

UPDATE: Reminder: Upcoming Inclusion of China in the FTSE World Government Bond Index

This version includes details regarding the input data source for China in the FTSE JIT Index Series and provides further details on the new standard indexes that will be added to FTSE fixed income data packages.

In March 2021, FTSE Russell **confirmed** the inclusion of Chinese Government Bonds in the FTSE World Government Bond Index (WGBI) effective with the November 2021 profiles, which will be phased in over a 36-month period. Chinese Government Bonds will also be included in indices that derive their membership from WGBI, or are alternatively weighted based off of it.¹ Index users are encouraged to contact us with any questions related to the inclusion of China in their custom indices.

This announcement provides additional details on the implementation of this change and updated impact projections as of June 30, 2021.

Inclusion of China in the FTSE World Government Bond Index

Commencing with the November 2021 profiles, the market value weight of Chinese Government Bonds (CGBs)² will be recalibrated at each month-end rebalance during the 36-month phase-in period as follows:

- Total Scaled Market Value of CGBs = $[X / 36] * [\text{Total Market Value of CGBs}]$
- Market Value Weight of CGBs = $\text{Total Scaled Market Value of CGBs} / [\text{Total Scaled Market Value of CGBs} + \text{Total Market Value of Other WGBI Securities}]$

Where X = the number of months since the start of inclusion

Where Market Value is represented in the Index Base Currency

The aggregate scaled market value weight of CGBs will be used to calculate security-level market value and market value weight on a pro rata basis in issue-level data files. The amount outstanding for CGBs in issue-level data files will be calculated based on each bond's price, accrued interest and scaled market value.

Prices and reference data for Chinese Government Bonds are sourced from Refinitiv. The amount outstanding for Chinese Government Bonds are adjusted to exclude government buyback amounts.

As of June 30, 2021, 50 CNY-denominated bonds with \$1,527.1 billion in market value³ are projected to be eligible for the FTSE World Government Bond Index, which would comprise 5.58% of the index on a market value

¹ Please contact FTSE Russell for a full list of impacted indexes. For related or custom indices that incorporate the FTSE fixed income emerging markets definition as part of index inclusion criteria, FTSE Russell highlights that China is classified as an emerging market.

² This corrects a previous announcement that indicated that the phase-in weights would be calculated based on amount outstanding.

³ The projected impact reflects the recently implemented change to increase the index amount outstanding threshold for CGBs issued before 01 January 2020 to CNY 100 billion from the current CNY 35 billion, effective with the July 2021 profiles.

FTSE Fixed Income LLC	US	EMEA	Hong Kong	Singapore	Japan
28 Liberty Street	+1 646 989 2122	+44 20 7334 8963	+852 2164 3288	+65 6950 3850	+81 3 4563 6346
58 th Floor	fi.index@ftserussell.com	fi.index@ftserussell.com	fi.index@ftserussell.com	fi.index@ftserussell.com	fi.indexjp@ftserussell.com
New York, NY 10005					

weighted basis. Further details on the projected impact are provided in Figure 1, assuming a fully completed phase-in of inclusion.

Figure 1. Projected Impact of Fully Phased-in Inclusion of Chinese Government Bonds in the FTSE WGBI

	WGBI			Projected WGBI + CNY			Difference		
	Count	Market Value*	MV%	Count	Market Value*	MV%	Count	Market Value*	MV%
United States	256	9,809.6	37.93	256	9,809.6	35.82	-	-	-2.11
Japan	255	4,277.0	16.54	255	4,277.0	15.62	-	-	-0.92
France	47	2,172.0	8.40	47	2,172.0	7.93	-	-	-0.47
Italy	82	2,064.3	7.98	82	2,064.3	7.54	-	-	-0.45
Germany	56	1,622.5	6.27	56	1,622.5	5.92	-	-	-0.35
China	-	-	-	50	1,527.1	5.58	50	1,527.1	5.58
United Kingdom	51	1,384.9	5.36	51	1,384.9	5.06	-	-	-0.30
Spain	47	1,285.6	4.97	47	1,285.6	4.69	-	-	-0.28
Belgium	30	508.1	1.96	30	508.1	1.86	-	-	-0.11
Australia	28	442.9	1.71	28	442.9	1.62	-	-	-0.10
Canada	33	427.2	1.65	33	427.2	1.56	-	-	-0.09
Netherlands	22	422.6	1.63	22	422.6	1.54	-	-	-0.09
Austria	27	319.8	1.24	27	319.8	1.17	-	-	-0.07
Ireland	18	177.6	0.69	18	177.6	0.65	-	-	-0.04
Mexico	13	157.4	0.61	13	157.4	0.57	-	-	-0.03
Poland	16	135.8	0.53	16	135.8	0.50	-	-	-0.03
Finland	21	133.9	0.52	21	133.9	0.49	-	-	-0.03
Denmark	8	106.2	0.41	8	106.2	0.39	-	-	-0.02
Malaysia	32	103.7	0.40	32	103.7	0.38	-	-	-0.02
Israel	15	99.1	0.38	15	99.1	0.36	-	-	-0.02
Singapore	18	94.3	0.36	18	94.3	0.34	-	-	-0.02
Sweden	8	64.1	0.25	8	64.1	0.23	-	-	-0.01
Norway	9	53.7	0.21	9	53.7	0.20	-	-	-0.01
Total	1,092	25,862.2	100.0	1,142	27,389.2	100.0	50	1,527.1	0

*in USD billions. Source: FTSE Russell. Data are as of June 30, 2021.

FTSE Fixed Income LLC	US	EMEA	Hong Kong	Singapore	Japan
28 Liberty Street	+1 646 989 2122	+44 20 7334 8963	+852 2164 3288	+65 6950 3850	+81 3 4563 6346
58 th Floor	fi.index@ftserussell.com	fi.index@ftserussell.com	fi.index@ftserussell.com	fi.index@ftserussell.com	fi.indexjp@ftserussell.com
New York, NY 10005					

© 2021, FTSE Fixed Income LLC ("FTSE FI"). All rights reserved. Reproduction of the data and information herein (collectively, "FTSE FI Data") in any form is prohibited except with the prior written permission of FTSE FI. Although the FTSE FI Data is believed to be reliable, FTSE FI makes no representation as to the accuracy, adequacy, completeness or availability of the FTSE FI Data and is not responsible for any errors or omissions or for the results obtained from the use of FTSE FI Data. FTSE FI GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall FTSE FI be liable for any direct, indirect, special or consequential damages in connection with any use of the FTSE FI Data.

Effective with November 2021 profiles, Chinese Government Bonds will also be added to the FTSE World Investment Grade Index (WorldBIG), as WGBI is a component of the WorldBIG. China is projected to comprise 3.07% of the WorldBIG on a market value weighted basis at its full exposure.

Availability of Additional Standard Indices in FTSE Fixed Income Index Data Packages

For investors who do not wish to include China in their portfolios, FTSE Russell will make the following indices available as part of its standard data packages⁴ in advance of the scheduled start date for China inclusion in WGBI, targeting the end of September 2021:

- World Government Bond Index excluding CNY
 - Ticker : WGBI_X_CN
 - File Name: WGBIXCN
- World Government Bond Index excluding JPY excluding CNY
 - Ticker : WGBI_X_JP_X_CN
 - File Name: WGBIXJPXCN
- World Government Bond Index-JIT excluding JPY excluding CNY
 - Ticker: WGBI-JIT_X_JP_X_CN
 - File Name: WGBIJITXJPXCN

Updates to Index Data Files

Starting with reports reflecting data for November 2021 profiles, index users can expect to see line item reporting for China Government Bonds in Sector-Level files as the last row(s) of existing country-level detail. Daily Preview Reports ("DPRE" files) will reflect the addition of China Government Bonds for the next month's projected profiles starting in early October 2021. There will be no changes to the format of Issue-Level data files.

Input Data Source for China in the FTSE JIT Fixed Income Index Series

FTSE Russell produces versions of its flagship WGBI and Emerging Markets Government Bond Index (EMGBI) that are designed to serve as a performance evaluation for Japanese Investment Trusts (JIT). Following the standards of the Investment Trusts Association of Japan, the telegraphic transfer middle (TTM) exchange rates provided by MUFG Bank as of mid-morning, 10:00 a.m. Tokyo time are used in index return calculations; for currencies where TTM exchange rates are unavailable, index methodology states that rates from WM/Reuters are used. On September 20, 2021, the exchange rate used for China in the JIT Index Series will be updated from an exchange rate sourced from WM/Reuters to the TTM exchange rate sourced from MUFG Bank.

Please contact us at fi.index@ftserussell.com with any comments or questions.

⁴ FTSE Russell will also make these indices available via third-party redistribution platforms.

FTSE Fixed Income LLC	US	EMEA	Hong Kong	Singapore	Japan
28 Liberty Street	+1 646 989 2122	+44 20 7334 8963	+852 2164 3288	+65 6950 3850	+81 3 4563 6346
58 th Floor	fi.index@ftserussell.com	fi.index@ftserussell.com	fi.index@ftserussell.com	fi.index@ftserussell.com	fi.indexjp@ftserussell.com
New York, NY 10005					