

# **S&P China Convertible Bond Index** *Methodology*

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# Introduction

## Index Objective and Highlights

The S&P China Convertible Bond Index is a market value-weighted index designed to measure the performance of investment grade China exchange listed convertible bonds that satisfy a set of eligibility criteria.

## Supporting Documents

This methodology is meant to be read in conjunction with supporting documents providing greater detail with respect to the policies, procedures and calculations described herein. References throughout the methodology direct the reader to the relevant supporting document for further information on a specific topic. The list of the main supplemental documents for this methodology and the hyperlinks to those documents is as follows:

Supporting Document	URL
S&P Dow Jones Indices' Fixed Income Policies & Practices Methodology	<a href="#">Fixed Income Policies &amp; Practices</a>
S&P Dow Jones Indices' Fixed Income Index Mathematics Methodology	<a href="#">Index Mathematics Methodology</a>

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 index continues to achieve its objective.

# Eligibility Criteria

## Eligibility Factors

**Issuer.** Issuers must be listed corporations on the Shanghai or Shenzhen Stock Exchanges.

**Currency.** Only Chinese renminbi-denominated convertible bonds that are issued in Mainland China are eligible.

**Maturity.** The maturity date must be greater than one month from the daily rebalancing date. No bond matures in the index.

**Rating.** Bonds must have an investment grade rating by a rating agency which is recognized by the China Securities Regulatory Commission or the National Development and Reform Commission.

**Size.** Bonds must have a minimum par amount of RMB 30 million. Bonds whose outstanding par amounts fall below the eligible threshold will be removed from the index with prior notice.

**Trade Venues.** Convertible bonds must be listed on the Shanghai or Shenzhen Stock Exchange.

**Bond Type.** Exchangeable bonds are excluded from the index.

**Settlement.** Bonds must be settled prior to the rebalancing reference date. Standard index settlement convention is same day (i.e., 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.

**Exclusions.** Bonds which have any of the following characteristics are excluded from the Index. Such bonds may be subject to a delisting announcement from the exchange.

- Bonds that are completely called or redeemed
- Bonds that are scheduled to be completely called or redeemed
- Bonds that are in default
- Bonds that are in private placement

**Pricing.** Close price from Shanghai or Shenzhen Stock Exchanges.

# Index Construction

## Index Calculations

**Weighting.** The indices are market-value-weighted.

**Calculation.** The total return calculates 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 other information regarding Index Calculations, please refer to the S&P Dow Jones Indices' Fixed Income Mathematics Methodology.*

# Index Maintenance

## Rebalancing

The index is reviewed and rebalanced in accordance with the stated schedule. The Index Committee, nevertheless, reserves the right to make adjustments to an index at any time that it believes appropriate.

The index is reviewed on a daily basis to account for the eligibility factors except for the par amount criteria.

- Eligible new issues are added to the index post market close after one business day following the listing date.
- Any index bond that fails to meet any one of the eligibility factors is removed from the index with a one-day notice.

Rebalancing Schedule (Except Par Amount Review)	
Rebalancing Frequency	Daily
Rebalancing Date	Every business day
Announcement Date	Every business day
Reference Date	Every business day

\* All days reflect after the market close

## Par Amount Review

Par amounts of index bonds are reviewed on a monthly basis to reflect any changes that have occurred in the previous month due to conversion of convertibles, etc.

- If the cumulative change in a bond's par amount outstanding exceeds one percent (1%), the par amount outstanding is updated, effective on the rebalancing date. If the change does not exceed one percent, the par amount outstanding remains unchanged for index purposes.
- Bonds with a par amount outstanding of less than RMB 30 million are removed from the index, effective on the rebalancing date.

Rebalancing Schedule (Par Amount Review)	
Rebalancing Frequency	Monthly
Rebalancing Date	Last business day of the rebalancing period ( $T$ )
Announcement Date	$T$
Reference Date	$T$ – four business days ( $T-4$ )

\* All days reflect after the market close

## Ongoing Maintenance

For more information on treatment of defaults or lack of daily price data, please refer to the Defaults section of [S&P Dow Jones Indices' Fixed Income Policies & Practices Methodology](#).

### Base Dates and History Availability

Index history availability, base dates, and base values are shown in the table below.

Index	Launch Date	First Value Date	Base Date	Base Value
S&P China Convertible Bond Index	02/02/2012	11/30/2010	11/30/2010	2809

# Index Governance

## Index Committee

An S&P Dow Jones Indices' Index Committee maintains the index. All committee members are full-time professionals of S&P Dow Jones Indices. This methodology is reviewed annually by the Committee and additional committee meetings are held whenever deemed appropriate.

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 an 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.

S&P Dow Jones Indices' Index Committees reserve the right to make exceptions when applying the methodology if the need arises. In any scenario where the treatment differs from the general rules stated in this document or supplemental documents, clients will receive sufficient notice, whenever possible.

In addition to the daily governance of indices and maintenance of index methodologies, at least once within any 12-month period, the Index Committee reviews the methodology to ensure the indices continue to achieve the stated objectives, and that the data and methodology remain effective. In certain instances, S&P Dow Jones Indices may publish a consultation inviting comments from external parties.

*For information on Quality Assurance and Internal Reviews of Methodology, please refer to S&P Dow Jones Indices' Fixed Income Policies & Practices Methodology.*

# Index Policy

## **Announcements**

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

## **Holiday Schedule**

The index is calculated daily, throughout the calendar year. The only days the index is not calculated are on days when all exchanges where the index's constituents are listed are officially closed.

## **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 Methodology.

*For information on Calculations and Pricing Disruptions, Expert Judgment and Data Hierarchy, please refer to S&P Dow Jones Indices' Fixed Income Policies & Practices Methodology.*

## **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' website at [www.spglobal.com/spdji/](http://www.spglobal.com/spdji/), major quote vendors (see codes below), numerous investment-oriented websites, and various print and electronic media.

## Tickers

The table below lists headline indices covered by this document. All versions of the below indices that may exist are also covered by this document. Please refer to the [S&P DJI Methodology & Regulatory Status Database](#) for a complete list of indices covered by this document.

Index (Total Return Index)	Ticker
S&P China Convertible Bond Index	SPCBCV

## Index Data

Daily index level data is available via subscription.

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

## Web site

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

# Appendix

## Methodology Changes

Methodology changes since February 2, 2012, are as follows:

Change	Effective Date (After Close)	Methodology	
		Previous	Updated
Accrued Interest Calculation	08/23/2021	T+1 settlement	T+0 settlement
New Issue Addition Date	08/23/2021	Listing day + one business day	Listing day + two business days
Notification Period for Bond Additions and Deletions	08/23/2021	three-day notice period <sup>1</sup>	one-day notice period
Rebalancing Frequency for Eligible Factors Excluding Par Amount	08/23/2021	Monthly	Daily

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<sup>1</sup> For new issue additions, the notification period depended on the exchange announcement date.

# Disclaimer

## Performance Disclosure/Back-Tested Data

Where applicable, S&P Dow Jones Indices and its index-related affiliates (“S&P DJI”) defines various dates to assist our clients by providing transparency. The First Value Date is the first day for which there is a calculated value (either live or back-tested) for a given index. The Base Date is the date at which the index is set to a fixed value for calculation purposes. The Launch Date designates the date when the values of an index are first considered live: index values provided for any date or time period prior to the index’s Launch Date are considered back-tested. S&P DJI defines the Launch Date as the date by which the values of an index are known to have been released to the public, for example via the company’s public website or its data feed to external parties. For Dow Jones-branded indices introduced prior to May 31, 2013, the Launch Date (which prior to May 31, 2013, was termed “Date of introduction”) is set at a date upon which no further changes were permitted to be made to the index methodology, but that may have been prior to the Index’s public release date.

Please refer to the methodology for the Index for more details about the index, including the manner in which it is rebalanced, the timing of such rebalancing, criteria for additions and deletions, as well as all index calculations.

Information presented prior to an index’s launch date is hypothetical back-tested performance, not actual performance, and is based on the index methodology in effect on the launch date. However, when creating back-tested history for periods of market anomalies or other periods that do not reflect the general current market environment, index methodology rules may be relaxed to capture a large enough universe of securities to simulate the target market the index is designed to measure or strategy the index is designed to capture. For example, market capitalization and liquidity thresholds may be reduced. In addition, forks have not been factored into the back-test data with respect to the S&P Cryptocurrency Indices. For the S&P Cryptocurrency Top 5 & 10 Equal Weight Indices, the custody element of the methodology was not considered; the back-test history is based on the index constituents that meet the custody element as of the Launch Date. Also, the treatment of corporate actions in back-tested performance may differ from treatment for live indices due to limitations in replicating index management decisions. Back-tested performance reflects application of an index methodology and selection of index constituents with the benefit of hindsight and knowledge of factors that may have positively affected its performance, cannot account for all financial risk that may affect results and may be considered to reflect survivor/look ahead bias. Actual returns may differ significantly from, and be lower than, back-tested returns. Past performance is not an indication or guarantee of future results.

Typically, when S&P DJI creates back-tested index data, S&P DJI uses actual historical constituent-level data (e.g., historical price, market capitalization, and corporate action data) in its calculations. As ESG investing is still in early stages of development, certain datapoints used to calculate certain ESG indices may not be available for the entire desired period of back-tested history. The same data availability issue could be true for other indices as well. In cases when actual data is not available for all relevant historical periods, S&P DJI may employ a process of using “Backward Data Assumption” (or pulling back) of ESG data for the calculation of back-tested historical performance. “Backward Data Assumption” is a process that applies the earliest actual live data point available for an index constituent company to all prior historical instances in the index performance. For example, Backward Data Assumption inherently assumes that companies currently not involved in a specific business activity (also known as “product involvement”) were never involved historically and similarly also assumes that companies currently involved in a specific business activity were involved historically too. The Backward Data Assumption allows the hypothetical back-test to be extended over more historical years than would be feasible using only actual data. For more information on “Backward Data Assumption” please refer to the FAQ. The methodology and factsheets of any index that employs backward assumption in the back-tested history

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