

Change to Index Credit Rating Methodology for RMB-Denominated Bonds in FTSE Fixed Income Indices

After a thorough internal review, FTSE Russell announces a change to the methodology for assigning index credit rating for RMB-denominated bonds (Onshore CNY and Offshore CNY) in the FTSE fixed income indices. This announcement provides additional details on the change and the projected impact as of June 30, 2021.

The existing FTSE fixed income index credit rating methodology states:

- For Offshore CNY-denominated bonds, if a bond is not rated at the issue-level by S&P or Moody's, its issuer rating, if available, is assigned as the index credit rating¹;
- For Onshore CNY-denominated bonds, if a bond is not rated at the issue-level by S&P or Moody's, the bond is not assigned an index credit rating.

Effective with the September 2021 profiles, the index credit rating methodology for all RMB-denominated bonds (Onshore CNY and Offshore CNY) will be changed to the following:

For bonds not rated at the issue-level by S&P or Moody's, the issuer rating, if available, is used for purposes of assigning index credit rating if the bond's Subordination Type is assigned as Senior².

The change will be reflected in the FTSE Chinese (Onshore CNY) Broad Bond Index (CNYBBI) and the FTSE Dim Sum (Offshore CNY) Bond Index, and indices that derive their membership from them³.

There will be no change to existing index inclusion rules for credit rating as a result of this change, and therefore, no change to index membership. The change will be reflected in issue-level files and sector-level files, which include average credit rating.

Further details on the projected impact of this change are provided in Figure 1 and Figure 2.

¹ For securities with a Country assignment of China, the issuer's domestic (local) currency credit rating is used. For bonds with a Country assignment other than China, including Supranational, the issuer's foreign currency credit rating is used.

² Terms and conditions data, including Subordination Type, is sourced from Refinitiv.

³ For avoidance of doubt, the change will also be reflected in the FTSE Chinese (Onshore CNY) Broad Bond Index – Interbank, the FTSE Chinese (Onshore CNY) Green Bond Index (CNYGRBI), the FTSE Chinese (Onshore CNY) Internationally-Aligned Green Bond Index, and the FTSE Chinese (Onshore CNY) Internationally-Aligned Green Bond Index – Interbank.

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Figure 1. Projected Impact of Change for Chinese (Onshore CNY) Broad Bond Index by Index Quality

	CNYBBI				Projected CNYBBI				Difference		
	Count	Market Value*	MV%	Quality	Count	Market Value*	MV%	Quality	Count	Market Value*	MV%
Investment-Grade	226	28,084.7	64.99	A+	487	30,131.6	69.73	A+	261	2,046.8	4.74
High-Yield	-	-	0.00	-	4	15.4	0.04	BB	4	15.4	0.04
Not-Rated	1,313	15,126.8	35.01	-	1,048	13,064.7	30.23	-	(265)	(2,062.2)	(4.77)
Total	1,539	43,211.6	100.0	A+	1,539	43,211.6	100.0	A+	-	-	-

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

Figure 2. Projected Impact of Change for Dim Sum (Offshore CNY) Bond Index by Index Quality

	Dim Sum Index				Projected Dim Sum Index				Difference		
	Count	Market Value*	MV%	Quality	Count	Market Value*	MV%	Quality	Count	Market Value*	MV%
Investment-Grade	68	121.4	92.24	AA-	68	121.4	92.24	AA-	-	-	-
High Yield	1	1.3	0.96	BB-	1	1.3	0.96	BB-	-	-	-
Not-Rated	4	8.9	6.80	-	4	8.9	6.80	-	-	-	-
Total	73	131.6	100.0	AA-	73	131.6	100.0	AA-	-	-	-

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

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

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