

## Morningstar Indexes Equity Annual Market Classification Review

June 2, 2026

### Changes under consideration

As part of Morningstar Indexes' annual equity market classification review, three countries have been identified as potential candidates for a change in market classification. If adopted, these changes would affect the eligible universe for the Morningstar Global Markets Index and Target Market Exposure Index families, which cover countries classified as Developed or Emerging Markets.

Morningstar Indexes is seeking feedback on the proposed changes outlined below. All feedback will be carefully considered as part of the review process.

### Markets under review

- **Greece** – Potential reclassification to Developed Market from Emerging Market
- **Iceland** – Potential reclassification to Emerging Market from Unclassified
- **Vietnam** – Potential reclassification to Emerging Market from Unclassified

### Submit your responses and questions

Responses to this consultation can be submitted [here](#).

General questions about the consultation may also be sent to [indexes@morningstar.com](mailto:indexes@morningstar.com).

### Key dates

- **Consultation:** The consultation will be open for response from June 2, 2026, to August 28, 2026.
- **Decision announcement:** Final decisions will be announced by September 30, 2026.
- **Implementation:** Changes will be implemented at the June 2027 reconstitution.

### Greece

Morningstar Indexes has classified Greece as an emerging market since 2015. However, in recent years, the country has demonstrated meaningful improvements in economic stability, market accessibility, and transparency.

### Improvements

- **Sovereign Debt:** Sustained primary budget surpluses and repayment of bailout-era obligations have reduced government debt to 146% of GDP in 2025, from 209% in 2020.
- **Credit Rating:** Greece has regained investment-grade status from multiple rating agencies, with outlooks revised to stable.
- **Economic Freedom:** The country's score increased to 63.1 in 2025, exceeding the global average, supported by regulatory improvements and banking sector stabilization.
- **Modern Digital Infrastructure:** Athens Stock Exchange rebranded to Euronext Athens in April 2026 and integrated into Euronext's pan-European single technology platform with easy access to electronic and algorithmic trading, mobile investment platforms and online brokerages.
- **Information Disclosure:** Strong disclosure standards for listed companies and EU-facing information with real-time updates.
- **Improved Market Infrastructure:** Stock lending and short selling are permitted, with active institutional participation.

### Challenges

- **Language Accessibility:** English disclosures—particularly among small- and mid-cap companies—may be delayed or unavailable.
- **High Transaction Costs:** Lower liquidity and wider spreads for mid and small cap companies lead to higher costs compared to their peers in other developed markets.
- **Limited Retail Participation:** The market has limited domestic retail investor participation, as well as a limited passive investing ecosystem.

### Iceland

Although Iceland is a developed economy, it receives an unclassified market status due to its small market size. Continued improvements in economic conditions and market infrastructure have increased its relevance for global investors.

### Improvements

- **Economic Freedom:** Iceland's score rose to 75 in 2025, reflecting strong regulatory efficiency and open market policies.
- **Credit Rating:** A+ sovereign credit rating with a positive to stable outlook across agencies, reflecting robust public finances and declining debt.
- **Sovereign Debt:** Government debt declined to approximately 53% in 2025 from 136% of GDP in 2011.
- **Information Disclosure:** Strong disclosure standards with high regulatory transparency and widespread availability of information in English promote market accessibility.
- **Robust Trading System:** Modern electronic trading systems and robust post-trade processes, including delivery-versus-payment (DvP) settlement.

### Challenges

- **Market Size and Liquidity:** Limited number of listed companies, low trading volumes, and wide bid-ask spreads relative to other developed markets.
- **Foreign Ownership Caps:** Sector-specific restrictions in strategic sectors like fisheries and aviation limit foreign investment.
- **Securities Lending:** While short selling and stock lending are permitted, activity is constrained by limited market depth and ownership concentration.

## Vietnam

Vietnam currently receives an unclassified market status but is under consideration for an upgrade to Emerging Market status given its sustained economic growth and market reforms. Vietnam has two exchanges—the Ho Chi Minh Stock Exchange (HOSE) and the Hanoi Stock Exchange (HNX)—with a combined market capitalization of approximately USD 345 billion (as of May 2026).

### Improvements

- **Trading System Modernization:** The KRX trading system was adopted in 2025. This offers improved trading capacity and integrated exchange connectivity, with planned enhancements including T+0 trading, short selling, and central clearing.
- **Market Accessibility:** Simplified account opening processes for foreign investors, including omnibus account structures and relaxed investor qualification requirements.
- **Settlement Reforms:** Pre-funding obligations for foreign investors were removed in November 2024 with enhancements for clearing and settlement introduced in May 2025.
- **English Disclosures:** Increased availability of English-language disclosures among larger companies.

### Challenges

- **English Disclosure Gaps:** Limited English-language availability for smaller companies and certain regulatory filings.
- **Foreign Ownership Caps:** Strict individual and sector-based foreign ownership limits restrict broader investment.
- **Currency Convertibility:** The Vietnamese dong (VND) is not freely convertible; forex trading and long-term offshore loans require approval from the State Bank of Vietnam (SBV).
- **Transaction Costs:** Liquidity and regulatory issues lead to higher costs compared to regional peers.
- **Short Selling Ban:** Short selling is restricted, limiting hedging and liquidity options.

### Consultation questions

Please answer the below questions and provide your feedback and reasoning:

1. Should Greece be reclassified as a Developed Market from Emerging Market?
  - a. Yes
  - b. No

2. Please provide any additional comments regarding Greece's potential reclassification.
  
3. Should Iceland be reclassified as an Emerging Market from Unclassified and added to Morningstar equity indexes?
  - a. Yes
  - b. No
  
4. Please provide any additional comments regarding Iceland's potential classification.
  
5. Should Vietnam be reclassified as an Emerging Market from Unclassified and added to Morningstar equity indexes?
  - a) Yes
  - b) No
  
6. If Morningstar Indexes includes Vietnam as an Emerging Market, do you prefer the inclusion of stocks listed on Ho Chi Minh Stock Exchange (HOSE) and Hanoi Stock Exchange (HNX) or ADRs trading on eligible US stock exchanges?
  - a. Local listings (HOSE and HNX)
  - b. ADRs
  - c. Other, please explain.
  
7. Please provide any additional comments regarding Vietnam's potential classification.
  
8. Should Morningstar Indexes consider any other countries for reclassification?

## Appendix: Supporting Information

### Appendix 1: Country Inclusion Framework

Morningstar Indexes maintains a watch list containing markets under consideration for a possible change in their classification and carries out an annual review for all such countries, in consultation with clients. The Morningstar Index Operations Committee reviews all potential changes. Notifications of changes are provided, at least 90 days in advance, where possible. This framework considers three main criteria:

- Degree of economic freedom
  - A score of 50 or above from the Index of Economic Freedom
- Country Income
  - A high- or middle-income country classification from the World Bank
- Depth of equity markets
  - More than \$5 billion in market capitalization
  - Ratio of market capitalization/GDP must be among the top 80%

### Index of Economic Freedom

The Index of Economic Freedom is a joint study by the Heritage Foundation and The Wall Street Journal that measures countries according to 10 factors of economic freedom:

- Business freedom
- Fiscal freedom
- Monetary freedom
- Financial freedom
- Freedom from corruption
- Trade freedom
- Government size
- Investment freedom
- Property rights
- Labor freedom

### World Bank Country Classification

For operational and analytical purposes, the World Bank's main criterion for classifying economies is gross national income, or GNI, per capita. The bank's analytical income categories (low, middle, and high) are based on the bank's operational lending categories (civil works preferences, International Development Association eligibility, etc.). These operational guidelines were established three decades ago based on the view that since poorer countries deserve better conditions from the bank, comparative estimates of economic capacity needed to be established. GNI, a broad measure, was considered the best single indicator of economic capacity and progress; at the same time, it was recognized that GNI does not, by itself, constitute or measure welfare or success in development. GNI per capita is therefore the bank's main criterion for classifying countries.

### Country Market Capitalization and Country Market Capitalization/GDP Ratio

The size of a country's equity markets should be material, or above \$5 billion. The market should exhibit financial depth; that is, the ratio of the size of the country's equity markets to its gross domestic product should be high. Countries that fall into the bottom 20% are ineligible for the index.

### Additional Country Inclusion Criteria

The following criteria are taken into account when determining country eligibility:

- The country's allowance of foreign investors to easily enter and exit the market, as well as to repatriate capital and dividends
- Accuracy and availability of real-time and historical market data
- The level of interest attracted by the market from international investors

### Developed- and Emerging-Market Classification

Countries are classified as developed if they meet all the following criteria:

- Annual per capita GNI falls in the high-income category, as defined by the World Bank, for the most recent three years
- The country must not have any broad-based discriminatory controls against nondomiciled investors for the most recent three years
- The country's stock markets must exhibit these characteristics:
  - Transparency
  - Market regulation
    - Operational efficiency
    - Absence of broad-based investment restrictions

Countries that do not meet all the above criteria fall into the emerging-markets economic segment. For example, a country may be classified as high-income by the World Bank, but because of a lack of transparency within local markets, it falls into the emerging-markets economic segment.

### Appendix 2: Market Classification Status (Current)

#### Developed Markets

Australia	Austria	Belgium	Canada
Denmark	Finland	France	Germany
Hong Kong	Ireland	Israel	Italy
Japan	Netherlands	New Zealand	Norway
Poland	Portugal	Singapore	Spain
Sweden	Switzerland	United Kingdom	United States

#### Emerging Markets

Brazil	Chile	China	Colombia
Czech Republic	Egypt	Greece	Hungary
India	Indonesia	Kuwait	Malaysia

Mexico	Peru	Philippines	Qatar
Saudi Arabia	South Africa	South Korea	Taiwan
Thailand	Turkey	United Arab Emirates	

### About Morningstar Indexes

Morningstar Indexes was built to keep up with the evolving needs of investors—and to be a leading-edge advocate for them. Our rich heritage as a transparent, investor-focused leader in data and research uniquely equips us to support individuals, institutions, wealth managers and advisors in navigating investment opportunities across major asset classes, styles and strategies. In February 2026, the acquisition of CRSP brought the CRSP Market Indexes—benchmarks for over \$3 trillion in US equities—into the Morningstar Indexes family. Additionally, CRSP's Research Data Products, renowned for their academic rigor, historical depth and accuracy, will further enhance Morningstar's equity research and data capabilities. This integration unites two trusted sources of market insight, reinforcing a shared commitment to transparency, quality, and investor-focused solutions.

Please visit [indexes.morningstar.com](https://indexes.morningstar.com) for more information.

### Contact Us

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