

## Change to Exempt Authority in FTSE MPF World Government Bond Index

On 22 December 2021, Hong Kong Financial Services and the Treasury Bureau published a blog “Facilitating MPF investments into Bonds issued by the Central People’s Government and Mainland Policy Banks”. It is stated that the current legislation governing MPF investments will be amended to include the Central People’s Government (CPG) and Mainland policy banks in the scope of “exempt authority”. This policy initiative will only come into force once it is approved by the new Legislative Council which is expected to be around middle of 2022 at the earliest. More details can be found at [Financial Services and the Treasury Bureau : Facilitating MPF investments into Bonds issued by the Central People's Government and Mainland Policy Banks \(fstb.gov.hk\)](https://www.fstb.gov.hk).

Based on the ground rules of MPF World Government Bond index (MPFWGBI), under this new policy initiative, all Chinese government bonds currently in World Government Bond Index (WGBI) will be eligible for inclusion in the MPFWGBI index and it will NOT be subject to the 10% issuer cap currently imposed on “non exempt authority” (MPFWGBI index applies a 9% cap to allow buffer for intra-month market movements). Other sovereign bonds in MPFWGBI index will continue to follow the bond level rating requirement if they do not meet the “exempt authority” standards.

If the change were applied on the January 2021 FTSE MPFWGBI profile, it would increase the number of Chinese government bonds in the index from 5 to 51, and the weight of China in MPFWGBI would increase to 0.63% from current 0.03%. More information on MPFWGBI index can be found via link below:

[https://www.yieldbook.com/x/ixFactSheet/factsheet\\_monthly\\_mpfwgbi\\_en\\_US.pdf](https://www.yieldbook.com/x/ixFactSheet/factsheet_monthly_mpfwgbi_en_US.pdf)

FTSE Russell will be closely monitoring the progress of the new policy initiative and will provide another update with detailed impact analysis as soon as it is approved by Hong Kong Legislative Council.

Please contact us at [fi.index@lseg.com](mailto:fi.index@lseg.com) with any comments or questions.

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