

## Inclusion of Fixed-to-Floating Rate Bonds to FTSE Fixed Income Indexes

FTSE Russell has recently performed a thorough review of the coupon type rules for its fixed income indexes, which incorporates feedback from index users gathered through our formal governance processes. Effective from the June 2019 profiles, fixed-to-floating rate bonds with a stated final maturity and fixed-to-floating rate perpetual bonds will be added to the FTSE US Broad Investment-Grade Bond Index (USBIG<sup>®</sup>), FTSE US High-Yield Market Index, and FTSE Euro Broad Investment-Grade Index (EuroBIG<sup>®</sup>). Given the recent shifts in issuance trends, the inclusion of these coupon structures will more accurately track their respective debt markets. Both existing and new issuance of fixed-to-floating rate securities that meet other index eligibility criteria, will be added to these indexes starting from June 2019.

Fixed-to-floating rate securities will exit the index one year prior to the date of their conversion to floating-rate, and analytics, such as duration, will be calculated to this conversion date for index purposes. The maturity date displayed for these bonds in issue-level files will reflect the final stated maturity or whether a bond is a perpetual.

The remainder of this announcement provides further details on the projected impact of this change to these flagship indexes. Users of custom indexes or sub-indexes that are derived from these indexes will also see these changes reflected, effective June 2019. FTSE Russell will provide further details of the impact to such indexes as needed.

### FTSE US Broad Investment-Grade Bond Index

The FTSE US Broad Investment-Grade Bond Index measures the performance of investment-grade, fixed-rate, US Dollar-denominated bonds issued in the US bond market with at least one year to maturity. It includes treasury, government sponsored, collateralized, and corporate debt. As of February 2019, 138 fixed-to-floating rate securities with \$218.5 billion in market value would qualify for the USBIG Index, representing approximately 1.0% of the index by market weight.

**Figure 1. FTSE USBIG Index – Pro forma Impact on Inclusion of Fixed-to-Floating Rate Bonds**

	USBIG Index			Projected USBIG + Fixed-to-Floating Rate Bonds			Difference		
	# of issues	Market Value*	Market Weight (%)	# of issues	Market Value*	Market Weight (%)	# of issues	Market Value*	Market Weight (%)
<b>Total</b>	<b>7,637</b>	<b>20,280.80</b>	<b>100.00</b>	<b>7,775</b>	<b>20,499.30</b>	<b>100.00</b>	<b>138</b>	<b>218.50</b>	<b>0.00</b>
Treasury	246	8,108.75	39.98	246	8,108.75	39.56	0	0.00	-0.43
Govt Sponsored	218	534.83	2.64	218	534.83	2.61	0	0.00	-0.03
Collateralized	327	5,550.16	27.37	327	5,550.16	27.07	0	0.00	-0.29
Credit	6,846	6,087.07	30.01	6,984	6,305.67	30.76	138	218.50	0.75
Non-US Sov/Prov	526	913.57	4.50	526	913.57	4.46	0	0.00	-0.05
Corporate - Industrial	3,656	3,021.65	14.90	3,666	3,029.50	14.78	10	7.80	-0.12
Corporate - Utility	1,019	623.64	3.08	1,023	626.60	3.06	4	2.92	-0.02
Corporate - Finance	1,645	1,528.21	7.54	1,769	1,736.00	8.47	124	207.78	0.93

\* in USD billions. Source: FTSE Russell. Data are as of February 28, 2019.

### FTSE US High-Yield Market Index

The FTSE US High-Yield Market Index tracks fixed-rate US Dollar-denominated high-yield debt issued by corporations domiciled in the US or Canada. The index tracks cash-pay, deferred-interest securities, and debt issued under Rule 144A with at least one year to final maturity. As of February 2019, 7 fixed-to-floating rate securities with \$3.2 billion in market value would qualify for the FTSE US High-Yield Market Index, representing approximately 0.3% of the index by market weight.

**Figure 2. FTSE US High-Yield Market Index – Pro forma Impact on Inclusion of Fix-to-Floating Rate Bonds**

	High-Yield Market Index			Projected HYM + Fixed-to-Floating Rate Bonds			Difference		
	# of issues	Market Value*	Market Weight (%)	# of issues	Market Value*	Market Weight (%)	# of issues	Market Value*	Market Weight (%)
<b>Total</b>	<b>1,562</b>	<b>1,024.88</b>	<b>100.00</b>	<b>1569</b>	<b>1,028.10</b>	<b>100.00</b>	<b>7</b>	<b>3.20</b>	<b>0.00</b>
Industrial	1,320	841.03	82.07	1324	843.10	82.01	4	2.07	-0.05
Utility	107	95.00	9.27	107	95.00	9.24	0	0.00	-0.03
Finance	135	88.84	8.66	138	90.00	8.75	3	1.12	0.08

\* in USD billions. Source: FTSE Russell. Data are as of February 28, 2019.

### FTSE Euro Broad Investment-Grade Bond Index

The FTSE Euro Broad Investment-Grade Bond Index measures the performance of investment-grade, Euro-denominated fixed-rate bond with at least one year to maturity. It includes treasury, government sponsored, collateralized, and corporate debt. As of February 2019, 220 fixed-to-floating rate securities with €211.1 billion in market value would qualify for the FTSE EuroBIG Index, representing approximately 2.0% of the index by market weight.

Figure 3. FTSE EuroBIG Index – Pro forma Impact on Inclusion of Fixed-to-Floating Rate Bonds

	EuroBIG Index			Projected EuroBIG + Fixed-to-Floating Rate Bonds			Difference		
	# of issues	Market Value*	Market Weight (%)	# of issues	Market Value*	Market Weight (%)	# of issues	Market Value*	Market Weight (%)
<b>Total</b>	<b>4,226</b>	<b>10,190.66</b>	<b>100.00</b>	<b>4,446</b>	<b>10,401.80</b>	<b>100.00</b>	<b>220</b>	<b>211.13</b>	<b>0.00</b>
Sovereign/Sov-Gtd	538	6,488.86	63.67	538	6,488.90	62.38	0	0.00	-1.29
Govt Sp/Regional Govt	580	1,001.59	9.83	581	1,002.10	9.63	1	0.51	-0.20
Collateralized	876	853.35	8.37	877	854.60	8.22	1	1.26	-0.16
Corporate - Industrial	1,111	851.38	8.35	1151	896.30	8.62	40	44.95	0.26
Corporate - Utility	379	321.20	3.15	412	350.50	3.37	33	29.29	0.22
Corporate - Finance	742	674.28	6.62	887	809.40	7.78	145	135.13	1.17

\* in EUR billions. Source: FTSE Russell. Data are as of February 28, 2019.

Please contact us at [info@ftserussell.com](mailto:info@ftserussell.com) if you have any questions.

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