

## Update: Changes to FTSE Fixed Income Index Methodologies

*This announcement reflects a correction to the projected Market Value % impact of the change for the FTSE Eurodollar Index from an earlier version published on May 4, 2020.*

As part of our commitment to ensuring that our benchmarks remain representative of the markets they are intended to track and index methodologies are presented in a clear and transparent way, FTSE Russell announces several changes and clarifications to the rules for its fixed income indexes. These changes incorporate feedback gathered from consultation with index users at the March 2020 fixed income external advisory committee meetings.

### Inclusion of Fixed-to-Floating Rate Bonds in Eurodollar, Eurosterling and Euroyen Indexes

Effective with the June 2020 profiles, fixed-to-floating rate bonds with a stated final maturity and fixed-to-floating rate perpetual bonds will be added to the FTSE Eurodollar Index, FTSE Eurosterling Index and FTSE Euroyen Index.<sup>1</sup> 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 impact to indexes that these securities will be added to is listed in the below table:

Index	Number of Issues	Par Amount*	Market Value %
FTSE Eurodollar Index	208	\$280,482.8	4.00
FTSE Eurosterling	45	£22,601.1	4.25
FTSE Euroyen Index	2	¥ 118,500.0	5.08

\* in millions. Source: FTSE Russell. Data are as of March 31, 2020.

### Incorporation of Market Size and Market Accessibility Levels to Regional Indexes

Effective for the June 2020 profiles, the methodology for the following regional indexes, and indexes that derive their membership from them, will incorporate a minimum market accessibility level of 1:

- FTSE Latin American Government Bond Index (LATAMGBI)
- FTSE Central Europe, Middle East, and Africa Government Bond Index (CEEMEAGBI)
- FTSE Asian Government Bond Index (AGBI)

The LATAMGBI and CEEMEAGBI will also incorporate a minimum market size of at least USD 5 billion for entry of new markets (markets will be removed if the outstanding amount falls below USD 2.5 billion), which is

<sup>1</sup> In June 2019, fixed-to-floating rate securities were added to the FTSE US Broad Investment-Grade Bond Index (USBIG), FTSE US High-Yield Market Index, and FTSE Euro Broad Investment-Grade Index (EuroBIG).

FTSE Fixed Income LLC	US	EMEA	Hong Kong	Singapore	Japan
28 Liberty Street	+1 646 989 2022	+44 20 7334 8963	+852 2164 3288	+65 6950 3850	+81 3 4563 6346
58 <sup>th</sup> Floor	fi.index@ftserussell.com	fi.index@ftserussell.com	fi.index@ftserussell.com	fi.indexjp@ftserussell.com	fi.indexjp@ftserussell.com
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consistent with the existing market size criteria for the AGBI. There is no impact to current market inclusion as a result of the changes.

**Credit Rating Change to the FTSE World Inflation-Linked Securities Index**

Effective for the June 2020 profiles, the credit quality criteria for the FTSE World Inflation-Linked Securities Index (WorldILSI) will be aligned to the FTSE World Government Bond Index as A- / A3 for entry and BBB - / Baa3 for exit. The current credit rating rule requires a minimum BBB- / Baa3 for both entry and exit. There is no impact to current index inclusion as a result of this change.

**Change to Holiday Calendar Used for Eurozone Markets**

For purposes of index calculations, each local market tracked in FTSE fixed income indexes observes its own holiday calendar: if a local market is on holiday, closing prices used for that day will be the closing prices from the previous business day. Eurozone countries are considered a single block and they currently reference the European Central Bank’s Trans-European Automated Real Time Gross Settlement Express Transfer (TARGET2) calendar. Effective from June 2020, Eurozone countries will reference the Eurex Exchange holiday calendar. As a result of this change, December 31, 2020 will be considered a holiday for Eurozone countries.

**Clarification of Handling of Changes between Index Fixing Date and Month-End**

Between index fixing date and month-end, FTSE Russell clarifies that called bonds are exited from the next month’s index profile if a call is effected, not if the call is only announced, during that period. Additionally, between index fixing and month-end, FTSE Russell clarifies that exchanges will also be reflected along with calls and defaults for the next month’s profile.

**Index Decommission of the FTSE Emerging Markets US Dollar Government Extended Bond Index**

The FTSE Emerging Markets US Dollar Government Extended Bond Index<sup>2</sup> and the FTSE Emerging Markets US Dollar Government Capped Extended Bond Index will be decommissioned effective July 31, 2020. As of this date, both indexes will be removed from the EM index package and from index reports for the FTSE Emerging Markets US Dollar Government Bond Index.

Please contact us at [fi.index@ftserussell.com](mailto:fi.index@ftserussell.com) with any comments or questions.

FTSE Russell

<sup>2</sup> This index captures the bonds that are excluded from the EMUSDGBI because of default by the issuer.

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