

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

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# Introduction

## Index Objectives

**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). The CSOE list is announced by the State-owned Assets Supervision and Administration Commission of the State Council (SASAC).<sup>1</sup>

## 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 indices continue to achieve their objectives.

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<sup>1</sup> For more information, please refer to the SASAC's website available [here](#).

# Eligibility Criteria

## Eligibility Factors

**Country.** Securities must be issued in China and listed on one of the following 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, 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, Sinkable, Extendible, or Puttable bonds)
- Convertible bonds<sup>2</sup>
- 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 in the S&P China Bond Index totaling at least US\$ 1 billion outstanding. The bonds of any issuer failing to meet this criterion are excluded from the index.

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<sup>2</sup> Bonds with convertible features (including Contingent Convertibles) are excluded from the indices.

**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.** 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.

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

- **New Issues.** New corporate issues must be rated by at least one of the local Chinese rating agencies listed below for consideration 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.
  - China Pengyuan Credit Rating Co., Ltd.
  - Golden Credit Rating International Co., Ltd
  - China Chengxin Securities Rating Co., Ltd.
  - Shanghai Far East Credit Rating Co., Ltd
  - China Credit Rating Co., Ltd
  - Shanghai Credit Information Services Co., Ltd
  - People's Bank of China
- **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 WMR.

# Index Construction

## Index Weightings

**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 capped 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
	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%

## Index Calculations

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.*

# Index Maintenance

## Rebalancing

The indices are reviewed and rebalanced on a monthly basis.

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 ( <i>T</i> )
Announcement Date	<i>T</i> minus 3
Reference Date	<i>T</i> minus 4

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

## Currency of Calculation and Additional Index Return Series

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

Spot foreign exchange rates, as supplied by WMR at 4:15 PM Sydney Time, are used in the end-of-day calculation of the foreign currency versions of the index.

Additional currency and currency hedged versions of the indices, as well as maturity, sector, and rating-based sub-indices, may be available. For a list of available sub-indices and tickers, please refer to S&P Dow Jones Indices' Fixed Income Index Directory available at [www.spglobal.com/spdji](http://www.spglobal.com/spdji).

*For more information on index calculation, please refer to S&P Dow Jones Indices' Fixed Income Index Mathematics Methodology.*

## Base Date 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 Composite Bond Index	04/01/2016	12/31/2015	12/31/2015	100
S&P China Composite Select Bond Index	09/30/2014	12/31/2009	08/30/2013	100

# Index Governance

## Index Committee

An S&P Dow Jones Indices Index Committee maintains the indices. All committee members are full-time professionals at S&P Dow Jones Indices. Meetings are held regularly.

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.

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 market 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 indices calculate on every business day 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 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' Web site at [www.spglobal.com/spdji](http://www.spglobal.com/spdji), major quote vendors (see codes below), numerous investment-oriented Web sites, 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 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

## 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 January 1, 2015, are as follows:

Change	Effective Date (After Close)	Previous	Methodology Updated
Proforma / Announcement Date	05/26/2021	T-2	T-3
Add Additional Qualified Credit Rating Agencies:  S&P China Composite Bond Index	11/30/2020	New corporate issues must be rated by at least one of the local Chinese rating agencies listed below for consideration at the next rebalancing. No ratings criteria are applied to sovereign or agency bonds: <ul style="list-style-type: none"> <li>• China Lianhe Rating</li> <li>• China Chengxin International Rating</li> <li>• Dagong Global Rating</li> <li>• Shanghai Brilliance Rating</li> <li>• Pengyuan Rating</li> </ul>	New corporate issues must be rated by at least one of the local Chinese rating agencies listed below for consideration at the next rebalancing. No ratings criteria are applied to sovereign or agency bonds: <ul style="list-style-type: none"> <li>• China Lianhe Rating</li> <li>• China Chengxin International Rating</li> <li>• Dagong Global Rating</li> <li>• Shanghai Brilliance Rating</li> <li>• Pengyuan Rating</li> <li>• China Chengxin Securities Rating</li> <li>• Golden Credit Rating</li> <li>• Shanghai Far East Credit Rating</li> <li>• China Credit Rating</li> </ul>
Contingent Convertibles	09/30/2020	--	Contingent Convertible bonds are excluded from the indices.
Exclusion of Government Holdings from Par Amount Outstanding for Index Eligibility Purposes	12/31/2019	Government holdings are included in determining par amount outstanding for sovereign bonds.	Government holdings are excluded in determining par amount outstanding for sovereign bonds.
Inclusion of Floating Rate Notes:  S&P China Composite Bond Index	08/01/2016	Floating rate notes were excluded from the index.	Floating rate notes are included in the index.

# 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 in 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. 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 will explicitly state so. The methodology will include an Appendix with a table setting forth the specific data points and relevant time period for which backward projected data was used. Index returns shown do not represent the results of actual trading of investable assets/securities. S&P DJI maintains the index and calculates the index levels and performance shown or discussed but does not manage any assets.

Index returns do not reflect payment of any sales charges or fees an investor may pay to purchase the securities underlying the Index or investment funds that are intended to track the performance of the Index. The imposition of these fees and charges would cause actual and back-tested performance of the securities/fund to be lower than the Index performance shown. As a simple example, if an index returned 10% on a US \$100,000 investment for a 12-month period (or US \$10,000) and an actual asset-based fee of 1.5% was imposed at the end of the period on the investment plus accrued interest (or US \$1,650), the net return would be 8.35% (or US \$8,350) for the year. Over a three-year period, an annual 1.5% fee taken at year end with an assumed 10% return per year would result in a cumulative gross return of 33.10%, a total fee of US \$5,375, and a cumulative net return of 27.2% (or US \$27,200).

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