accounts for about 34%), and far exceeding that of the United States (less than 2%).

Source: Tadawul, Al Rajhi Capital, BSC Research

Ratio of Domestic to Foreign Investor Ownership



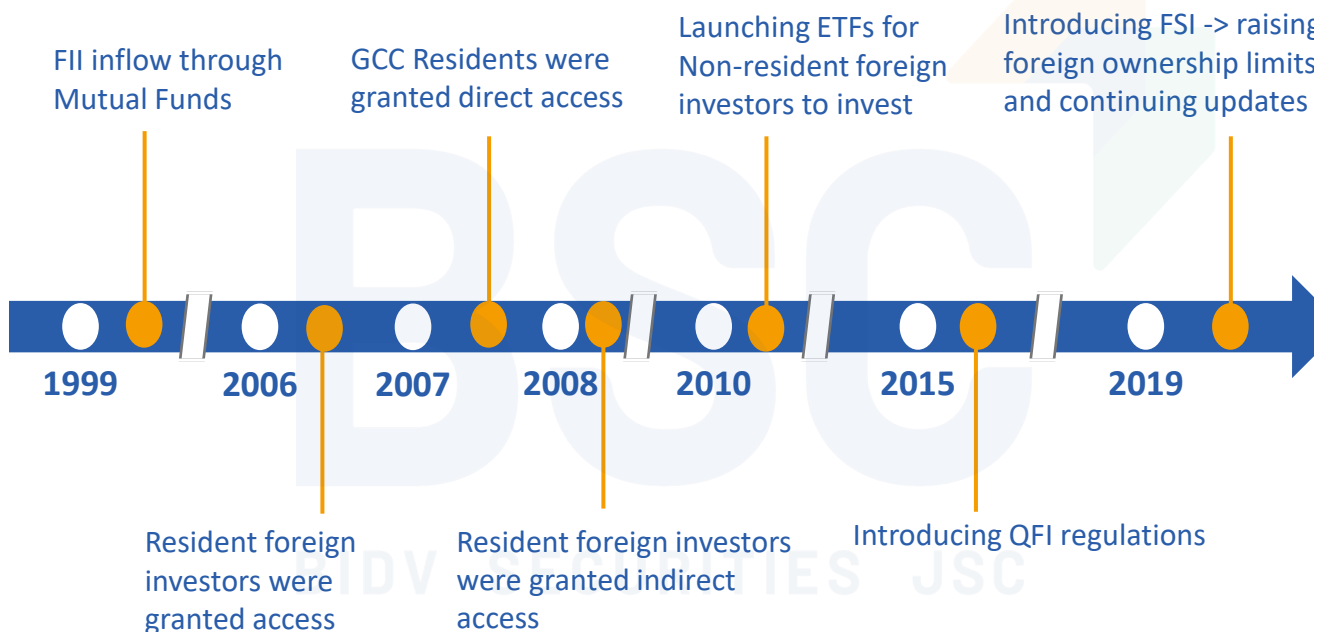
Trading Ratio of Domestic to Foreign Investor Ownership





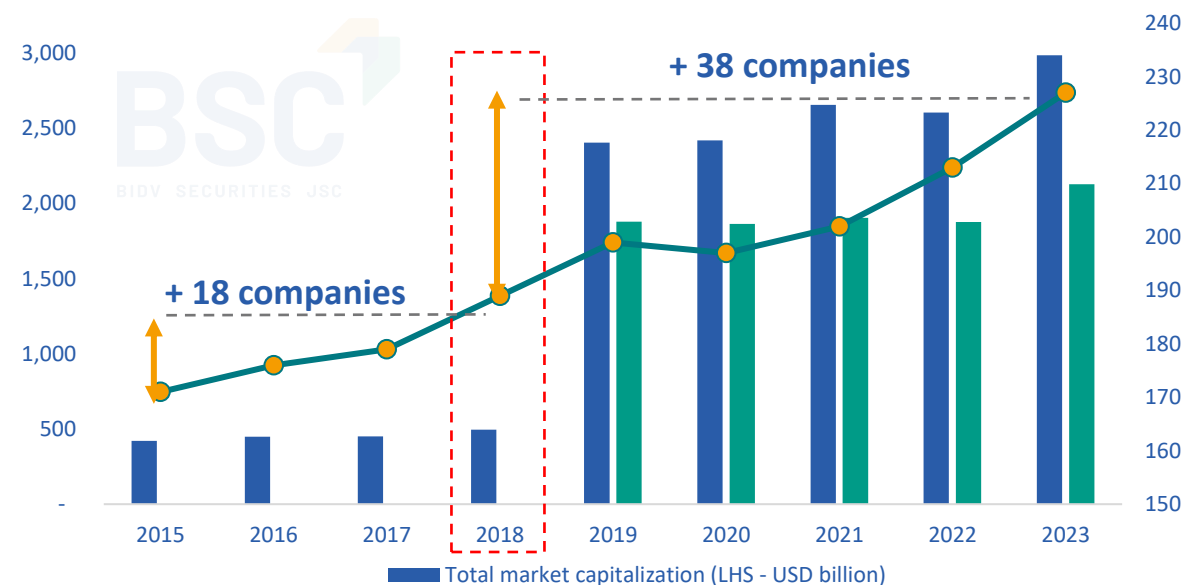
# Some observations regarding the upgrade process of Saudi Arabia

## The process of opening Saudi Arabia's capital market to foreign investors



Source: Compiled by BSC Research

## Market capitalization & Numbers of company listed from 2015-2023



Market upgrade by MSCI, FTSE Russell, & S&P Global

### Remarks:

Source: Bloomberg, BSC Research

- The approval for Saudi Arabia's upgrade to Emerging Market status by all three major global index providers (MSCI, FTSE Russell, S&P Global) in 2018 demonstrates the Kingdom's strong political will and reform efforts. **This achievement stemmed from close coordination between the CMA and SAMA in establishing the legal framework and foundational infrastructure to implement CCP model (via the establishment of Muqassa – a model that Vietnam is also pursuing), along with other key reforms to facilitate foreign investor access to the market;**
- Upgrading the Saudi stock market (Tadawul) to Emerging Market status was one of the national objectives outlined by the Saudi government as part of the “Saudi Arabia Vision 2030” strategy – where developing the financial market is a critical component. Furthermore, the market upgrade served as an important foundation for the world’s largest oil company, Saudi Aramco, to prepare for its IPO in 2019. At the same time, the upgrade paved the way for more domestic companies to list on the exchange;
- **According to SAMA, the successful development of Saudi Arabia’s financial market can be attributed to several factors:** (1) SAMA’s critical role in the system; (2) The establishment of a dedicated capital market development authority (CMA) in 2004; (3) The creation of a Debt Management Office (DMO) in 2015; (4) The launch of the securities depository unit (Edaa) in 2016; (5) The formation of the Muqassa clearinghouse; (6) The introduction of “Saudi Arabia Vision 2030”; (7) Aggressive reforms and adoption of modern technologies.



# EMERGING MARKETS



**FTSE  
RUSSELL**  
An LSEG Business



**Case study: Indexes Movements and Foreign Capital Flows**





# Reviews of Asian Countries Classified by MSCI and FTSE



Country that had been downgraded



	UAE	Qatar	China A	Pakistan
Reference Indexes	FTSE Abu Dhabi Exchange General	Qatar Exchange	Shanghai Stock Exchange Composite	Pakistan Karachi All Share
Market Cap. (USD billions)/ Companies (30/10/2024)	717/72	146/20	7,123/2,232	41/536
 FTSE RUSSELL An LSEG Business				
Entered the Watch list	09/2008	09/2013	< 09/2006	09/2023
<b>Upgrade/Downgrade Approval (T0)</b>	09/2010	09/2015	09/2018	07/2024
<b>Timeframe to complete the transition (T1)</b>	09/2010	09/2016-03/2017 (06 months)	06/2019-06/2020 (12 months)	09/2024
Number of Transition Phases		2 phases	4 phases	
<b>MSCI</b> 				
Entered the Watch list	06/2009	06/2009	06/2013	06/2021
<b>Upgrade/Downgrade Approval (T0)</b>	06/2013	06/2013	06/2017	09/2021
<b>Timeframe to complete the transition (T1)</b>	05/2014 - 08/2014 (03 months)	05/2014 - 08/2014 (03 months)	05/2018 - 08/2018 (03 months)	11/2021
Number of Transition Phases	2 phases	2 phases	2 phases	



Unit: Million USD	-6M	-5M	-4M	-3M	-2M	-1M	T0	1M	2M	3M	4M	5M	6M
Cumulative from -6M							Cumulative from 1M						
Monthly net purchase value	16	91	30	15	62	113	(107)	14	37	(43)	25	82	143
Cumulative net purchase value	16	107	137	151	213	327		14	50	8	33	114	257
Monthly net purchase value	(41)	143	(9)	240	238	182	23	53	(37)	(35)	26	118	115
Cumulative net purchase value	(41)	102	93	333	571	753		53	16	(19)	7	125	240
Monthly net purchase value	(9,849)	7,769	6,678	4,476	1,766	2,655	10,525	8,920	(375)	19,361	13,860	(285)	9,249
Cumulative net purchase value	(9,849)	(2,080)	4,598	9,074	10,840	13,495		8,920	8,545	27,906	41,766	41,481	50,730

T0: is the month the "Upgrade Approval" event occurred

Source: Bloomberg, BSC Research

Unit: Million USD	-6M	-5M	-4M	-3M	-2M	-1M	T1	1M	2M	3M	4M	5M	6M
Cumulative from -6M							Cumulative from 1M						
Monthly net purchase value	82	143	(105)	(46)	(69)	55	990	270	(85)	133	(45)	19	(52)
Cumulative net purchase value	82	224	119	73	41	59		270	186	319	274	293	241
Monthly net purchase value	118	115	532	188	96	275	1,228	13	(20)	176	(43)	(75)	80
Cumulative net purchase value	118	233	765	953	1,049	1,324		13	(7)	169	126	51	131
Monthly net purchase value	(285)	9,249	21,239	(9,136)	(440)	(117)	(11,607)	7,956	(25,441)	9,904	(3,543)	26,142	37,917
Cumulative net purchase value	(285)	8,964	30,204	21,068	20,627	20,511		7,956	(17,485)	(7,581)	(11,124)	15,018	52,935

T1: is the period during which the "Upgrade Transition" process took place

Source: Bloomberg, BSC Research

## Remarks on Foreign Capital Flows:

- At the time of the "Market Upgrade Approval" announcement (T0): For FTSE Russell, net foreign purchases began around 4 months prior, while for MSCI, around 5 months before the announcement. Additionally, foreign investors tend to buy more aggressively in the month the result is officially announced. This indicates that foreign investors often participate in the market well ahead of the official upgrade announcement. **Net buying tends to decline about one month after T0.**
- At the time of the "Market Upgrade Transition" (T1): Foreign capital tends to flow in strongly approximately 4–5 months before the actual transition occurs. This buying momentum often continues through the transition month and about one month afterward. Following this period, **net selling typically resumes for 1–2 months**, before returning to net buying—albeit at a relatively lower magnitude.



## Index Performance and Market Liquidity Following MSCI's Upgrade Approval (T0)

Index (Points - USD)	-6M	-5M	-4M	-3M	-2M	-1M	T0	1M	2M	3M	4M	5M	6M
	717	752	806	820	852	936	978	1,023	1,058	1,019	1,051	1,041	1,110
	-26.64%	-23.07%	-17.58%	-16.16%	-12.84%	-4.34%	0.00%	4.60%	8.21%	4.19%	7.41%	6.47%	13.53%
	2,295	2,375	2,396	2,350	2,338	2,459	2,560	2,606	2,713	2,639	2,670	2,788	2,863
	-10.34%	-7.22%	-6.40%	-8.17%	-8.65%	-3.91%	0.00%	1.83%	5.99%	3.09%	4.30%	8.92%	11.88%
	456	455	468	470	466	450	463	476	493	512	512	512	500
	-1.44%	-1.61%	1.07%	1.64%	0.84%	-2.74%	0.00%	2.97%	6.58%	10.76%	10.78%	10.68%	8.12%

Traded value (thousand USD)	-6M	-5M	-4M	-3M	-2M	-1M	T0	1M	2M	3M	4M	5M	6M
	25,491	61,345	66,367	44,036	46,558	115,183	129,723	84,499	81,029	106,561	98,726	91,665	181,711
	-80.35%	-52.71%	-48.84%	-66.05%	-64.11%	-11.21%	0.00%	-34.86%	-37.54%	-17.86%	-23.90%	-29.34%	40.08%
	34,856	50,464	63,803	57,824	42,430	78,772	100,405	53,909	89,184	75,029	64,426	111,413	85,492
	-65.28%	-49.74%	-36.45%	-42.41%	-57.74%	-21.55%	0.00%	-46.31%	-11.18%	-25.27%	-35.83%	10.96%	-14.85%
	28,694,610	24,078,513	30,249,326	32,088,725	33,676,929	25,948,165	24,245,636	31,501,810	35,976,858	35,790,234	30,083,785	34,972,653	25,977,671
	18.35%	-0.69%	24.76%	32.35%	38.90%	7.02%	0.00%	29.93%	48.38%	47.62%	24.08%	44.24%	7.14%

Nguồn: Bloomberg, BSC Research

Note: The Index is calculated as the monthly average of closing prices. Trading Value is a monthly average shown relative to the T0 benchmark.

Source: Bloomberg, BSC Research



## Index Performance and Market Liquidity During the Upgrade Transition Period (T1)

Index (Points - USD)	-6M	-5M	-4M	-3M	-2M	-1M	T1a		T1b	1M	2M	3M	4M	5M	6M
	1,041	1,110	1,229	1,319	1,317	1,386	1,363	03-04 tháng	1,368	1,401	1,338	1,334	1,214	1,223	1,261
	-23.61%	-18.54%	-9.87%	-3.24%	-3.42%	1.67%	0.00%		0.00%	2.40%	-2.22%	-2.55%	-11.26%	-10.62%	-7.84%
	2,788	2,863	3,029	3,169	3,146	3,419	3,590	03-04 tháng	3,693	3,840	3,686	3,747	3,356	3,276	3,431
	-22.34%	-20.23%	-15.62%	-11.73%	-12.36%	-4.76%	0.00%		0.00%	4.00%	-0.17%	1.48%	-9.13%	-11.29%	-7.07%
	512	500	538	522	514	496	493	03-04 tháng	401	397	375	379	374	377	413
	3.77%	1.37%	9.05%	5.79%	4.10%	0.43%	0.00%		0.00%	-1.03%	-6.41%	-5.41%	-6.75%	-5.97%	2.93%

Source: Bloomberg, BSC Research

Traded value (thousand USD)	-6M	-5M	-4M	-3M	-2M	-1M	T1a		T1b	1M	2M	3M	4M	5M	6M
	91,665	181,711	305,192	221,303	160,438	272,176	248,796	03-04 tháng	57,032	90,127	70,907	94,661	112,573	62,201	55,681
	-63.16%	-26.96%	22.67%	-11.05%	-35.51%	9.40%	0.00%		0.00%	58.03%	24.33%	65.98%	97.39%	9.06%	-2.37%
	111,413	85,492	128,564	158,412	132,833	230,326	269,822	03-04 tháng	175,046	122,511	149,602	203,747	157,257	122,854	146,793
	-58.71%	-68.32%	-52.35%	-41.29%	-50.77%	-14.64%	0.00%		0.00%	-30.01%	-14.54%	16.40%	-10.16%	-29.82%	-16.14%
	34,972,653	25,977,671	40,721,412	34,195,963	31,431,249	29,647,992	27,048,978	03-04 tháng	18,192,840	16,331,276	19,567,323	21,864,578	16,219,285	18,484,076	37,754,721
	29.29%	-3.96%	50.55%	26.42%	16.20%	9.61%	0.00%		0.00%	-10.23%	7.56%	20.18%	-10.85%	1.60%	107.53%

Source: Bloomberg, BSC Research

Note: The Index is the average of monthly closing prices; Trading Value (GTGD) is a monthly average. Both are shown relative to benchmark T1a (for the -6M period) and T1b (for the period from 6M). The T1a-T1b timeframe represents the transition period.

Source: Bloomberg, BSC Research

## Upgrade Approval (T0)

### A. Index:

**Downtrend** from -6M -> T0, especially in China where decline is prolonged due to macroeconomic instability.

### B. Liquidity:

**Positive** between -6M to -4M and 2M after T0, however gradually **declined thereafter**.

### A. Index:

**Uptrend** extend from -6M -> 6M: average increases were Qatar (+54%), UAE (+24%), China (+9.7%)

### B. Liquidity:

+ Qatar, UAE: **gradually increase** between -6M -> T0 & continue after 6M  
+ China: **fluctuated** before T0, then rise gradually (+7.14%) after 6M;

## -6M -> T1a and T1b -> 6M

**A. Between 6M -> T1a:** **Positive index** performance occurred in Qatar and China, but **liquidity fluctuated with alternating increases and decreases**.

The **UAE showed a declining trend** as it approached T1a

**B. Between T1b -> 6M:** In 3 countries, index and liquidity **remained positive for 2M after T1b** before declining.

**A. Between 6M -> T1a:** Qatar & UAE's indexes and liquidity are **extremely positive**.

**B. Between T1b -> 6M:** Qatar & UAE's indexes **continued to rise and peaked at 1M after T1b**.

China moved in the opposite direction due to the Trade War.

## T1 Transition (T1a -> T1b)



Since the transition and upgrade approval occurred simultaneously, **this process is not evaluated**.



The dominant trend was a rising in points, with the market bottoming out in 11/2016, then recovery well (+5.48%) accompanied with significant increase in liquidity by T1b (+82% compared to 11/2016).

-> **POSITIVE trend**



The index rose well from 08/2019 to 01/2020 (+10.5%), but liquidity did not experience significant surges. The market dropped sharply when the COVID-19 pandemic occurred; however, it later recovered strongly during the monetary easing cycle and with economic stimulus measures. -> **SIDEWAYS trend**

The market showed a primarily uptrend, but liquidity gradually declined toward T1b -> **POSITIVE trend**

The market showed a primarily uptrend, but liquidity gradually declined toward T1b -> **POSITIVE trend**

The market showed a primarily downward trend, but liquidity gradually declined toward T1b -> **NEGATIVE trend**

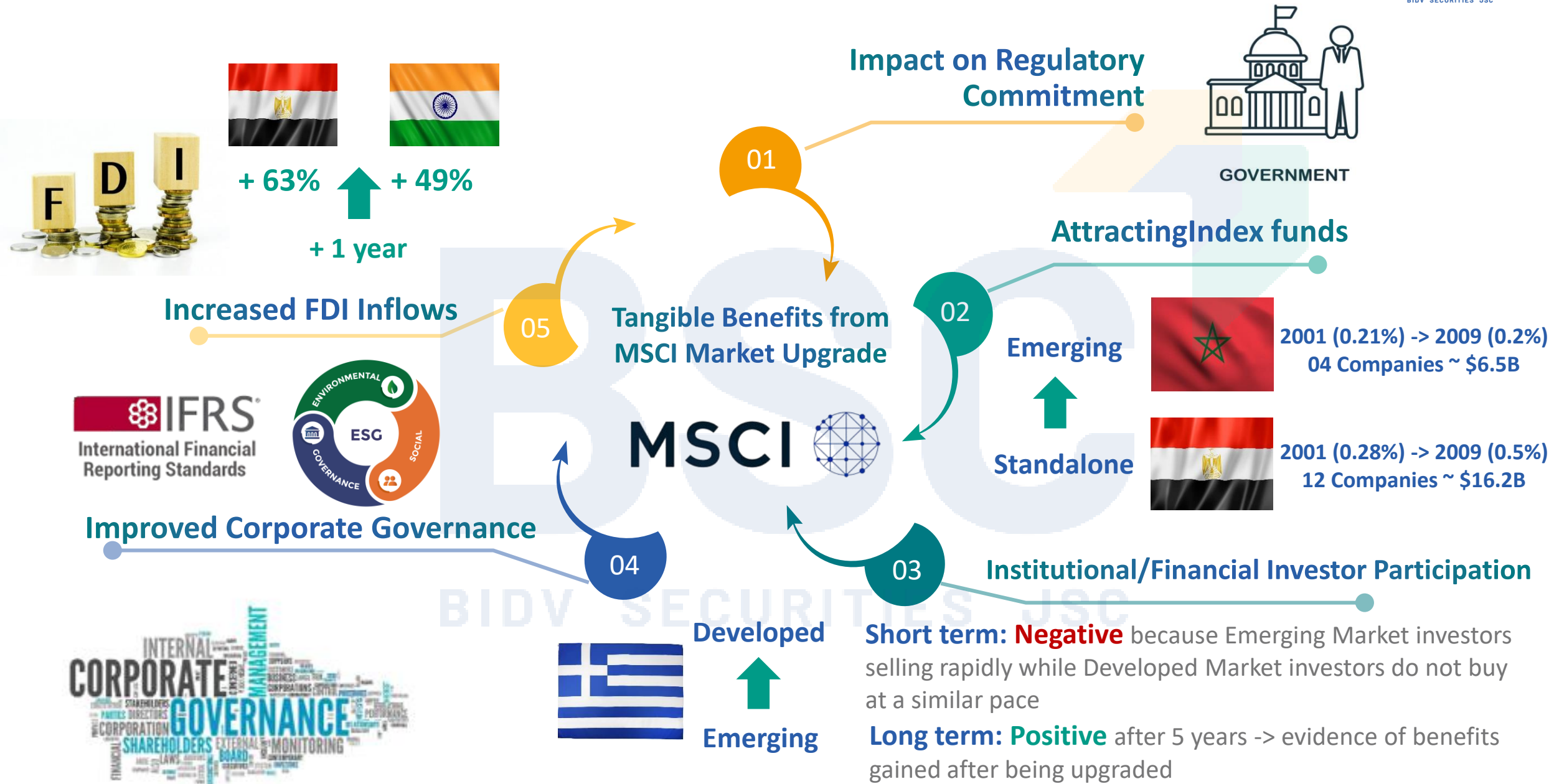


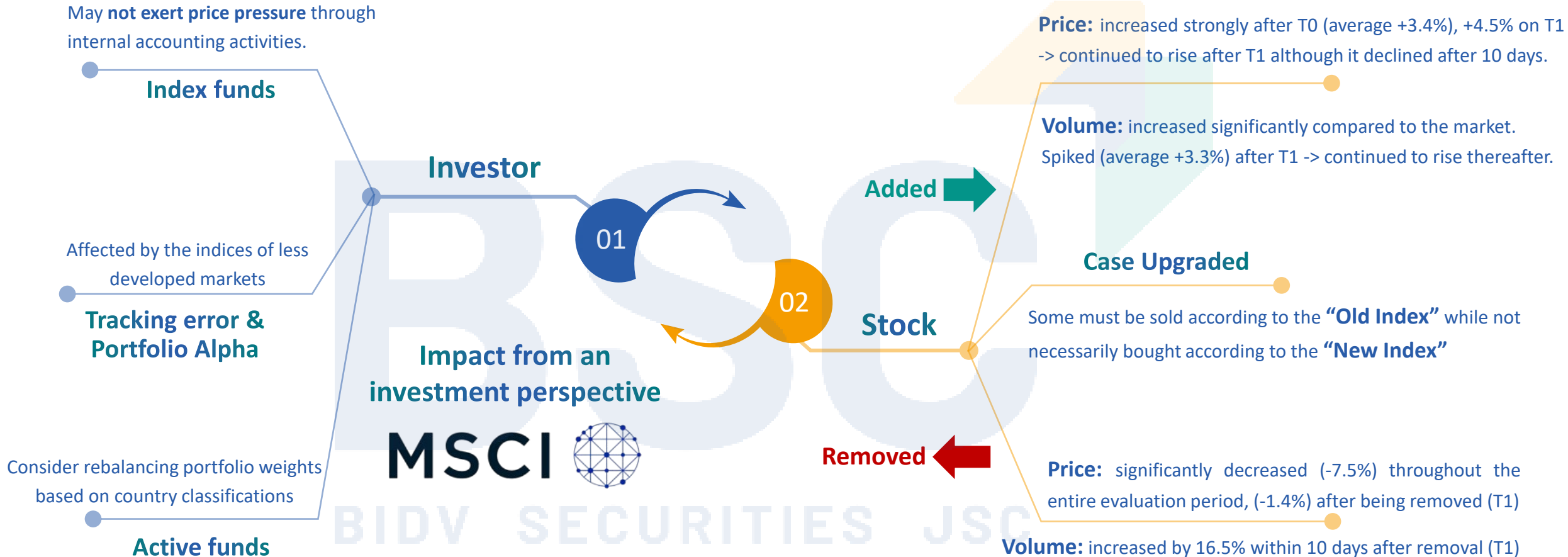
# EMERGING MARKETS



**Some Studies Related to MSCI Market Classification Events**

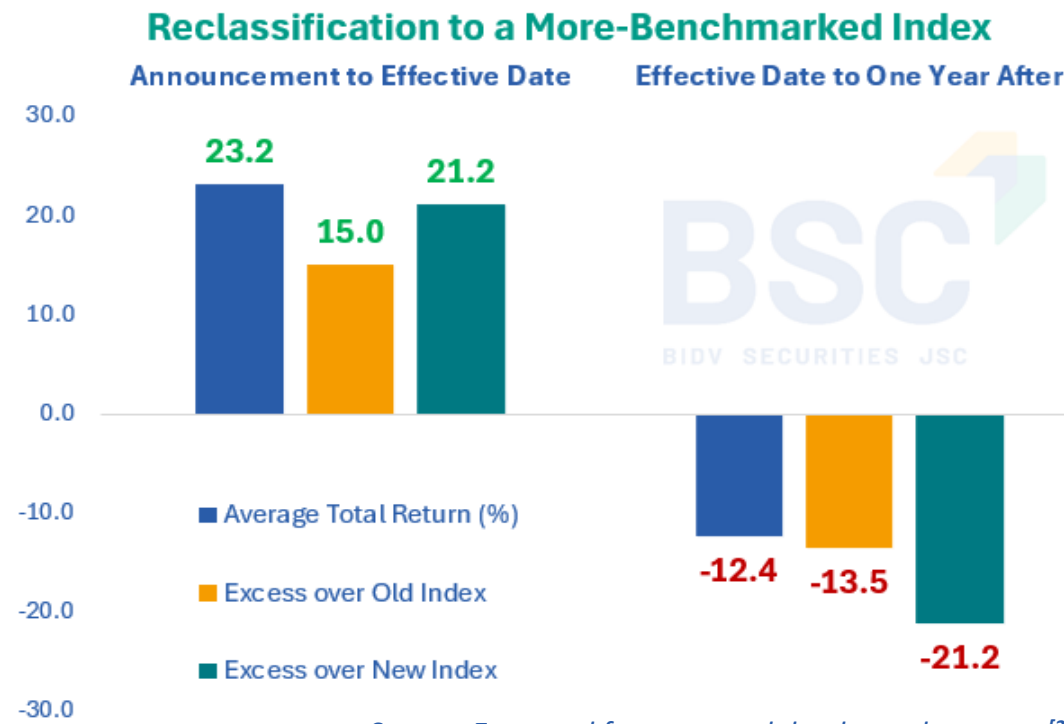
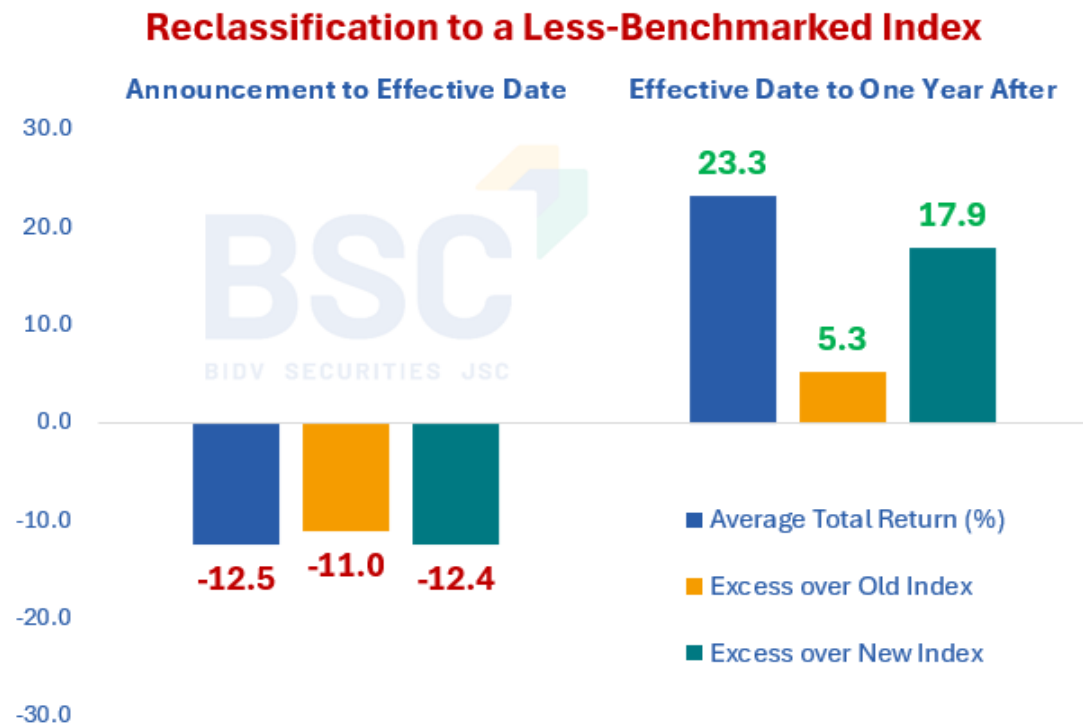






Source: Extracted from research by the author group<sup>[1]</sup>, BSC Research

**Note:** The study conducted by the authors was carried out during 1998–2001, based on a separate survey of 29 markets and 12 portfolio rebalancing events, specifically: **03 developed markets:** United States, United Kingdom, Japan, **14 advanced economies:** Australia, Canada, Denmark, Finland, France, Germany, Hong Kong, Italy, Netherlands, New Zealand, Norway, Singapore, Sweden, Switzerland và **12 emerging economies:** Brazil, China, India, Indonesia, Malaysia, Philippines, South Africa, South Korea, Taiwan, Thailand, Turkey, Venezuela



Source: Extracted from research by the author group<sup>[3]</sup>, BSC Research

**Note:** The performance impact on the MSCI Country Index includes the total returns of that country's index (**total returns**) and the excess returns relative to the former or new benchmark index (**excess returns**) (Frontier, Emerging hoặc Developed). For countries downgraded to or upgraded from Standalone markets, the authors substitute excess returns with total returns.

## Observations:

- **For the “Less-benchmarked” case:** Across **09** market downgrades, **the average total return** between the announcement date (T0) and the effective date (T1) was **-12.5%**, but this loss was more than **recovered** with an overall return of **23.3% in the one year** following the new index's effective date.
- **For the “More-benchmarked” case:** Across **08** market upgrades, **the average total return** between the announcement date (T0) and the effective date (T1) was **23.2%**, but most of these gains were **reversed** with a return of **-12.4% in the one year** after the new index's effective date.
- The research team observed that in the **long term** the rate of return was **nearly “flat”** in **both cases (Less/More Benchmarked)**.

## Case

### If Benchmarked to Old Index (Stock removed from the former index)

### If Benchmarked to New Index (Stock added to the new index)

#### Classified into a “Less-benchmarked” index basket (Can be interpreted as a downgrade)

DM to FM/Standalone, EM to DM/FM/Standalone, FM to Standalone

#### Sell at announcement or several months after the effective date.

Both strategies are related to tracking error considerations. Selling at the time of announcement helps avoid the wave of net selling pressure before the effective date but misses the potential reversal afterwards. In upgrades from EM -> DM, careful consideration is required due to the potential trade-off arising from a previously high weighting in EM.

#### Buy on the effective date.

Net selling pressure before the effective date and the goal of minimizing tracking error both point to buying on the effective date.

#### Classified into a “More-benchmarked” index basket (Can be interpreted as an upgrade)

DM to EM, FM to DM/EM, Standalone to FM/EM/DM

#### Sell on the effective date.

Net buying pressure before the effective date and the objective of minimizing tracking error both point to selling on the effective date.

#### Buy at the time of announcement or several months after the effective date.

Both strategies are related to the tracking error metric. Buying at the time of announcement benefits from net buying pressure before the effective date but is exposed to a reversal afterward. In cases of market downgrades from DM -> EM or lower, careful consideration is required regarding the trade-off with tracking error, due to the potential for a higher weight in the new (smaller-cap) index.

*Note: DM-Developed Market, EM-Emerging Market, FM-Frontier Market*

*Source: Extracted from research by the author group<sup>[3]</sup>, BSC Research*

## Observations:

- The study is based on 17 MSCI market classification events from 2000 to 2015 and excludes multi-level reclassifications (e.g., from Frontier to Developed Market). The proposed strategy is derived from observed historical events;
- **Regarding capital flows during reclassification:** Reclassification not only affects the country being reclassified, but also leads to **portfolio rebalancing flows that create buying pressure on the remaining constituents of the former index and some degree of selling pressure on other components of the new index:** For example, when a country is upgraded from Frontier Market (FM) to Emerging Market (EM), stocks in the former FM index may be bought to fill the weight gap left by the upgraded country, while stocks in the new EM index may face selling pressure.

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# APPENDIX

## A. Evaluation reports by BSC research on the stock market upgrade topic

1. *Vietnam Stock Market Upgrading- March 2024: [Link](#)*
2. *“Day-trading” story in some ASIAN countries – June 2024: [Link](#)*
3. *Sector Outlook 2025 – The Era of Ascent – December 2024: [Link](#)*
4. *Enhancing the technology infrastructure of the Vietnamese stock market– March 2025: [Link](#)*
5. *Vietnam – Road to Emerging Market (Part 1)- March 2025: [Link](#)*
6. *Sector outlook Q2/2025 - The Rise of a New Era: [Link](#)*

## B. International research on market reclassification

1. *Price and Volume Effects of Changes in MSCI Indices – Nature and Causes (2005)* của nhóm tác giả: Rajesh Chakrabarti, Wei Huang, Narayanan Jayaraman, Jinsoo Lee
2. *From Frontier to Emerging: Does Market Reclassification Matter? (2012)* của nhóm tác giả: Dr. Nasser Saidi, Aathira Prasad and Vineeth Naik
3. *Investing in the Presence of Massive Flows: The Case of MSCI Country Reclassifications (2017)* của nhóm tác giả: Terence C. Burnham, Harry Gakidis, Jeffrey Wurgler



Developed	Advanced Emerging	Secondary Emerging	Frontier
Australia	Brazil	Chile	Bahrain
Austria	Czech Republic	China	Bangladesh
Belgium/Luxembourg	Greece	Colombia	Botswana
Canada	Hungary	Egypt	Bulgaria
Denmark	Malaysia	Iceland	Côte d'Ivoire
Finland	Mexico	India	Croatia
France	South Africa	Indonesia	Cyprus
Germany	Taiwan	Kuwait	Estonia
Hong Kong	Thailand	Philippines	Ghana
Ireland	Turkiye	Qatar	Jordan
Israel		Romania	Kazakhstan
Italy		Saudi Arabia	Kenya
Japan		United Arab Emirates	Latvia
Netherlands			Lithuania
New Zealand			Malta
Norway			Mauritius
Poland			Mongolia
Portugal			Morocco
Singapore			Oman
South Korea			Pakistan
Spain			Palestine
Sweden			Peru
Switzerland			Republic of North Macedonia
UK			Serbia
USA			Slovak Republic
			Slovenia
			Sri Lanka
			Tanzania
			Tunisia
			Vietnam

## Vietnam

**Vietnam is currently classified as a Frontier market and was added to the Watch List from September 2018 for possible reclassification to Secondary Emerging market status.**

Vietnam was added to the Watch List in September 2018 for possible reclassification to Secondary Emerging market status. Vietnam has yet to meet the 'Settlement Cycle (DvP)' criterion and the 'Settlement – costs associated with failed trades' criterion, both of which are currently rated as 'Restricted'. In November 2024, the Vietnamese market authorities implemented a non-prefunding (NPF) model, allowing local securities companies to provide Foreign Institutional Investors (FII) with an appropriate level of capital to support their securities purchase orders, thereby removing the pre-funding requirement for FII. Given this development, FTSE Russell continues to monitor the market and seek feedback from market participants on the NPF model and the management of failed trades.

Additionally, improvements to the new accounts registration process are necessary, as current market practices can result in an extended registration period. Introducing an efficient mechanism to facilitate trading between non-domestic investors in securities that have reached, or are approaching, their foreign ownership limit (FOL) is also seen as important.

FTSE Russell acknowledges the ongoing commitment of the Vietnamese market authorities to pursuing various regulatory reforms to further facilitate international investor participation in the Vietnam securities market, including upgrading the main trading platform. FTSE Russell appreciates its constructive relationship with the State Securities Commission of Vietnam (SSC), other market authorities, and the World Bank Group, which supports the wider market reform programme.

Consequently, following the recommendations received from the FTSE Equity Country Classification Advisory Committee and the FTSE Russell Policy Advisory Board, the FTSE Russell Index Governance Board has determined to **retain Vietnam on the Watch List as part of the March 2025 Interim Update.**

FTSE Russell will provide an update on the Watch List status of Vietnam as part of September 2025 FTSE Equity Country Classification Annual Review.



## FTSE GEIS Coverage and modularity image

### FTSE GLOBAL SMALL CAP

\$5.6 trillion net market cap  
4,992 stocks

### FTSE ALL-WORLD®

\$47.0 trillion net market cap  
3,954 large & mid cap stocks

### FTSE GLOBAL MICRO CAP

\$1.1 trillion net market cap  
8,224 stocks

### FTSE GLOBAL ALL CAP

\$52.6 trillion net market cap  
8,946 large, mid & small cap stocks

### FTSE DEVELOPED TOTAL CAP

\$48.2 trillion net market cap  
11,527 large, mid, small & micro cap stocks

### FTSE EMERGING TOTAL CAP

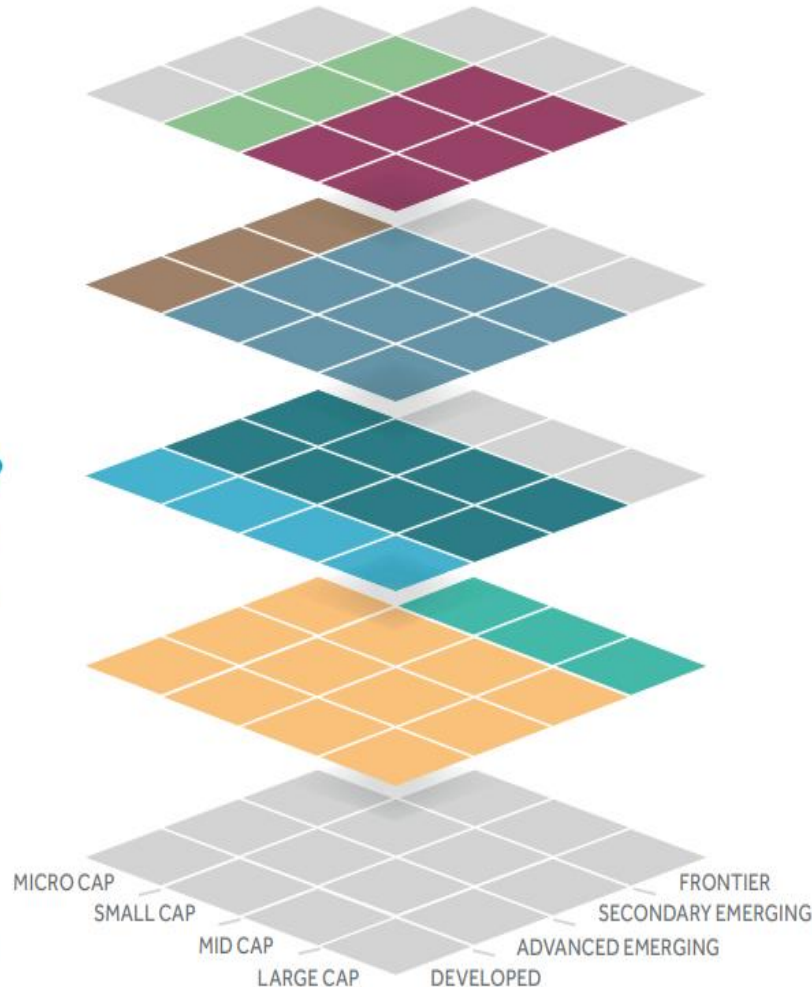
Advanced and Secondary  
\$5.5 trillion net market cap  
5,643 large, mid, small & micro cap stocks

### FTSE FRONTIER

\$109.5 billion net market cap  
364 large, mid & small cap stocks

### FTSE GLOBAL TOTAL CAP

\$53.7 trillion net market cap  
17,170 large, mid, small & micro cap stocks



## FTSE GEIS

Data-driven classification at a granular level.  
The confluence of top-down and bottom-up analysis

MARKET STATUS		SIZE		STYLE		SECTOR (ICB®)	
Developed	Advanced Emerging	Large	Mid	Growth	Value	Industries	Sectors
Secondary Emerging	Frontier	Small	Micro	Defensive	Dynamic	Supersectors	Subsectors

## FTSE GEIS headline indexes

Index	FTSE Global Total Cap	FTSE Global All Cap	FTSE All-World®	FTSE Global Small Cap	FTSE Global Small/Micro Cap	FTSE Global Micro Cap
Included cap segments	Large, Mid, Small, Micro	Large, Mid, and Small	Large and Mid	Small	Small and Micro	Micro
% of FTSE Global Total Cap Index	100%	98%	88%	10%	12%	2%
Net Mcap (USDt)	53.7	52.6	47	5.6	6.7	1.1
Number of countries	49	49	49	48*	49	49
Developed	25	25	25	25	25	25
Emerging	24	24	24	23	24	24
Advanced Emerging	10	10	10	10	10	10
Secondary Emerging	14	14	14	13*	14	14
Number of constituents	17,170	8,946	3,954	4,992	13,216	8,224
Developed	11,631	5,580	2,172	3,525	9,355	5,830
Emerging	4,672	3,366	1,782	1,467	3,861	2,394
Advanced Emerging	2,489	1,030	413	617	2,022	1,405
Secondary Emerging	2,183	2,336	1,369	850	1,839	989

Source: FTSE Russell, data as of September 30, 2019.

\* While FTSE GEIS covers 49 countries, the FTSE Global Small Cap Index covers 48, because Peru had no eligible Small Cap constituents as of the September 2019 review.





# MSCI market classification in June 2025 and the latest comments on Vietnam's stock market

Developed Markets			Emerging Markets			Frontier Markets		
Americas	EMEA	APAC	Americas	EMEA	APAC	Americas	EMEA	APAC
Canada USA	Austria Belgium Denmark Finland France Germany Ireland Israel Italy Netherlands Norway Portugal Spain Sweden Switzerland UK	Australia Hong Kong Japan New Zealand Singapore	Brazil Chile Colombia Mexico Peru	Czech Republic Egypt Greece Hungary Kuwait Poland Qatar Saudi Arabia South Africa Turkey UAE	China India Indonesia Korea Malaysia Philippines Taiwan Thailand	—	Bahrain Benin* Burkina Faso* Croatia Estonia Guinea-Bissau* Iceland Ivory Coast* Jordan Kazakhstan Kenya Latvia Lithuania Mali* Mauritius Morocco Niger* Oman Romania Senegal* Serbia Slovenia Togo* Tunisia	Bangladesh Pakistan Sri Lanka Vietnam
Standalone Markets <sup>1</sup>								
						Americas	EMEA <sup>2</sup>	APAC <sup>3</sup>
						Argentina Jamaica Panama Trinidad and Tobago	Bosnia and Herzegovina Botswana Bulgaria Lebanon Malta Nigeria Palestine Ukraine Zimbabwe	—

## Vietnam

**Foreign Ownership Limit Level:** Companies in certain conditional and sensitive sectors are subject to foreign ownership limits ranging from zero to 75 percent. These limitations still affect more than ten percent of the Vietnamese equity market.

**Foreign Room Level:** The equity market is significantly impacted by foreign room issues. More than one percent of the MSCI Vietnam IMI is impacted by low foreign room.

**Equal Rights to Foreign Investors:** Some company related information is not always readily available in English. In addition, the rights of foreign investors are limited as a result of the stringent foreign ownership limits imposed on both total as well as individual foreign investors.

**Foreign Exchange Market Liberalization Level:** There is no offshore currency market and there are constraints on the onshore currency market (e.g., foreign exchange transactions must be linked to security transactions).

**Investor Registration & Account Set Up:** Registration is mandatory and account setup requires the approval of the Vietnam Securities Depository and Clearing Corporation (VSDC).

**Market Regulations:** Not all regulations can be found in English.

**Information Flow:** Stock market information is not always disclosed in English and occasionally is not detailed enough. In September 2024, the Ministry of Finance outlined a roadmap requiring public companies to disclose information in English. This will be done in phases starting January 1, 2025 and ending January 1, 2028. MSCI will monitor the implementation of this change.

**Clearing and Settlement:** There are no overdraft facilities. In December 2024, Vietnam implemented its short-term non-pre-funding solution, which involves brokers guaranteeing settlement of trades. More time is needed to assess the efficiency of this solution.

**Transferability:** Following changes in regulation, more types of off-exchange transactions and in-kind transfers can be executed without the need for regulatory pre-approval, leading to volumes for these transactions increasing significantly in recent years. However, VSDC typically takes several days to review required documentation before these transactions can be executed.

In Vietnam, the Ministry of Finance outlined a roadmap in September 2024 requiring public companies to disclose information in English. This will be done in phases starting January 1, 2025 and ending January 1, 2028. Additionally, in December 2024, Vietnam implemented its short-term non-pre-funding solution, which involves brokers guaranteeing settlement of trades. MSCI will monitor the implementation of these changes closely.

- In June 2025, MSCI officially implemented its new market classification – **Advanced Frontier Market**, which includes five countries: **Estonia, Latvia, Lithuania, Romania, and Slovenia**. Notably, compared to the initial proposal in October 2024, MSCI has removed one country, Iceland, due to its deterioration in two criteria: Foreign Ownership Limit (FOL) and Foreign Room Levels.

MARKET CAP	MSCI FACTOR AND STRATEGIC INDEXES	MSCI THEMATIC INDEXES	REAL ESTATE	MSCI ESG INDEXES	MSCI CUSTOM INDEXES
All Country (AC) (DM + EM)	Single Factor Indexes:	Economic Exposure	Sector Real Estate	Global Sustainability	Select Universe
Developed Markets (DM)	Quality	Emerging + Frontier Markets Workforce Index	Core Real Estate	Global SRI (Socially Responsible Investing)	Different Weighting
Emerging Markets (EM)	Value		Liquid Real Estate		Currencies & Tax Rates
Frontier Markets (FM)	Size	Agriculture Food Chain	IPD Property Fund	Global ex Controversial Weapons	
	Yield	Commodity Producers	IPD Direct Property	Global Environment	
	Momentum	Infrastructure	Custom Real Estate	Bloomberg Barclays MSCI ESG Fixed Income*	
	Multi-Factor Series	Faith based		Sustainable Impact	
Domestic	Diversified Multiple-Factor			Low Carbon	
Large Cap				ESG Focus	
Mid Cap	Strategic Indexes:				
Standard (Large + Mid Cap)	Capped:				
Small Cap	10/40				
	25/50				
	Standard Capped				
SMD CAP (Small + Mid Cap)	Hedged & Currency:				
	Hedged				
IMI (Large + Mid + Small Cap)	FX Hedge				
	Currency				
	Adaptive Hedge				
Micro Cap (DM only)	Short & Leveraged (Daily)				
All Cap (DM only)					
Value & Growth					

## Developed Markets

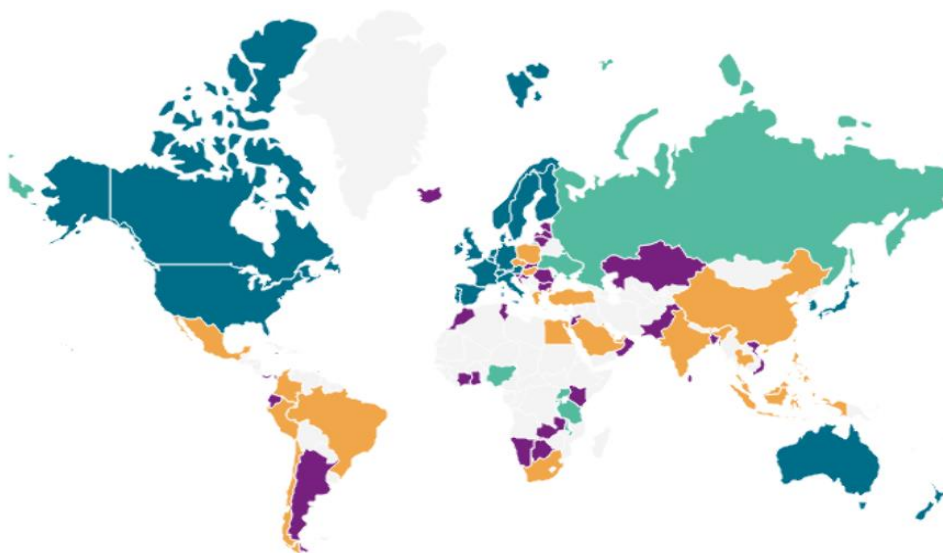
Americas	Europe	Mid. East & Africa	Asia Pacific
Canada	Austria	Israel	Australia
United States	Belgium		Hong Kong
	Denmark		Japan
	Finland		New Zealand
	France		Singapore
	Germany		South Korea
	Ireland		
	Italy		
	Luxembourg		
	Netherlands		
	Norway		
	Portugal		
	Spain		
	Sweden		
	Switzerland		
	United Kingdom		

## Emerging Markets

Americas	Europe	Mid. East & Africa	Asia Pacific
Brazil	Czech Republic	Egypt	China
Chile	Greece	Kuwait	India
Colombia	Hungary	Qatar	Indonesia
Mexico	Poland	Saudi Arabia	Malaysia
Peru	Turkey	South Africa	Philippines
		United Arab Emirates	Taiwan
			Thailand

## Frontier Markets

Africa	Americas	Asia	Europe	Middle East
Botswana	Argentina	Bangladesh	Bulgaria	Bahrain
Cote D'Ivoire	Ecuador	Kazakhstan	Croatia	Jordan
Ghana	Jamaica	Pakistan	Cyprus	Oman
Kenya	Panama	Sri Lanka	Estonia	
Mauritius	Trinidad	Vietnam	Iceland	
Morocco			Latvia	
Namibia			Lithuania	
Tunisia			Romania	
Zambia			Slovakia	
			Slovenia	



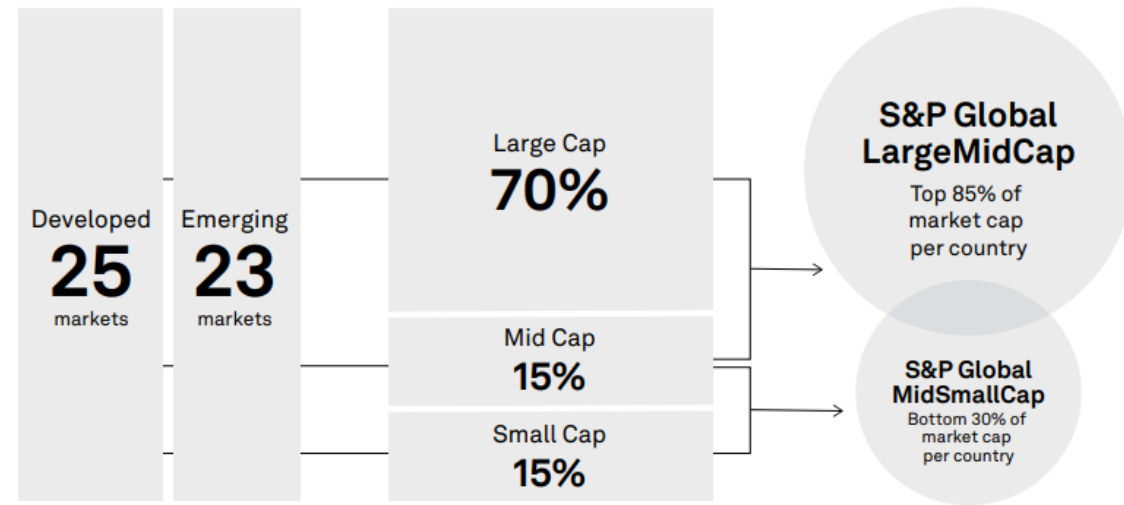
● Developed Market
 ● Emerging Market
 ● Frontier Market
 ● Standalone Market

## Standalone Markets

Frontier Markets			
Africa		Europe	Middle East
Malawi	Tanzania	Russia	Palestine
Nigeria	Uganda	Ukraine	Lebanon
Rwanda			

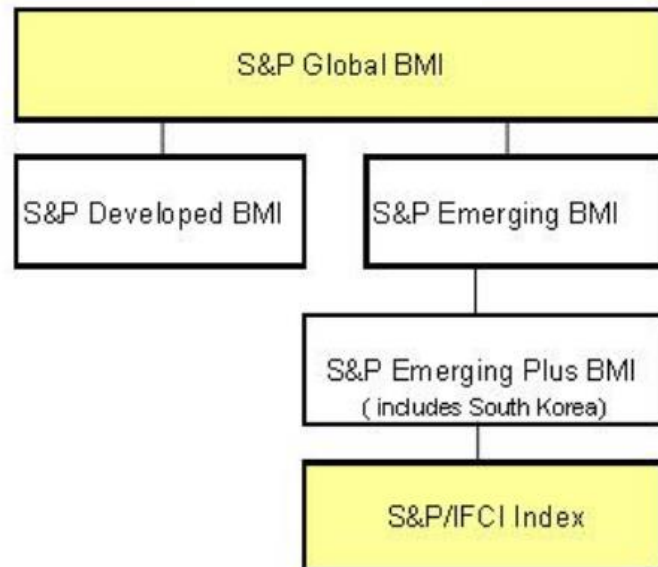
# Classification of S&P Global Equity Investment Index Series (S&P Global BMI)

## S&P Global BMI Size Indices



Minimum size and liquidity criteria differ for frontier markets and size indices are only calculated for select frontier markets.

## Index Family



## S&P Global BMI Series Countries

### S&P Global BMI

#### S&P Developed BMI

Americas	Europe	Mid East & Africa	Asia Pacific
Canada United States	Austria Belgium Denmark Finland France Germany Ireland Italy Luxembourg Netherlands Norway Portugal Spain Sweden Switzerland United Kingdom	Israel	Australia Hong Kong Japan New Zealand Singapore South Korea

#### S&P Emerging BMI

Americas	Europe	Mid East & Africa	Asia Pacific
Brazil Chile Colombia Mexico Peru	Czech Republic Greece Hungary Poland Turkey	Egypt Kuwait Qatar Saudi Arabia South Africa United Arab Emirates	China India Indonesia Malaysia Philippines Taiwan Thailand

### S&P Global BMI

#### S&P Frontier BMI

Africa	Americas	Europe	Middle East	Asia Pacific
Botswana Cote D'Ivoire Ghana Kenya Mauritius Morocco Namibia Tunisia Zambia	Argentina Ecuador Jamaica Panama Trinidad	Bulgaria Croatia Cyprus Estonia Iceland Latvia Lithuania Romania Slovakia Slovenia	Bahrain Jordan Oman	Bangladesh Kazakhstan Pakistan Sri Lanka Vietnam

### Standalone Markets

#### Frontier Markets

Africa	Europe	Middle East
Malawi Nigeria Rwanda	Tanzania Uganda	Russia Lebanon Ukraine Palestine

Standalone market indices are calculated using the same methodology as the S&P Frontier BMI, but are not included in the regional indices.