

# FTSE Emerging Markets USD Government and Government-Related Bond Select Index

v1.6



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## Section 1

# Introduction

## 1. Introduction

### 1.1 FTSE Emerging Markets USD Government and Government-Related Bond Select Index

- 1.1.1 The FTSE Emerging Markets USD Government and Government-Related Bond Select Index (“Index”) measures the performance of both investment-grade and high-yield US dollar denominated debt issued by emerging markets governments, regional governments, and government-sponsored entities.
- 1.1.2 The FTSE Emerging Markets USD Government and Government-Related Bond Select Index does not take account of ESG factors in its design.

### 1.2 FTSE Russell

FTSE Russell is a trading name of FTSE International Limited, Frank Russell Company, FTSE Global Debt Capital Markets Limited (and its subsidiaries FTSE Global Debt Capital Markets Inc. and FTSE Fixed Income Europe Limited), FTSE Fixed Income LLC, The Yield Book Inc. and Beyond Ratings.

- 1.2.1 FTSE Russell hereby notifies users of the index that it is possible that factors, including external factors beyond the control of FTSE Russell, may necessitate changes to, or the cessation, of the index and therefore, any financial contracts or other financial instruments that reference the index or investment funds which use the index to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index.
- 1.2.2 Index users who choose to follow this index or to buy products that claim to follow this index should assess the merits of the index’s rules-based methodology and take independent investment advice before investing their own or client funds. No liability whether as a result of negligence or otherwise is accepted by FTSE Russell for any losses, damages, claims and expenses suffered by any person as a result of:
- any reliance on these Ground Rules, and/or
  - any inaccuracies in these Ground Rules, and/or
  - any non-application or misapplication of the policies or procedures described in these Ground Rules, and/or
  - any inaccuracies in the compilation of the Index or any constituent data.

## Section 2

# Management responsibilities

## 2. Management responsibilities

### 2.1 FTSE Fixed Income LLC (FTSE)

2.1.1 FTSE is the benchmark administrator of the index series.<sup>1</sup>

2.1.2 FTSE is responsible for the daily calculation, production and operation of the index series and will:

- maintain records of the index weightings of all constituents;
- make changes to the constituents and their weightings in accordance with the Ground Rules;
- carry out the periodic index reviews of the index series and apply the changes resulting from the reviews as required by the Ground Rules;
- disseminate the indices.

### 2.2 Amendments to these Ground Rules

2.2.1 These Ground Rules shall be subject to regular review (at least once a year) by FTSE Russell to ensure that they best reflect the aim of the index series. Any proposals for significant amendments to these Ground Rules will be subject to consultation with FTSE Russell advisory committees and other stakeholders if appropriate. The feedback from these consultations will be considered by the FTSE Russell Index Governance Board before approval is granted.

2.2.2 As provided for in the Statement of Principles for FTSE Russell Fixed Income Indices, where FTSE Russell determines that the Ground Rules are silent or do not specifically and unambiguously apply to the subject matter of any decision, any decision shall be based as far as practical on the Statement of Principles. After making any such determination, FTSE Russell shall advise the market of its decision at the earliest opportunity. Any such treatment will not be considered as an exception or change to the Ground Rules, or to set a precedent for future action, but FTSE Russell will consider whether the Ground Rules should subsequently be updated to provide greater clarity.

<sup>1</sup> The term administrator is used in this document in the same sense as it is defined in Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the European Benchmark Regulation) and [The Benchmarks \(Amendment and Transitional Provision\) \(EU Exit\) Regulations 2019](#) (the UK Benchmark Regulation). FTSE Fixed Income LLC administers the Index Series in line with the third country transitional provisions contained within Article 51(5) of the European Benchmark Regulation and the third country transitional provisions as amended by Article 42(5) of the UK Benchmark Regulation.

## Section 3

# FTSE Russell index policies

## 3. FTSE Russell index policies

These Ground Rules should be read in conjunction with the following policy documents which can be accessed using the links below or by contacting [fi.index@lseg.com](mailto:fi.index@lseg.com). These policies are reviewed annually and any changes are approved by the FTSE Russell Product Governance Board.

### 3.1 Statement of Principles for FTSE Fixed Income Indices (the Statement of Principles)

Indices need to keep abreast of changing markets and the Ground Rules cannot anticipate every eventuality. Where the Ground Rules do not fully cover a specific event or development, FTSE Russell will determine the appropriate treatment by reference to the Statement of Principles for FTSE Fixed Income Indices which summarises the ethos underlying FTSE Russell's approach to index construction. The Statement of Principles is reviewed annually and any changes proposed by FTSE Russell are presented to the FTSE Russell Index Advisory Board for discussion before approval by the FTSE Russell Product Governance Board.

The Statement of Principles for Fixed Income Indices can be accessed using the following link:

[Statement of Principles Fixed Income Indices.pdf](#)

### 3.2 Queries and Complaints

FTSE Russell's complaints procedure can be accessed using the following link:

[Benchmark Determination Complaints Handling Policy.pdf](#)

### 3.3 Recalculation Policy and Guidelines

The Recalculation Policy and Guidelines for Fixed Income Indices document is available from the FTSE Russell website using the link below or by contacting [fi.index@lseg.com](mailto:fi.index@lseg.com).

[Fixed Income Recalculation Policy and Guidelines.pdf](#)

### 3.4 Index Policy in the Event Clients are Unable to Trade a Market or a Security

3.4.1 Details of FTSE Russell's treatment can be accessed using the following link:

[Index Policy in the Event Clients are Unable to Trade a Market or a Security.pdf](#)

### 3.5 Policy for Benchmark Methodology Changes

Details of FTSE Russell's policy for making benchmark methodology changes can be accessed using the following link:

[Policy for Benchmark Methodology Changes.pdf](#)

### **3.6 FTSE Russell Governance Framework**

3.6.1 To oversee its indices, FTSE Russell employs a governance framework that encompasses product, service and technology governance. The framework incorporates the London Stock Exchange Group's three lines of defence risk management framework and is designed to meet the requirements of the IOSCO Principles for Financial Benchmarks<sup>2</sup>, the European benchmark regulation<sup>3</sup> and the UK benchmark regulation<sup>4</sup>. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE Russell Governance Framework.pdf](#)

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<sup>2</sup> IOSCO Principles for Financial Benchmarks Final Report, FR07/13 July 2013.

<sup>3</sup> Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds.

<sup>4</sup> The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019.

## Section 4

# Composition and design criteria

## 4. Composition and design criteria

### Design criteria and calculation assumptions for the FTSE Emerging Markets USD Government and Government-Related Bond Select Index

<b>Coupon</b>	<b>Fixed-rate, fixed-to-floating bonds</b>
<b>Currency</b>	USD
<b>Minimum maturity</b>	At least 3 years for new entries; at least 2 years for all other securities. Fixed-to-floating securities are removed one year prior to the fixed-to-floating rate start date
<b>Minimum credit quality</b>	C by S&P and Ca by Moody's (excludes defaulted bonds)
<b>Minimum issue size</b>	USD 1 billion CNY 35 billion (CNY 100 billion for issuance before 1 January 2020)
<b>Composition</b>	<b>Securities included:</b> Investment-grade and high-yield US dollar denominated debt issues by emerging markets governments, government-sponsored and government-guaranteed entities, regional governments and regional government-sponsored entities. <b>Securities excluded:</b> Callable zero-coupon bonds <b>Securities replaced:</b> Any 144A ISINs included in the EMUSDBBI are replaced by the corresponding Reg S ISINs in the FTSE Emerging Markets USD Government and Government-Related Select Index
<b>Rebalancing</b>	Once a month on the last business day of the month (pricing as of the last business day of the monthly and settlement as of the last calendar day of the month.)
<b>Weighting</b>	Market capitalisation
<b>Capping</b>	The maximum par amount per issuing country is capped at USD 20 billion. When the total eligible par amount from a country exceeds USD 20 billion, the par amount of each bond from this country is scaled pro-rate to USD 20 billion. Bonds will not be removed from the index if the par amount falls below the Minimum Issue Size due to scaling.
<b>Reinvestment of cash flows</b>	Intra-month cash flows from interest and principal payments are not reinvested as part of monthly index total return calculations. <sup>5</sup>
<b>Pricing</b>	Refinitiv bid 4:15 p.m. London) At each monthly rebalancing, new entrants are priced at offer and all other bonds are priced at bid. Intra-month, all bonds are priced at bid.
<b>Calculation frequency</b>	Daily
<b>Settlement date</b>	Monthly: Last calendar day Daily: Same day settlement except if the last business day of the month is not the last calendar day of the month; then, settlement is on the last calendar day of the month
<b>Fixing date</b>	Each month, the upcoming month's index constituents are "fixed" on the profile fixing date. Each year's scheduled fixing dates are published on the website.
<b>Base date</b>	December 31, 2011

<sup>5</sup> Prior to 1 November 2022, reinvestment income was included in the total return calculation.

#### 4.1 Holiday calendar

4.1.1 The index is calculated Monday through Friday except Christmas Day (observed) and New Year’s Day (observed). Each local market will observe its own holiday calendar; if a local market is on holiday, the closing prices used for that day will be the closing prices from the previous day.

#### 4.2 Index quality

4.2.1 An index quality is assigned to each index bond as of profile fixing. The quality is first mapped to the Standard & Poor’s Financial Services LLC (“S&P”) rating. If a bond is not rated by S&P but it is rated by Moody’s Investors Service, Inc (“Moody’s”), the S&P equivalent of the Moody’s rating is assigned to the index quality. If a bond is rated by neither S&P nor Moody’s, the bond is not assigned an index quality. If a bond is rated as investment-grade by one rating agency and high-yield by the other, the S&P equivalent of the investment-grade rating is assigned to the index quality. These ratings remain unchanged for the entire performance month.

#### 4.3 Return computation

4.3.1 Total returns are computed on the assumption that each security is purchased at the beginning of the period and sold at the end of the period. An issue’s total rate of return is the percentage change in its total value over the measurement period (see Figure 1). The components of total return for each security are price change, principal payments, coupon payments and accrued interest. The total returns are market capitalisation-weighted using the security’s beginning-of-period market value.

**Figure 1. Total rate of return calculation methodology**

Beginning-of-period value	-	$(\text{Beginning price} + \text{Beginning accrued}) \times \text{Beginning par amount outstanding}$
End-of-period value	-	$[(\text{Ending price} + \text{Ending accrued}) \times (\text{Beginning par amount outstanding} - \text{Principal payments})] + \text{Coupon payments} + \text{Principal payments}$
Total rate of return (%)	-	$[(\text{End-of-period value} / \text{Beginning-of-period value}) - 1] \times 100$

A note on precision: Returns are computed to at least six decimal places but reported to a maximum of four. In addition, owing to rounding inaccuracies inherent in computer floating-point arithmetic, the last digit in any reported value may sometimes be off by one from its true value.

#### Tickers for the FTSE Emerging Markets USD Government and Government-Related Bond Select Index

Ticker	Index
SBEKGRUU	FTSE Emerging Markets USD Government and Government-Related Bond Select Index, in USD terms
SBEKGREC	FTSE Emerging Markets USD Government and Government-Related Bond Select Index, in EUR terms

## Chronological Summary of Events

### FTSE Emerging Markets USD Government and Government-Related Bond Select Index summary of event

Year	Highlight
2022	<b>November:</b> Intra-month cash flows from interest and principal payments are not reinvested as part of monthly index total return calculations
2021	<b>March:</b> Pricing source changed from IDC 4.15 p.m. (London) to Refinitiv 4.15 p.m. (London)
2020	<p><b>October:</b> Countries par amount capped at USD 23.33 billion. Country inclusion criteria is changed to include all countries within the FTSE Emerging Markets Broad Bond Index. Previously excluded countries are included at one third of their full eligible amount.</p> <p><b>November:</b> Sinking fund bonds are eligible for inclusion to the Index and will be included in the full eligible amount. Countries par amount capped at USD 21.67 billion. Previously excluded countries are included at two thirds of their full eligible amount.</p> <p><b>December:</b> Countries par amount capped at USD 20 billion. Previously excluded countries are included with their full eligible amount.</p>
2017	<b>August:</b> Pricing source is switched to Intercontinental Exchange (ICE) 4:15 p.m. (London). At each monthly rebalancing, new entrants are priced at offer and all other bonds are priced at bid. Intra-month, all bonds are priced at bid. The previous pricing source followed the convention of the EMUSDBBI.
2016	<b>December:</b> Countries are capped at USD 25 billion. Country inclusion includes only issuers from countries classified as emerging markets with a per capita income below 2x the World Bank definition of "High Income" for three consecutive years are eligible for inclusion in the index. A country is classified to be "emerging" if it is defined by the International Monetary Fund (IMF) World Economic Outlook to be among "emerging and developing economies" or if it is defined by the World Bank (WB) to be among "low-income economies" or "lower-middle-income economies" or "upper-middle-income economies."

Unless otherwise stated, the index follows the general methodology for FTSE fixed income indices. For details, please see *FTSE Fixed Income Index Guide* on [FTSE-Fixed-Income-Indices-Guide.pdf](#)

## Appendix A

# Further information

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A Glossary of Terms used in FTSE Russell's Ground Rule documents can be found using the following link:

[Fixed Income Glossary of Terms.pdf](#)

For contact details please visit the FTSE Russell website or contact FTSE Russell client services at [fi.index@lseg.com](mailto:fi.index@lseg.com).

**Website:** [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/)

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