



FTSE Frontier Emerging Markets Government Bond Index Series

v1.2



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Section 1

Introduction

1.0 Introduction

1.1 FTSE Frontier Emerging Markets Government Bond Index Series

- 1.1.1 The FTSE Frontier Emerging Markets Government Bond Index Series is designed to measure the performance of fixed-rate, local currency government bonds issued by countries classified as a Frontier Emerging Market based on the criteria outlined in this document.
- 1.1.2 The composition of local currency government markets included in the index is reviewed on a semi-annual basis each March and September, which is aligned with the review cadence of the FTSE Fixed Income Country Classification Process.
- 1.1.3 The series is comprised of:
 - A. FTSE Frontier Emerging Markets Government Bond Index, a market-value weighted index
 - B. FTSE Frontier Emerging Markets Government Bond 10% Capped Index, a version that caps the market value exposure of countries at 10% and redistributes the weights pro rata across other countries.
- 1.1.4 The base currency of the FTSE Frontier Emerging Markets Government Bond Index Series is USD.
- 1.1.5 The FTSE Frontier Emerging Markets Government Bond Index Series does not take account of ESG factors in its index design.

1.2 FTSE Russell

- 1.2.1 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.
- 1.2.2 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.

1.2.3 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 or any members of the FTSE Russell Policy Advisory Board or FTSE Russell Asia Pacific Regional Equity Advisory Committee (or any person concerned with the preparation or publication of these Ground Rules) for any losses, damages, claims and expenses suffered by any person as a result of:

- any reliance on these Ground Rules, and/or
- any errors or 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 errors or inaccuracies in the compilation of the Index or any constituent data.



Section 2

Management Responsibilities

2.0 Management Responsibilities

2.1 FTSE Fixed Income LLC (FTSE)

2.1.1 FTSE is the benchmark administrator of the index series.¹

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

- maintain records of all the constituents;
- be responsible for the addition and deletion of bonds and changes of nominal amounts, in accordance with 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.

¹ 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

3.0 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. These policies are reviewed annually and any changes are approved by the FTSE Russell Index Governance Board.

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

3.2 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 Policy Advisory Board for discussion before approval by the FTSE Russell Index Governance Board.

The Statement of Principles for Fixed Income Indices can be accessed using the following link:
[Statement of Principles Fixed Income Indices.pdf](#)

3.3 Queries and Complaints

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

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

3.4 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.

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

3.5 Policy for Benchmark Methodology Changes

3.5.1 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

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 defense risk management framework and is designed to meet the requirements of the IOSCO Principles for Financial Benchmarks², the European benchmark regulation³ and the UK benchmark regulation⁴. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE_Russell_Governance_Framework.pdf](#)

² IOSCO Principles for Financial Benchmarks Final Report, FR07/13 July 2013

³ 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

⁴ The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019



Section 4

Composition and Design Criteria

4.0 Composition and Design Criteria

4.1 Criteria for Frontier Emerging Markets Classification

4.1.1 The FTSE Frontier Emerging Markets Government Bond Index Series measures the performance of fixed-rate local currency government bonds issued by countries classified as a Frontier Emerging Market based on the criteria described in Figure 1.

4.1.2 The objective of this index series is to provide transparency to a universe of emerging local currency government bond markets that may not yet be considered mainstream emerging markets, but are sufficiently investable for global portfolio managers based on an objective set of technical criteria.

4.1.3 The composition of local currency government markets included in the index series is reviewed on a semi-annual basis each March and September and aligned with the review cadence of the [FTSE Fixed Income Country Classification Framework](#).

4.1.4 Figure 1. FTSE Frontier Emerging Market Classification Criteria

Market Accessibility Level	Countries must be assigned a Market Accessibility Level of 0 based on the FTSE Fixed Income Country Classification Process . Countries that are reclassified from Market Accessibility Level 0 to a higher Market Accessibility Level will exit the index.
Maximum Market Size	Maximum market size of \$50 billion in index-eligible par amount outstanding. For purposes of inclusion in the index series at the Index Launch in April 2021, the maximum market size was assessed as of the Index Base Date in December 2017. Countries are not excluded from the index series if they exceed the maximum market size after their inclusion.
Minimum Market Size	Minimum market size of \$5 billion in index-eligible par amount outstanding. For purposes of inclusion in the index series at the Index Launch in April 2021, the minimum market size was assessed as of the this date. Countries are not excluded from the index series if they fall below minimum market size.

Credit Rating	Maximum of BBB- from S&P and Baa3 from Moody's. Countries without a long term local currency sovereign rating from Moody's or S&P are excluded. Countries are not excluded if their rating is upgraded above BBB- by S&P or Baa3 by Moody's.
World Bank Classification	Countries classified as High Income are excluded.

4.2 Market Inclusion Review Cycle

- 4.2.1 To be eligible for the FTSE Frontier Emerging Markets Government Bond Index Series, a market must satisfy the criteria for classification as a Frontier Emerging Market as listed in Figure 1.
- 4.2.2 FTSE Russell continually expands its coverage of local currency government bond markets with the launch of standalone FTSE Government Bond Indices (GBIs). The inaugural assessment of markets where tracking has been introduced to assign a Market Accessibility Level according to the [FTSE Fixed Income Country Classification Framework](#) takes place at the next scheduled semi-annual FTSE Fixed Income Country Classification Review in March and September.
- 4.2.3 Any market for which a standalone GBI has been introduced between the FTSE Fixed Income Country Classification Reviews is considered for inclusion in the FTSE Frontier Emerging Markets Government Bond Index Series based on the criteria for classification as a Frontier Emerging Market at the semi-annual review dates. Any resulting inclusion changes to the composition of the index series are subsequently announced allowing for at least six-months notice.
- 4.2.1 The Market Accessibility Level Criteria for the FTSE Frontier Emerging Markets Government Bond Index Series ensures that there is no overlap with the flagship FTSE Emerging Markets Government Bond Index (EMGBI), which requires a minimum Market Accessibility Level of 1.
- 4.2.2 As part of the FTSE Fixed Income Country Classification Process, government bond markets currently tracked by FTSE Russell that are being considered for potential reclassification of their Market Accessibility Level for either failing to meet the accessibility thresholds of their existing level or on the cusp of meeting the thresholds for a higher level are placed on a Watch List and must remain there for 6 months before a change can be made.
- 4.2.3 Any announcement of a reclassification of the Market Accessibility Level of a market currently included in the FTSE Frontier Emerging Markets Government Bond Index Series from 0 to a higher level will coincide with an announcement of its exit from the index series, providing at least 6 months' notice.
- 4.2.4 FTSE Russell will review sovereign default or debt restructuring scenarios on a case by case basis to determine the most appropriate index handling based on its Statement of Principles.
- 4.2.5 **Design Criteria and Security-Level Composition Rules**
- 4.2.6 The FTSE Frontier Emerging Markets Government Bond Index Series is comprised of the market value weighted FTSE Frontier Emerging Markets Government Bond Index and the FTSE Frontier Emerging Markets Government Bond 10% Capped Index, where aggregate weights of each country are capped at 10%. Additional details can be found in Figure 2.

4.2.7 **Figure 2. Design Criteria and Security Inclusion Rules for the FTSE Frontier Emerging Markets Government Bond Index Series**

Coupon	Fixed-rate and zero coupon
Maturity	At least one year to maturity
Minimum Amount Outstanding	Bangladesh: BDT 15 billion Costa Rica: CRC 100 billion Dominican Republic: DOP 10 billion Egypt: EGP 1.5 billion Ghana: GHS 500 million Kazakhstan: KZT 50 billion Kenya: KES 15 billion Morocco: MAD 2 billion Nigeria: NGN 10 billion Pakistan: PKR 20 billion Serbia: RSD 10 billion Sri Lanka: LKR 50 billion Ukraine: UAH 2.5 billion Vietnam: VND 5 trillion
Composition	Sovereign debt denominated in the domestic currency. Treasury bills, private placements, and securities without pricing are excluded. Securities issued by the Central Bank of Costa Rica and the Central Bank of Dominican Republic are included. Kenyan infrastructure bonds are included.
Weighting	Market capitalization and 10% country capped versions are available. Please refer to Section 4.3 for further details on the Capping Methodology.
Rebalancing	Once a month at the end of the month
Reinvestment Rate	Cash flows are not reinvested as part of the calculation of index total return.
Pricing	Refinitiv bid-side pricing. Snap times for each country are listed below: 4pm New York: Costa Rica, Dominican Republic 4.15pm London: Egypt, Ghana, Kazakhstan, Kenya, Morocco, Serbia, Ukraine 6pm London: Nigeria 6pm Tokyo: Bangladesh, Pakistan, Sri Lanka, Vietnam
Calculation frequency	Daily
Settlement date	Monthly: Settlement is on the last calendar day of the month. 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.
Fixing date	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.

4.3 Capping Methodology

- 4.3.1 The FTSE Frontier Emerging Markets Government Bond 10% Capped Index limits the market value weight of each country at 10%.
- 4.3.2 If the aggregate weight of a country is greater than 10%, its weight is capped at 10% and the excess weight is distributed pro-rata among the uncapped countries. If the distribution of excess weight results in any country breaching the 10% cap, the pro-rata distribution process will be repeated until all country weights in the index are less than or equal to 10%.

4.4 Holiday calendar

The index is calculated Monday through Friday except Christmas Day (observed) and New Year's Day (observed). For purposes of index calculations, each local market 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.

- 4.4.1 The index incorporates updated daily prices from Refinitiv if they are available based the local market holiday calendars observed by Refinitiv.

4.5 Total return computations

- 4.5.1 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. The components of total return for each security are price change, principal payments, coupon payments, and accrued interest. The total returns are market capitalization-weighted using the security's beginning-of-period market value. For details see Figure 3.

Figure 3. Total rate of return calculation methodology

Beginning-of-period value	-	(Beginning price + Beginning accrued) x Beginning par amount outstanding
End-of-period value	-	[(Ending price + Ending accrued) x (Beginning par amount outstanding – Principal payments)] + Coupon payments + Principal payments
Total rate of return (%)	-	[(End-of-period value / Beginning-of-period value) – 1] x 100

- 4.5.2 At the index-level, total return for the index series is reported on an unhedged basis only, reflecting changes in daily spot FX for each currency.
- 4.5.3 The closing Refinitiv Spot Rates and The Refinitiv Forward Rates, provided by Refinitiv, are used. WM takes several snapshots at regular intervals centered on the fixing time of 4:00 p.m. London time and selects the median rate for each currency. All rates are mid-market quotations.

4.6 Data availability and accessibility

- 4.6.1 Index information, including index profiles, analytics and returns, and historical data, for the FTSE Frontier Emerging Markets Government Bond Index Series is available on <https://www.yieldbook.com/m/indices>.

FTSE Russell also makes data for its indices available through a number of data and analytic vendors. External index codes are available in Figure 4.

Figure 4. Index Codes for the FTSE Frontier Emerging Markets Government Bond Index Series

Index Code	Index
FRNTEMGBI	FTSE Frontier Emerging Markets Government Bond Index
FRNTEMGBIC	FTSE Frontier Emerging Markets Government Bond 10% Capped Index

4.7 Chronological summary of events

Figure 5. FTSE Frontier Emerging Markets Government Bond Index Series Event Summary

Year	Highlight
2022	April: Kazakhstan government bonds are added to the index series.
2021	April: FTSE Frontier Emerging Markets Government Bond Index Series is launched. April: Sri Lankan government bonds with an original tenor of longer than ten years are added to the index series.
2020	May: Serbia government bonds added to the index series.
2017	December: Base Date for FTSE Frontier Emerging Markets Government Bond Index Series

4.8 General Index Methodology

- 4.8.1 Unless otherwise stated, the Index follows the general methodology for FTSE fixed income indices. For details, please see *FTSE Fixed Income Index Guide*.



Appendix A: Further Information

For contact details please visit the FTSE Russell website or contact FTSE Russell client services at fi.index@lseg.com.

Website: www.ftserussell.com

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