

**Ground Rules**



---

# **FTSE Goldman Sachs Emerging Markets USD Government Bond Index**

v1.4

---

# FTSE Goldman Sachs Emerging Markets USD Government Bond Index

---

The FTSE Goldman Sachs Emerging Markets USD Government Bond Index comprises US dollar denominated sovereign, sovereign guaranteed and government sponsored bonds providing a broad measure of sovereign and government related emerging markets<sup>1</sup> while excluding countries with relatively weak governance, high inflation growth and unfavorable import measures.

The index is created from the FTSE Emerging Markets Broad Bond Index (EMUSDBBI). The sovereign, sovereign guaranteed and government sponsored sectors of the index are used as the base universe of bonds. The base universe is then screened for larger issues based on amount outstanding, representing the more liquid portion of the emerging markets. This liquid universe of bonds is then divided into two maturity buckets, 1-7 years and 7+ years. The weights of the maturity buckets are adjusted to match the weighted average effective duration of the base. Within each maturity bucket, constituents are assigned weights in proportion to their market capitalization. A 5% market weight cap is applied to each country.

The bonds are then ranked by Worldwide Governance Indicators (WGI)<sup>2</sup>. Bonds from the lowest ranked 10% of countries as measured by WGI are excluded. The resulting universe is then ranked again by a pair of equally weighted fundamental indicators provided by the International Monetary Fund (IMF). The IMF fundamental indicators include: (1) trade measured by the year over year difference of the import coverage ratio and (2) a cost of goods and services measured by the absolute change in inflation. The lowest 5% ranked countries as measured by the IMF fundamental indicators are excluded.

The remaining bonds from the emerging markets with favorable governance composite and fundamental composite rankings (i.e., higher import coverage growth and lower inflation volatility), are then capped again at 5% weight per country to help manage the concentration risk.

FTSE Fixed Income LLC is the administrator of the index.<sup>3</sup>

---

<sup>1</sup> For more information on the methodology for classifying a country to be “emerging,” please see the Emerging Markets Indexes section of the *Index Guide* on the Web at <http://www.yieldbook.com/m/indices/>.

<sup>2</sup> For more information on Worldwide Governance Indicators see <http://info.worldbank.org/governance/wgi>.

<sup>3</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

## Composition and design criteria

Figure 1 details the design criteria and calculation assumptions for the FTSE Emerging Markets Broad Bond Index. Additional design criteria and calculation assumptions for the FTSE Goldman Sachs Emerging Markets USD Government Bond Index are outlined in Figure 2.

**Figure 1. Design criteria and calculation assumptions for the FTSE Emerging Markets Broad Bond Index**

<b>Coupon</b>	Fixed-rate, fixed-to-floating bonds
<b>Currency</b>	USD
<b>Minimum maturity</b>	At least one year Fixed-to-floating bonds are removed one year prior to the fixed-to-floating rate start date
<b>Minimum issue size</b>	Foreign Sovereign: USD 500 million Sovereign Guaranteed/Government Sponsored/Regional, Governments/Corporate: USD 250 million
<b>Minimum credit quality</b>	C by S&P and Ca by Moody's
<b>Composition</b>	<u>Securities included:</u> Investment-grade and high-yield US Dollar-denominated debt issued by governments, regional governments, government-sponsored entities, and corporations domiciled in emerging markets. – unless otherwise stated in Figure 2. <u>Securities excluded:</u> Variable-rate, floating-rate, callable zero-coupon bonds, index-linked, retail directed, bills, stripped zero coupon, convertibles, savings, and private placements
<b>Accessibility</b>	Limited to bonds and markets that foreign investors can fully access and whose returns they can easily replicate.
<b>Weighting</b>	Market capitalization
<b>Rebalancing</b>	Once a month at the end of the month
<b>Reinvestment of cash flow</b>	At the daily average of the local currency one-month Eurodeposit rate calculated from the actual scheduled payment date of the cash flow through the end of the reporting period.
<b>Calculation frequency</b>	Daily
<b>Settlement date</b>	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.

measure the performance of investment funds (the European Benchmark Regulation). FTSE Fixed Income LLC administers the Index Series in line with the third country transitional provisions contained within the Article 51(5) of that regulation.

<b>Fixing date</b>	Each month, the upcoming month's index constituents are "fixed" on the profile fixing date. <sup>4</sup> Each year's scheduled fixing dates are published on the website.
--------------------	---

**Figure 2. Additional design criteria and calculation assumptions for the FTSE Goldman Sachs Emerging Markets USD Government Bond Index**

<b>Minimum issue size</b>	USD 500 million minimum outstanding per issue
<b>Minimum issuer size</b>	USD 1 billion minimum total qualifying outstanding debt
<b>Minimum credit quality</b>	B- by S&P and B3 by Moody's (excludes defaulted bonds)
<b>Composition</b>	<p><u>Securities included:</u> bonds issued by Sovereign Government, Sovereign Government Sponsored Entities, and Sovereign Government Guaranteed Entities.</p> <p><u>Securities excluded:</u> Sukuk</p>
<b>Pricing</b>	<p>Thomson Reuters mid-market price. Americas: 4:00 p.m. New York</p> <p>Supplemental Europe, Middle East, and Africa: 4:15 p.m. London Asia Pacific: 6:00 p.m. Tokyo</p> <p>Secondary pricing source, FTSE Index price FTSE prices used for historical calculations (from February 28, 2007 to August 26, 2018)</p>
<b>Reconstitution</b>	<p>Each month, after filtering for minimum issue size, the bond universe is divided into two maturity buckets, 1-7 years and 7+ years. The weights of the maturity buckets are adjusted to match the weighted average effective duration to the base universe, defined as the sovereign, sovereign guaranteed and government sponsored sectors of the FTSE Emerging Markets Broad Bond Index. Within each maturity bucket, constituents are assigned weights in proportion to their market capitalization. A 5% market weight cap is applied to each country.</p> <p>The bonds are then screened by the average governance rank created from six Worldwide Governance Indicators. The countries with the lowest 10% composite rank are excluded. The remaining universe is screened by two fundamental indicators: (1) trade as measured by the year over year difference of the import coverage ratio and (2) cost of goods and services as measured by the absolute change in inflation, both determined annually in May.<sup>5</sup> The countries are ranked positively by import coverage ratio and negatively by inflation and, accounting for market capitalization. The percentile rankings of individual indicators are equally combined to calculate each country's composite rank and the countries with the lowest 5% composite rank are excluded.</p>

<sup>4</sup> Fixing dates provide a clear reference point for index users to know in advance of any changes to the composition of the index for the upcoming month. On each fixing date, publically available securities information is used to determine index eligibility and indicative values for the following month's index profile.

<sup>5</sup> Inflation, balance of payments, and international reserves values for the previous calendar year are published each year, generally in April, by the International Monetary Fund (IMF) in its World Economic Outlook (WEO).

	The remaining bonds from the emerging markets with favorable governance composite and fundamental composite rankings (i.e., higher import coverage growth and lower inflation volatility), are then capped again at 5% weight per country to help manage the concentration risk. In the event that the number of index eligible countries is twenty or less, no countries will be removed or reweighted using the fundamental indicators. Countries would be market value weighted subject to the 5% country weight cap. The rankings are recalculated quarterly at the end of February, May, August, and November to determine the countries for inclusion in the following quarter's index profile.
<b>Capping</b>	5% on country weights
<b>Index base date<sup>6</sup></b>	February 28, 2007

**Figure 3. Example of governance composite ranking, issuer reconstitution and index weighting**

Description	Country Market Value (\$Bn)	Average of Governance Percentile Ranking*	Composite Decile Ranking	Inclusion	Index Market Value <sup>1</sup> (After recapping \$Bn)	Market Capitalization Weight
Country A	97	1%	1	Included	100.1	3.3%
Country B	119	5%	2	Included	122.9	4.1%
Country C	99	8%	3	Included	102.2	3.4%
Country D	135	12%	4	Included	139.4	4.6%
Country E	127	16%	5	Included	131.1	4.4%
Country F	139	20%	6	Included	143.5	4.8%
Country G	160	24%	7	Included	150.0	5.0%
Country H	145	29%	8	Included	149.7	5.0%
Country I	131	33%	9	Included	135.3	4.5%
Country J	157	37%	10	Included	150.0	5.0%
Country K	117	41%	11	Included	120.8	4.0%
Country L	144	45%	12	Included	148.7	5.0%
Country M	139	50%	13	Included	143.5	4.8%
Country N	85	53%	14	Included	87.8	2.9%
Country O	138	56%	15	Included	142.5	4.7%
Country P	108	60%	16	Included	111.5	3.7%
Country Q	136	64%	17	Included	140.4	4.7%
Country R	160	68%	18	Included	150.0	5.0%
Country S	87	72%	19	Included	89.8	3.0%

<sup>6</sup> Back tested data from 2/28/2007 through 8/26/2018. Live data from 8/27/2018 through present.

Description	Country Market Value (\$Bn)	Average of Governance Percentile Ranking*	Composite Decile Ranking	Inclusion	Index Market Value1 (After recapping \$Bn)	Market Capitalization Weight
Country T	165	76%	20	Included	150.0	5.0%
Country U	159	81%	21	Included	150.0	5.0%
Country V	165	86%	22	Included	150.0	5.0%
Country W	88	89%	23	Included	90.9	3.0%
Country X	40	92%	24	<b>Excluded</b>		
Country Y	165	95%	25	<b>Excluded</b>		
Country Z	95	99%	26	<b>Excluded</b>		
<b>Total</b>	<b>3300</b>				<b>3000</b>	<b>100%</b>

\*Lower percentile rankings represent better governance rankings

**Figure 4. Example of composite fundamental ranking, issuer reconstitution and index weighting**

Description	Index Market Value1 (\$Bn)	Import Coverage Ratio Percentile Ranking*	Absolute Change Inflation Percentile Ranking*	Average Ranking*	Composite Decile Ranking	Inclusion	Final Index Market Value (After recapping, \$Bn)	Market Capitalization Weight
Country A	100.1	6%	2%	4%	1	Included	102.3	3.5%
Country B	122.9	2%	11%	7%	2	Included	125.5	4.3%
Country C	102.2	18%	5%	12%	3	Included	104.4	3.6%
Country D	139.4	14%	11%	13%	4	Included	142.4	4.9%
Country E	131.1	10%	18%	14%	5	Included	134.0	4.6%
Country F	143.5	22%	27%	25%	6	Included	145.5	5.0%
Country G	150.0	32%	22%	27%	7	Included	145.5	5.0%
Country H	149.7	37%	32%	34%	8	Included	145.5	5.0%
Country I	135.3	27%	44%	36%	9	Included	138.2	4.8%
Country J	150.0	46%	37%	41%	10	Included	145.5	5.0%
Country K	120.8	41%	53%	47%	11	Included	123.4	4.2%
Country L	148.7	60%	44%	52%	12	Included	145.5	5.0%
Country M	143.5	55%	58%	57%	13	Included	145.5	5.0%
Country N	87.8	62%	53%	58%	14	Included	89.7	3.1%
Country O	142.5	53%	63%	58%	15	Included	145.5	5.0%

Description	Index Market Value1 (\$Bn)	Import Coverage Ratio Percentile Ranking*	Absolute Change Inflation Percentile Ranking*	Average Ranking*	Composite Decile Ranking	Inclusion	Final Index Market Value (After recapping, \$Bn)	Market Capitalization Weight
Country P	111.5	75%	70%	73%	16	Included	113.9	3.9%
Country Q	140.4	69%	77%	73%	17	Included	143.5	4.9%
Country R	150.0	77%	70%	74%	18	Included	145.5	5.0%
Country S	89.8	68%	80%	74%	19	Included	91.8	3.2%
Country T	150.0	84%	84%	84%	20	Included	145.5	5.0%
Country U	150.0	89%	95%	92%	21	Included	145.5	5.0%
Country V	150.0	95%	90%	93%	22	Included	145.5	5.0%
Country W	90.9	98%	96%	97%	<b>23</b>	<b>Excluded</b>		
<b>Total</b>	<b>3000.0</b>						<b>2909.1</b>	<b>100%</b>

\*Lower percentile rankings represent better fundamental rankings

## Timing

Indexes are calculated Monday through Friday except Christmas Day (observed) and New Year's Day (observed). When a market observes a holiday, the closing prices from the previous available day are used as the closing prices for index calculations on such holiday for that market.

## Index quality

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.

## Defaults

When an issuer defaults, or is assigned a D rating by S&P regardless of whether that issuer has filed for bankruptcy protection, or enters into Chapter 7 or Chapter 11 bankruptcy protection in the US (or equivalent in its local market), its bonds remain in the index until the end of the month. The bonds will be included in the calculation of the current month's average profile statistics of the index. The returns are calculated without coupon payment or accrued interest, where applicable.

## Return computation

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 are price change, principal payments, coupon payments, accrued interest, and reinvestment income on intra-month cash flows. The total returns are market capitalization weighted using the security's beginning-of-period market value (see Figure 4).

**Figure 4. 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 + Reinvestment Income

### Total Rate of Return (%)

$$\left[ \left( \frac{\text{End-of-Period Value}}{\text{Beginning-of-Period Value}} \right) - 1 \right] \times 100$$

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

## Ticker for the FTSE Goldman Sachs Emerging Markets USD Government Bond Index

Ticker	Index
CFIIGEMD	FTSE Goldman Sachs Emerging Markets USD Government Bond Index, in USD terms

## Data correction

FTSE Russell strives to produce error-free indices; however, there are occasions when erroneous data is published. These circumstances may be caused by, but not limited to, calculation or pricing errors, missing data, or incorrect indicative data. On rare occasions, and only in extreme cases, FTSE Russell may conclude that restatement is required. When determining if restatement is necessary, factors such as the magnitude of the error, the overall impact on the data, the sector affected, and whether the error affects daily and/or monthly results are taken into consideration.

If FTSE Russell finds it necessary to restate, an announcement will be posted on the FTSE Russell website at ([www.yieldbook.com/m/indices](http://www.yieldbook.com/m/indices)) and the revised index data will be redistributed. Subscribers to Index Production News will automatically receive all correction notifications via email.

Unless otherwise stated, the Index follows the general methodology for FTSE fixed income indexes. 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](mailto:fi.index@lseg.com).

Website: [www.ftserussell.com](http://www.ftserussell.com)

---

© 2022 London Stock Exchange Group plc and its applicable group undertakings (the "LSE Group"). The LSE Group includes (1) FTSE International Limited ("FTSE"), (2) Frank Russell Company ("Russell"), (3) FTSE Global Debt Capital Markets Inc. and FTSE Global Debt Capital Markets Limited (together, "FTSE Canada"), (4) FTSE Fixed Income Europe Limited ("FTSE FI Europe"), (5) FTSE Fixed Income LLC ("FTSE FI"), (6) The Yield Book Inc ("YB") and (7) Beyond Ratings S.A.S. ("BR"). All rights reserved.

The FTSE Goldman Sachs Emerging Markets USD Government Bond Index is calculated by or on behalf of FTSE Fixed Income LLC or its affiliate, agent or partner. FTSE International Limited is authorised and regulated by the Financial Conduct Authority as a benchmark administrator.

FTSE Russell® is a trading name of FTSE, Russell, FTSE Canada, FTSE FI, FTSE FI Europe, YB and BR. "FTSE®", "Russell®", "FTSE Russell®", "FTSE4Good®", "ICB®", "The Yield Book®" "Beyond Ratings®" and all other trademarks and service marks used herein (whether registered or unregistered) are trade marks and/or service marks owned or licensed by the applicable member of the LSE Group or their respective licensors and are owned, or used under licence, by FTSE, Russell, FTSE Canada, FTSE FI, FTSE FI Europe, YB or BR.

All information is provided for information purposes only. Every effort is made to ensure that all information given in this publication is accurate, but no responsibility or liability can be accepted by any member of the LSE Group nor their respective directors, officers, employees, partners or licensors for any errors or for any loss from use of this publication or any of the information or data contained herein.

No member of the LSE Group nor their respective directors, officers, employees, partners or licensors make any claim, prediction, warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of FTSE Goldman Sachs Emerging Markets USD Government Bond Index or the fitness or suitability of the Index for any particular purpose to which it might be put.

No member of the LSE Group nor their respective directors, officers, employees, partners or licensors provide investment advice and nothing in this document should be taken as constituting financial or investment advice. No member of the LSE Group nor their respective directors, officers, employees, partners or licensors make any representation regarding the advisability of investing in any asset. A decision to invest in any such asset or whether such investment creates any legal or compliance risks for the investor. Indexes cannot be invested in directly. Inclusion of an asset in an index is not a recommendation to buy, sell or hold that asset nor confirmation that any particular investor may lawfully buy, sell or hold the asset or an index containing the asset. The general information contained in this publication should not be acted upon without obtaining specific legal, tax, and investment advice from a licensed professional.

No part of this information may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without prior written permission of the applicable member of the LSE Group. Use and distribution of the LSE Group index data and the use of their data to create financial products require a licence with FTSE, Russell, FTSE Canada, FTSE FI, FTSE FI Europe, YB, BR and/or their respective licensors.