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FTSE Canada Bond Indices - Confirmation of Sector Assignment for Maple Bonds in the FTSE Canada Bond Indices

22 November 2024

In advance of the **announced** rule change to include newly issued Maple bonds within the FTSE Canada Universe Bond Index, effective from January 1, 2025, FTSE Russell published a **proposal** for the approach to the sector assignment for Maple bonds in the FTSE Canada Bond Indices.

Following support of the proposed approach during a comment period that was provided to market participants, FTSE Russell confirms the approach as detailed in the remainder of this announcement.

Issuer Sector Assignment for Maple Bonds

Issuer sector assignments for Maple bonds are based on the existing sector scheme that is used within the FTSE Canada Bond Index Series, which is domestically-oriented and comprised of two high-level sectors for Government and Corporate. Within the Government sector, there are sub-sectors for Federal, Provincial and Municipal. Within Federal, there are sub-sectors for Non-Agency, Agency and Supranational.

For purposes of issuer sector assignment within the FTSE Canada Bond Index Series, bonds issued by non-Canadian government and quasi-government entities will be classified as Government > Federal > Supranational, which will be defined as follows effective from January 1, 2025:

- Direct obligations of non-Canadian central, local and regional governments;
- Bonds issued by non-Canadian entities that contain an explicit government guarantee, where the explicit guarantee can be from a central, local or regional government, and can reference a joint guarantee from one or more governments.

As part of the rule change, the current Supranational sector will be renamed as "Sovereign, Supranational and Foreign Agency" (SSA), effective from January 1, 2025. This name change will be reflected in index-level sub-index names, as well as within the bond-level Level 3 sub-sector assignments. All other non-Canadian entities, including those that are fully nationalized (i.e., 100% government-owned) will be classified based on their respective business lines within Corporate. This approach will continue to allow for a Canadian domestic view of quasi-government issuers in sub-index construction.

These sector assignments will be aligned with that of global indices, which typically group non-native currency sovereign / local government, supranational and government-guaranteed debt within the same sector. Native currency government agency debt is typically considered to be a separate peer group by fixed income investors, and the Government > Federal > Agency bucket will contain Canadian agencies only.

This approach for the sector assignment of Maple issuers is not intended to impact existing sector classification for Canadian issuers within the indices.

FTSE Russell also intends to support the investment community in providing transparency into the index sector assignment of new Maple bond issuers in a timely manner as securities are issued, where appropriate.

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

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