

**S&P China Composite  
Bond Indices**  
*Methodology*

October 2017

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# Introduction

## Highlights

**S&P China Composite Bond Index.** The index is designed to track the performance of Chinese sovereign bonds, agency bonds and corporate bonds.

**S&P China Composite Select Bond Index.** The index is designed to track the performance of Chinese sovereign bonds, agency bonds and bonds issued by Central State-Owned Enterprises (CSOEs).

For both indices, bonds must be denominated in Chinese yuan.

This methodology was created by S&P Dow Jones Indices to achieve the aforementioned objective of measuring the underlying interest of each index governed by this methodology document. Any changes to or deviations from this methodology are made in the sole judgment and discretion of S&P Dow Jones Indices so that the indices continue to achieve their objectives.

# Eligibility Criteria

## Eligibility Factors

**Country.** Securities must be issued in China and listed on one of the Chinese bond markets (Shanghai Stock Exchange, Shenzhen Stock Exchange and Chinese interbank market). In addition for the **S&P China Composite Select Bond Index**, sovereign bonds must be listed on all three bond market platforms.

**Currency.** Securities must be denominated in Chinese yuan (CNY).

**Maturity.** No bond matures in an index. Maturity rules are as follows:

- **S&P China Composite Bond Index.** Each bond must have a remaining maturity greater than or equal to one year from the rebalancing date.
- **S&P China Composite Select Bond Index.** Each bond must have a maturity greater than or equal to one year but less than or equal to seven years from the rebalancing date.

**Issuer.** Securities must be sovereign bonds issued by the Chinese central government, or government agency bonds issued by one of three Chinese policy banks (China Development Bank Corporation, Agricultural Development Bank of China and The Export-Import Bank of China). In addition, for each index the following are also eligible:

- **S&P China Composite Bond Index.** Corporate bonds issued by corporate entities.
- **S&P China Composite Select Bond Index.** Corporate bonds issued by Central State-Owned Enterprises (CSOEs). CSOEs are defined as Chinese corporations directly governed by the State-Owned Assets Supervision and Administration Commission of the State Council.

Securities issued by the Chinese central government on behalf of local governments, are not eligible.

**Coupon Type.** The following coupon types are included:

- **S&P China Composite Bond Index.** Fixed, Zero, Step-Up, Fixed-to-Float and Floating Rate.
- **S&P China Composite Select Bond Index.** Securities must be fixed rate non-zero coupon bonds.

**Exclusions.** The following bond types are specifically excluded from the indices:

- Inflation-linked securities
- Securities with embedded options (e.g. Callable or Puttable bonds)

Floating rate notes are excluded from S&P China Composite Select Bond Index.

**Issuer Amount Outstanding.** For the **S&P China Composite Select Bond Index**, at each rebalancing, issuers must have bonds totaling at least US\$ 1 billion outstanding. The bonds of any issuer failing to meet this criterion are excluded from the index.

**Size.** Criteria regarding eligible par amounts outstanding vary by bond type and are detailed in the table below.

Index	Currency	Sovereign Bond	Agency Bond	Corporate Bond
S&P China Composite Bond Index	CNY	20 billion	15 billion	2 billion
S&P China Composite Select Bond Index	CNY	20 billion	15 billion	1 billion

**Settlement.** Settlement rules are as follows:

- **S&P China Composite Bond Index.** Bonds issued prior to the rebalancing reference date (regardless of the settlement date). The index settlement convention is T+0. For month ends that fall on a weekend, the interest accrued during the month will be reflected within the calendar month, regardless of settlement convention. For rates that are not available at month-end (e.g. a rate with an unknown reset), the accrual will be based on the current rate and adjusted the first business day of the next month.
- **S&P China Composite Select Bond Index.** Newly-issued bonds must settle for the first time on or before the rebalancing reference date in order to be included in the new month's selection. Bonds which do not settle by the rebalancing reference date will be included in the following month. The index settlement convention is T+0. For month ends that fall on a weekend, the interest accrued during the month will be reflected within the calendar month, regardless of settlement convention.

**Credit Rating Quality.** Ratings rules are as follows:

- **New Issues.** New corporate issues must be rated by at least one of the following local Chinese rating agencies to be considered at the next rebalancing. No ratings criteria are applied to sovereign or agency bonds.
  - China Chengxin International Credit Rating Co., Ltd.
  - China Lianhe Credit Rating Co., Ltd.
  - Dagong Global Credit Rating Co., Ltd.
  - Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.
  - Pengyuan Credit Rating Co., Ltd.
- **Issue Rating.**
  - **S&P China Composite Bond Index.** The minimum credit rating for corporate bond inclusion is AA.
  - **S&P China Composite Select Bond Index.** The minimum credit rating for Central State-Owned Enterprises (CSOEs) bond is AAA.
- **Non-rated and Defaulted Bonds.** Securities that are no longer rated or have defaulted are removed at the next rebalancing.

**Pricing.** Bid Pricing provided by – Thomson Reuters.

# Index Construction

## Index Calculations

**S&P China Composite Bond Index.** The index is calculated using a market value weighting scheme.

**S&P China Composite Select Bond Index.** The index is calculated using a modified market value weighting scheme. Index weighting criteria are outlined in the table below. Within each bond type, the constituents are market-value-weighted. The maximum weight allocated to each individual corporate issuer is capped at 4% at each monthly rebalancing. The weighting criteria below are implemented by re-defining the market value of each bond by way of an adjustment factor (AWF), which is set at each monthly rebalancing.

Weighting	Sub-Weighting	Type
55%		Sovereign Bond and Agency Bond
	23%	China Sovereign Bond
	23%	China Development Bank Corporation
	4.5%	Agricultural Development Bank of China
	4.5%	Export and Import Bank of China
45%		Central State-Owned-Enterprises (CSOEs)
		Each issuer is capped at 4%

For each index, the total return is calculated by aggregating the interest return, reflecting the return due to paid and accrued interest, and price return, reflecting the gains or losses due to changes in the end-of-day price and principal repayments.

*For further details regarding index calculations please refer S&P Dow Jones Indices' Fixed Income Index Mathematics Methodology available at [www.spdji.com](http://www.spdji.com).*

# Index Maintenance

## Rebalancing

The indices are reviewed and rebalanced on a monthly basis. The Index Committee, nevertheless, reserves the right to make adjustments to an index at any time that it believes appropriate.

Additions, deletions and other changes to the index arising from the rebalancing are made provided the security's reference information and pricing are available by designated pricing and data providers on the rebalancing reference date. Changes to the index are published on the announcement date and become effective on the rebalancing date. Information related to the rebalancing is obtained and disseminated after the close of business.

Rebalancing Schedule	
Rebalancing Frequency	Monthly
Rebalancing Date	Last day of the rebalance period (T)
Announcement Date	T minus 2
Reference Date	T minus 3

*All days reflect after the close and count business days*

## Currency of Calculation

The indices are calculated in Chinese yuan and U.S. dollars.

## Exchange Rate

Spot foreign exchange rates, as supplied by Reuters at 04:15 PM Sydney Time, are used in the end-of-day calculation of the foreign currency versions of the index.

## Base Date and History Availability

Index history availability, base date and base value are shown in the table below.

Index	Launch Date	First Value Date	Base Date	Base Value
S&P China Composite Bond Index	04/01/2016	12/31/2015	12/31/2015	100
S&P China Composite Select Bond Index	09/30/2014	08/30/2013	08/30/2013	100

# Index Governance

## Index Committee

S&P Dow Jones Indices' Asia Fixed Income Index Committee maintains the indices. All committee members are full-time professionals at S&P Dow Jones Indices. Meetings are held quarterly and whenever deemed appropriate.

The Index Committee oversees the management of the indices, including determinations of intra-rebalancing changes, maintenance and inclusion policies, and other matters affecting the maintenance and calculation of the indices. In fulfilling its responsibilities, the Index Committee has full and complete discretion to (i) amend, apply, or exempt the application of index rules and policies as circumstances may require and (ii) add, remove, or by-pass any bond in determining the composition of an index.

The Index Committee may rely on any information or documentation submitted to it or gathered by it that the Index Committee believes to be accurate. The Index Committee reserves the right to reinterpret publicly available information and to make changes to the indices based on a new interpretation of that information at its sole discretion. All Index Committee discussions are confidential.

The Index Committee is separate from and independent of other analytical groups at S&P Global. In particular, the Index Committee has no access to or influence on decisions by S&P Global Ratings analysts.

*For information on Quality Assurance and Internal Reviews of Methodology, please refer to S&P Dow Jones Indices' Fixed Income Policies & Practices document located on our Web site, [www.spdji.com](http://www.spdji.com).*



# Index Policy

## **Announcements**

Announcements of any relevant information pertaining to the index are made after market close. Press releases are posted on the S&P Dow Jones Indices' Web site at [www.spdji.com](http://www.spdji.com).

## **Holiday Schedule**

The indices are calculated daily, throughout the calendar year. The only day the indices are not calculated is January 1st.

## **Rebalancing**

The index committee may change the date of a given rebalancing for reasons including market holidays occurring on or around the scheduled rebalancing date. Any such change will be announced with proper advance notice where possible.

## **End-of-Day Calculation**

Index levels are calculated at the end of each business day via S&P Dow Jones Indices' Web site. This may be subject to change.

## **Index Releases**

Releases are issued by S&P Dow Jones Indices at the end of the business day.

## **Recalculation Policy**

For information on the recalculation policy please refer to S&P Dow Jones Indices' Fixed Income Policies & Practices document located on our Web site, [www.spdji.com](http://www.spdji.com).

*For information on Calculations and Pricing Disruptions, Expert Judgment and Data Hierarchy, please refer to S&P Dow Jones Indices' Fixed Income Policies & Practices document located on our Web site, [www.spdji.com](http://www.spdji.com).*

## **Contact Information**

For questions regarding an index, please contact: [index\\_services@spglobal.com](mailto:index_services@spglobal.com).

# Index Dissemination

Index levels are available through S&P Dow Jones Indices' Web site at [www.spdji.com](http://www.spdji.com), major quote vendors (see codes below), numerous investment-oriented Web sites, and various print and electronic media.

## Tickers

Index (Total Return Index)	Ticker
S&P China Composite Bond Index (CNY)	SPCCBI
S&P China Composite Bond Index (USD)	SPCCBIU
S&P China Composite Select Bond Index (CNY)	SPBCNSIT
S&P China Composite Select Bond Index (USD)	SPBCNSUT

## FTP

Daily index levels and index data are available via FTP subscription.

*For product information, please contact S&P Dow Jones Indices, [www.spdji.com/contact-us](http://www.spdji.com/contact-us).*

## Web site

*For further information, please refer to S&P Dow Jones Indices' Web site at [www.spdji.com](http://www.spdji.com).*

# Appendix I – Methodology Changes

Methodology changes since January 1, 2015 are as follows:

Change	Effective Date (After Close)	Methodology	
		Previous	Updated
Inclusion of Floating Rate Notes:	08/01/2016	Floating rate notes were excluded from the index.	Floating rate notes are included in the index.
S&P China Composite Bond Index			

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