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Section 1

Introduction

1.0 Introduction

1.1 The FTSE MTS Index Structure

1.1.1 FTSE MTS Indexes are a set of benchmarks for the European sovereign bond market. The indexes are calculated and distributed by FTSE Russell, using pricing data from the MTS platform. All quotes made on the consolidated inter-dealer platform are live and tradable to member dealers. Additionally, market data from the order book is widely distributed via data vendors.

1.2 The FTSE MTS Eurozone Government Bill Index does not take account of ESG factors in its index design.

1.3 IOSCO

1.3.1 FTSE International Limited (FTSE) considers that the FTSE MTS Eurozone Government Bill Index meets the IOSCO Principles for Financial Benchmarks as published in July 2013.

Full details can be accessed at www.iosco.org.

Details of FTSE Russell’s Statement of Compliance with respect to the IOSCO Principles can be accessed using the following link:

IOSCO Statement of Compliance.

1.4 FTSE Russell hereby notifies users of the index that it is possible that circumstances, including external events 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.

1.5 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 nor its group companies (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

1.6 These Ground Rules
1.6.1 This document sets out the Ground Rules for the construction and management of the FTSE MTS Eurozone Government Bill Index.

1.7 FTSE Russell

1.8 Index Series Objectives
1.8.1 The FTSE MTS Eurozone Government Bill Indexes are designed to be a measure of the Eurozone Government Bill market. They are transparent indexes, and are designed to be replicable with individual security holdings and prices disclosed electronically each day.

1.9 Publication of Index and Underlying Data
1.9.1 FTSE MTS Indexes are published in real-time between 09:00 CET and 17:15 CET, with three snapshots at 11:00 CET, 16:00 CET and 17:15 CET. Bond prices used for the 11:00, 16:00 and 17:15 CET snapshots are published on the website. Real time bond prices directly from the MTS platform are available from data vendors. These bond prices are distributed with a higher frequency than the 30 second index updates. Underlying bond portfolio composition and weights are also published on the FTSE MTS Index website.

1.10 The base currency of the benchmark is EUR.

1.11 FTSE MTS Eurozone Government Bill Indexes
The FTSE MTS Government Bill Indexes are a family of indexes that measure the total return of a portfolio of sovereign bills issued by countries belonging to the Eurozone and listed on the MTS bond platform.

The family comprises indexes grouped by the following maturity bands: 0-3 months, 0-6 months and 0-12 months. In the 0-6 months maturity bucket, two indexes are produced, one of which is capped, meaning that each issuer is capped within the index to a maximum of 34.5%. The 0-3 month, 0-12 month and remaining 0-6 month indexes are weighted by market capitalisation without issuer capping.

The Bill Indexes are published every 30 seconds and with snapshots at 11:00, 16:00 and 17:15 CET.

1.12 Price and Total Return indexes
1.12.1 Price and Total Return indexes are calculated.

1.12.2 Total Return Index: Coupons paid out on any bond in an index portfolio are reinvested overnight in the index itself. No deduction is made to a coupon before it is reinvested in the index i.e. no withholding tax is applied.
1.13 Index Analytics

1.13.1 In addition to the Capital Index and Total Return Index, the following index analytics are also calculated:

- Average Coupon
- Average Yield to Maturity
- Average Time to Maturity
- Average Macaulay Duration
- Average Modified Duration
- Average Convexity

The formulae to calculate the Total Return Indexes, and the index analytics are available in Appendix B.

1.14 Index Calculation

The indexes are calculated on every day that is a TARGET Business and a MTS market trading day. The index calculation will use the T+2 settlement convention for the valuation of index constituents and the calculation of index analytics.
Section 2
Management Responsibilities

2.0 Management Responsibilities

2.1 FTSE International Limited (FTSE)

2.1.1 FTSE is the benchmark administrator of the index.¹

2.1.2 FTSE Russell is responsible for the daily calculation, production and operation of the FTSE MTS Eurozone Government Bill Indexes 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.

2.2 FTSE EMEA Fixed Income Advisory Committee

2.2.1 The FTSE EMEA Fixed Income Advisory Committee has been established by FTSE Russell. The Committee may recommend changes to the Ground Rules for approval by the FTSE Russell Product Governance Board.

2.2.2 The Terms of Reference of the FTSE EMEA Fixed Income Advisory Committee are set out on the FTSE Russell website and can be accessed using the following link: FTSE_EMEA_Fixed_Income_Advisory_Committee.pdf

2.3 Amendments to these Ground Rules

2.3.1 These Ground Rules shall be subject to regular review by FTSE Russell to ensure that they continue to best reflect the aims of the index. Any proposals for significant amendments to these Ground Rules will be subject to consultation with the FTSE EMEA Fixed Income Advisory Committee and other stakeholders if appropriate. The feedback from these consultations will be considered by the FTSE Russell Product Governance Board before approval is granted.

2.3.2 As provided for in the Statement of Principles for FTSE Fixed Income Indexes, 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

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).
Ground Rules, or to set a precedent for future action, but FTSE Russell will consider whether the Rules should subsequently be updated to provide greater clarity.

2.4 Market Disruption

2.4.1 If the value of one or more constituents is not published due to a suspension or a market disruption event, the index will be calculated taking the latest intra-day value, if available. If an intra-day value is unavailable the previous end of day value will be used.

2.5 Interruption of Live Pricing from MTS Platform

2.5.1 The FTSE MTS Indexes are calculated based on executable bids and offers sourced from the MTS inter-dealer platform. The MTS platform is not controlled by FTSE Russell and should the platform be unable to disseminate live prices for any reason, the FTSE MTS Indexes will not be updated during that period. Index users who choose to follow the FTSE MTS Indexes should be aware of this possibility and make suitable contingency arrangements.
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:

3.1 Queries and Complaints
FTSE Russell’s complaints procedure can be accessed using the following link:
Benchmark_Determination_Complaints_Handling_Policy.pdf

3.2 Guide to the Calculation Methods for the FTSE Fixed Income Indexes
3.2.1 For a description of the methodology used to calculate the index and bond level analytics, please consult the Guide to Calculation Methods for FTSE Fixed Income indexes, which can be found using the following link:
FTSE_Fixed_Income_Index_Guide_to_Calculation.pdf

3.3 Statement of Principles for FTSE Fixed Income Indexes (the Statement of Principles)
Indexes 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 Indexes 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 Product Governance Board.

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

3.4 FTSE MTS Pricing Methodology Guide
3.4.1 For further information, please see the FTSE MTS Pricing Methodology Guide which is available using the following link:
FTSE MTS Pricing Methodology Guide
3.1 Recalculation Policy and Guidelines

The Recalculation Policy and Guidelines for Fixed Income Indexes document is available from the FTSE Russell website using the link below or by contacting info@ftserussell.com.

Fixed_Income_Recalculation_Policy_and_Guidelines.pdf

3.2 Policy for Benchmark Methodology Changes

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

Policy_for_Benchmark_Methodology_Changes.pdf
Section 4
Eligibility Criteria

4.0 Eligibility Criteria

4.1 Eligible Bills

To be eligible for the Index, bonds must meet the following criteria:

- Any sovereign bill issued by France, Germany, Spain, Italy, Belgium, the Netherlands, or Portugal – subject to the above issuers having at least two short-term investment grade credit ratings from the three main ratings agencies.
- Subject to active quotation on the MTS platform
- Maturity date falls within the Maturity Range for any given selection period, as defined below

4.2 Selection Criteria

Bills satisfying the eligibility criteria become “Selected Bills”. Bills that satisfy all criteria except for the quotation requirement (but are listed on the MTS Platform) are “Eligible Bills”. 
Section 5

Price Sources

5.0 Price Sources

5.1 FTSE MTS Indexes are priced using live quotes from the MTS inter-dealer platform. Each bond quoted on the MTS platform is supported by multiple dealers supplying continuous quotes. These quotes are widely distributed for information to the market via data vendors.

Index updates are calculated using best bid prices. New bonds entering the index for the first time use the best offer price, replicating the bid-offer spread experienced by a fund tracking the index. This applies to both the all-maturity and the individual maturity sub-indexes.

Selected indexes of each series are also available in mid-priced versions, where existing constituents are valued using mid prices. In order to replicate the bid-offer spread incurred when tracking the mid-index, new constituents enter the mid-priced index using their respective ask prices, and leave the index using their respective bid prices. The mid-price is calculated as the arithmetic average of the respective bid and offer price pair.

5.2 The prices used to update the indexes are taken from the MTS market in real time. Prior to being used in the index calculation, the prices are subject to a multi-step verification process which aims to remove stale or off-market prices. The verification procedure includes:

- Comparing the bid and offer spreads against country thresholds
- Comparing price movements in individual bonds against pre-defined thresholds

5.3 For each instrument the most recent price that successfully completes the verification process is referred to as its Last Good Price (LGP) and is subsequently used in the index calculation. In the event that the verification process disqualifies all prices for an instrument, or if no prices have been received, the LGP is used until a new price is available. If no new price for an instrument has become available from market open to 15 minutes before the day’s first fixing, then a current indicative price from MTS BondVision will be taken as a new LGP. A similar process is repeated at subsequent price fixings that day: if no new price has become available since the previous fixing then 15 minutes prior to the next fixing the current price from MTS BondVision is taken as a new LGP.

5.4 For further information, please see the FTSE MTS Pricing Methodology Guide which is available using the following link:

[FTSE MTS Pricing Methodology Guide](#)
Section 6

Index Rebalancing

6.0 Index Rebalancing

6.1 Weekly Rebalancing

6.1.1 New selections for the index portfolios and their nominal amounts are established using market data at 11:00 CET on the last business day of the calendar week (which is defined as both a TARGET business day and an MTS market trading day) - such a Business Day being the “Selection Day”.

6.1.2 The indexes are rebalanced immediately after the close of the first business day of the week (the “Rebalance Day”). The incoming portfolio is comprised of bonds and amounts as determined in 6.1.1, based on prices as at 11am on the Rebalance Day.

6.1.3 For a security to be eligible for the index its maturity date should fall after the next Rebalance Day plus 3 business days.

6.1.4 Bonds are allocated to maturity sub-indices according to their maturity on the Rebalance Day. For instance at the rebalance the maximum maturity date considered for the 0 – 6 month index will be the next rebalance date plus 6 months, and the minimum maturity will be the next rebalance date plus 0 months.

6.1.5 The first settlement day of any security following issuance must be on or before the Selection Day in order for that bond to be eligible at the subsequent rebalance.

6.2 Amounts

The active quotation of bills varies according to each issuer, with some bill types requiring quotation in all bills, and other requiring quotation in a “liquid” or “benchmark” subset of available bills. Only bills that are actively quoted become Selected Bills for the FTSE MTS Eurozone Government Bill Indexes, but the weight of each bill reflects the total size of each country’s bill market as listed on the MTS Platform (whether quoted or not) and falling in the correct maturity range, i.e. all Eligible Bills.
Appendix A: The FTSE MTS Eurozone Government Bill Index Family

<table>
<thead>
<tr>
<th>Index</th>
<th>Maturity range</th>
<th>Base date (Index = 100)</th>
<th>Selection criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTSE MTS Eurozone Government Bill 0-3 Month Index</td>
<td>0-3 months</td>
<td>1-Sep-03</td>
<td>Eurozone Issuers Listed Above</td>
</tr>
<tr>
<td>FTSE MTS Eurozone Government Bill 0-6 Month Index</td>
<td>0-6 months</td>
<td>1-Sep-03</td>
<td>Eurozone Issuers Listed Above</td>
</tr>
<tr>
<td>FTSE MTS Eurozone Government Bill 0-6 Month Capped Index</td>
<td>0-6 months</td>
<td>1-Sep-03</td>
<td>Eurozone Issuers Listed Above subject to capping at 34.5%</td>
</tr>
<tr>
<td>FTSE MTS Eurozone Government Bill 0-12 Month Index</td>
<td>0-12 months</td>
<td>1-Sep-03</td>
<td>Eurozone Issuers Listed Above</td>
</tr>
</tbody>
</table>

For the avoidance of doubt, the maturity ranges are inclusive of the lower bound and exclusive of the upper bound. For example a 3-6 months index will hold the Bills with maturity greater than or equal to 3 months and less than 6 months.
### Appendix B: Calculations

**Formulae**

For bond and index level calculations, please consult the Guide to Calculation Methods for the FTSE Fixed Income Indexes.

**Distribution**

The indexes are distributed via Bloomberg and Reuters with the following tickers

**Real time:**

<table>
<thead>
<tr>
<th>FTSE MTS Eurozone Government Bill Index</th>
<th>Bloomberg</th>
<th>Reuters</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-3 months</td>
<td>EMTT3UR &lt;Index&gt;</td>
<td>EMTT3UR=</td>
</tr>
<tr>
<td>0-6 months</td>
<td>EMTT6UR &lt;Index&gt;</td>
<td>EMTT6UR=</td>
</tr>
<tr>
<td>0-6 months capped</td>
<td>EMTT6CR &lt;Index&gt;</td>
<td>EMTT6CR=</td>
</tr>
<tr>
<td>0-12 months</td>
<td>EMTTYUR &lt;Index&gt;</td>
<td>EMTTYUR=</td>
</tr>
</tbody>
</table>

**1730 Snapshot:**

<table>
<thead>
<tr>
<th>FTSE MTS Eurozone Government Bill Index</th>
<th>Bloomberg</th>
<th>Reuters</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-3 months</td>
<td>EMTT3UC &lt;Index&gt;</td>
<td>EMTT3UC=</td>
</tr>
<tr>
<td>0-6 months</td>
<td>EMTT6UC &lt;Index&gt;</td>
<td>EMTT6UC=</td>
</tr>
<tr>
<td>0-6 months capped</td>
<td>EMTT6CC &lt;Index&gt;</td>
<td>EMTT6CC=</td>
</tr>
<tr>
<td>0-12 months</td>
<td>EMTTYUC &lt;Index&gt;</td>
<td>EMTTYUC=</td>
</tr>
</tbody>
</table>

The indexes are also published at [www.mtsindexes.com](http://www.mtsindexes.com).
Appendix C: Further Information

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 further information on the FTSE MTS Eurozone Government Bill Index Ground Rules please visit
www.ftse.com/products/mts or e-mail info@ftserussell.com.