

**S&P China High Quality Corporate
Bond 3-7 Year Index
*Methodology***

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Introduction

Highlights

The S&P China High Quality Corporate Bond 3-7 Year Index is designed to track the performance of Chinese corporate bonds denominated in Chinese yuan (CNY) in the 3-to-7 year maturity range.

This index methodology was created by S&P Dow Jones Indices to achieve the aforementioned objective of measuring the underlying interest of the 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 index continues to achieve its objective.

Eligibility Criteria

Eligibility Factors

Country. Securities must be issued in China and traded in Chinese bond markets (Shanghai Stock Exchange, Shenzhen Stock Exchange, or Chinese interbank bond market).

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

Maturity. Each bond must have a maturity greater than or equal to three years, but less than or equal to seven years from the rebalance effective date. No bond matures in the index.

Issuer. Securities must be corporate bonds issued by Chinese corporate entities.

Issue Date. Securities must have been issued no more than three years prior to each rebalancing effective date.

Credit Rating Quality. An international rating criteria is applied at the issuer level, as opposed to the security level, for domestic ratings. Securities must satisfy both the international issuer and domestic level ratings criteria to be eligible for index inclusion:

- **Issuer Rating.** Issuers must be rated investment grade by at least one of the international rating agencies (S&P, Moody's and Fitch). The minimum credit rating for inclusion is BBB-/Baa3/BBB-. The lowest of all available ratings (S&P, Moody's and Fitch) is used as the issuer's credit rating.
- **Security Rating.** Securities must be rated by at least one of the local Chinese rating agencies listed below. The minimum credit rating for security inclusion is AAA.
 - China Chengxin International Credit Rating Co., Ltd.
 - China Lianhe Credit Rating Co., Ltd.
 - Dagong Global Credit Rating Co., Ltd.
 - Pengyuan Credit Rating Co., Ltd.
 - Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.
- **Non-rated and Defaulted Bonds.** Securities that are no longer rated or have defaulted are removed at the next rebalancing.

Coupon Type. Securities must be fixed rate non-zero coupon bonds.

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

- STRIPS
- Inflation-linked securities
- Floating-rate notes
- Callable bonds
- Puttable bonds
- Sinkable bonds

Size. Each security must have a minimum par amount outstanding of CNY 1 billion, as of the rebalancing reference date.

Settlement. Bonds issued prior to the rebalancing reference date (regardless of the settlement date). Standard index settlement convention is same-day (e.g. T+0), unless otherwise specified. 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.

Pricing. Bid side pricing provided by Thomson Reuters.

Data Source. Thomson Reuters.

Index Construction

Index Calculations

Weighting: The index is constructed using a market value weighting scheme, with any single issuer capped at 10% of the index weight. During the monthly rebalancing process, the total weight by issuer is calculated. If any issuer has a weight greater than 10% of the index, that excess weight is distributed proportionally to the remaining constituents in the index. This process is repeated until no issuer has a weight greater than 10%.

Calculation: The total return is calculated by aggregating the interest return, which reflects the return due to paid and accrued interest; and price return, which reflects the gains or losses due to changes in the end-of-day price and principal repayments.

For further details regarding index calculations please refer to the Fixed Income Mathematics Methodology found on www.spdji.com.

Index Maintenance

Rebalancing

Indices are reviewed and rebalanced in accordance with their stated schedule. 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.

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.

Rebalancing Schedule	
Rebalance time period	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

Ongoing Maintenance

The indices are also reviewed on an ongoing basis to account for the following:

- When an index bond is in default or misses an interest payment, the price reported by the pricing source is used. However, the Index Committee may determine that the bond be removed from the index at a different price and may specify a price of 0.00. The decision of the Index Committee is final.
- If an index bond is no longer priced by the pricing source, the last available price is used. However, the Index Committee may determine that a different price be used. The decision of the Index Committee is final. For clarity, index bonds that are no longer priced by the pricing source fail to meet the pricing eligibility factors and are removed at the next rebalancing date. If the bond is priced for at least one of the five business days prior to the rebalancing announcement date, the bond remains in the index. Otherwise, it is removed from the index at the subsequent rebalancing date.

Currency of Calculation

The index is calculated in Chinese yuan, U.S. dollars, British pounds, Canadian dollars, euros, Hong Kong dollars, Japanese yen, Singapore dollars, and Swiss francs.

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 High Quality Corporate Bond 3-7 Year Index	05/06/2015	12/31/2012	12/31/2012	100

Index Governance

Index Committee

The S&P China High Quality Corporate Bond Indices are maintained by the Asia Fixed Income Index Committee. The Committee oversees the application of rules, changes to the methodology, inclusion policies, and use of expert judgement. All committee members are full-time professionals at S&P Dow Jones Indices.

In fulfilling its responsibilities, the 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 the index.

The Committee may rely on any information or documentation submitted to it or gathered by it that the Committee believes to be accurate. The Committee reserves the right to reinterpret publicly available information and to make changes to the index 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.

Index Policy

Announcements

Announcements of any relevant information pertaining to the index are made via press release. Press releases are posted on the S&P Dow Jones Indices' Web site at www.spdji.com.

Holiday Schedule

The index is calculated daily, throughout the calendar year, with the exception of January 1st (New Year's Day).

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.

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.

Index Dissemination

Index levels are available through S&P Dow Jones Indices' Web site at 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 High Quality Corporate Bond 3-7 Year Index	SPBCNH3T
S&P China High Quality Corporate Bond 3-7 Year Index (USD)	SPBCNH3U
S&P China High Quality Corporate Bond 3-7 Year Index (GBP)	SPBCNH3G
S&P China High Quality Corporate Bond 3-7 Year Index (CAD)	SPBCNH3A
S&P China High Quality Corporate Bond 3-7 Year Index (EUR)	SPBCNH3E
S&P China High Quality Corporate Bond 3-7 Year Index (HKD)	SPBCNH3K
S&P China High Quality Corporate Bond 3-7 Year Index (JPY)	SPBCNH3J
S&P China High Quality Corporate Bond 3-7 Year Index (SGD)	SPBCNH3S
S&P China High Quality Corporate Bond 3-7 Year Index (CHF)	SPBCNH3C

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.

Web site

For further information, please refer to S&P Dow Jones Indices' Web site at www.spdji.com.

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