

FTSE G7 and EMU Government Bond Index – Developed Markets

v1.6



**FTSE
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An LSEG Business

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Section 1

Introduction

1. Introduction

1.1 FTSE G7 and EMU Government Bond Index – Developed Markets

- 1.1.1 The FTSE G7 and EMU Government Bond Index – Developed Markets (“Index”) measures the performance of fixed-rate, local currency, investment-grade sovereign bonds in the FTSE Group-of-Seven Government Bond Index and the Eurozone countries in the World Government Bond Index – Developed Markets (WGBI-DM) as detailed in the table “FTSE G7 and EMU Government Bond Index – Developed Markets composition by market” on page 9.
- 1.1.2 The FTSE G7 and EMU Government Bond Index – Developed Markets does not take account of ESG factors in its design.

1.2 FTSE Russell

- 1.2.1 FTSE Russell is a trading name of FTSE International Limited, Frank Russell Company, FTSE Global Debt Capital Markets Limited (and its subsidiaries FTSE Global Debt Capital Markets Inc. and FTSE Fixed Income Europe Limited), FTSE Fixed Income LLC, The Yield Book Inc. and Beyond Ratings.

1.3 Index objective and intended use

- 1.3.1 FTSE Russell hereby notifies users of the index series that it is possible that circumstances, including external events beyond the control of FTSE Russell, may necessitate changes to, or the cessation of, the index series and therefore, any financial contracts or other financial instruments that reference the index series or investment funds which use the index series to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index.
- 1.3.2 Index users who choose to follow this index series or to buy products that claim to follow this index series should assess the merits of the index’s rules-based methodology and take independent investment advice before investing their own or client funds. No liability whether as a result of negligence or otherwise is accepted by FTSE Russell for any losses, damages, claims and expenses suffered by any person as a result of:
- any reliance on these Ground Rules, and/or
 - any inaccuracies in these Ground Rules, and/or
 - any non-application or misapplication of the policies or procedures described in these Ground Rules, and/or
 - any inaccuracies in the compilation of the index or any constituent data.

Section 2

Management responsibilities

2. Management responsibilities

2.1 FTSE International Limited (“FTSE”)

2.1.1 FTSE is the benchmark administrator of the index¹.

2.2 Amendments to these Ground Rules

2.2.1 These Ground Rules shall be subject to regular review (at least once a year) by FTSE Russell to ensure that they continue to best reflect the aims of the index series. Any proposals for significant amendments to these Ground Rules will be subject to consultation with FTSE Russell advisory committees and other stakeholders if appropriate. The feedback from these consultations will be considered by the FTSE Russell Index Governance Board before approval is granted.

2.2.2 As provided for in the Statement of Principles for FTSE Russell Indices, where FTSE Russell determines that the Ground Rules are silent or do not specifically and unambiguously apply to the subject matter of any decision, any decision shall be based as far as practical on the Statement of Principles. After making any such determination, FTSE Russell shall advise the market of its decision at the earliest opportunity. Any such treatment will not be considered as an exception or change to the Ground Rules, or to set a precedent for future action, but FTSE Russell will consider whether the Rules should subsequently be updated to provide greater clarity.

¹ The term administrator is used in this document in the same sense as it is defined in [Regulation \(EU\) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds](#) (the European Benchmark Regulation) and [The Benchmarks \(Amendment and Transitional Provision\) \(EU Exit\) Regulations 2019](#) (the UK Benchmark Regulation).

Section 3

FTSE Russell index policies

3. FTSE Russell index policies

These Ground Rules should be read in conjunction with the following policy documents which can be accessed through the links below:

3.1 Queries and Complaints

FTSE Russell's complaints procedure can be accessed through the following link:

[FTSE Russell Benchmark Determination Complaints Handling Policy.pdf](#)

3.2 Statement of Principles for FTSE Fixed Income Indices (the Statement of Principles)

Indices need to keep abreast of changing markets and the Ground Rules cannot anticipate every eventuality. Where the Rules do not fully cover a specific event or development, FTSE Russell will determine the appropriate treatment by reference to the Statement of Principles for FTSE Fixed Income Indices which summarises the ethos underlying FTSE Russell's approach to index construction. The Statement of Principles is reviewed annually and any changes proposed by FTSE Russell are presented to the FTSE Russell Policy Advisory Board for discussion before approval by the FTSE Russell Index Governance Board.

The Statement of Principles for Fixed Income Indices can be accessed through the following link:

[Statement of Principles Fixed Income Indices.pdf](#)

3.3 Recalculation Policy and Guidelines

The Recalculation Policy and Guidelines for Fixed Income Indices document is available from the FTSE Russell website through the link below or by contacting fi.index@lseg.com.

[Fixed Income Recalculation Policy and Guidelines.pdf](#)

3.4 Policy for Benchmark Methodology Changes

Details of FTSE Russell's policy for making benchmark methodology changes can be accessed through the following link:

[Policy for Benchmark Methodology Changes.pdf](#)

3.5 Index Policy in the Event Clients are Unable to Trade a Market or a Security

3.5.1 Details of FTSE Russell's treatment can be accessed through the following link:

[Index Policy in the Event Clients are Unable to Trade a Market or a Security.pdf](#)

3.6 FTSE Russell Governance Framework

3.6.1 To oversee its indices, FTSE Russell employs a governance framework that encompasses product, service and technology governance. The framework incorporates the London Stock Exchange Group's three lines of defense risk management framework and is designed to meet the requirements of the IOSCO Principles for Financial Benchmarks², the European benchmark regulation³ and the UK benchmark regulation⁴. The FTSE Russell Governance Framework can be accessed through the following link:

[FTSE Russell Governance Framework.pdf](#)

² IOSCO Principles for Financial Benchmarks Final Report, FR07/13 July 2013.

³ Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds.

⁴ The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019.

Section 4

Composition and design criteria

4. Composition and design criteria

- 4.1 The FTSE G7 and EMU Government Bond Index – Developed Markets is based on the FTSE World Government Bond Index – Developed Markets (WGBI-DM). For more information, please see the FTSE Fixed Income Index Guide.

Design criteria and calculation assumptions for the FTSE G7 and EMU Government Bond Index – Developed Markets

Coupon	Fixed-rate
Minimum maturity	At least one year
Minimum market size	The thresholds for entry and exit are as follows: Entry: The outstanding amount of a market's eligible issues must total at least USD 50 billion, EUR 40 billion and JPY 5 trillion for the market to be considered eligible for inclusion. Exit: To remain eligible for the index, a market must maintain a minimum market size of at least half of all the entry-level market size criteria.
Minimum issue size	Canada: CAD 2.5 billion (excludes Bank of Canada secondary market purchases) Eurozone Markets: EUR 2.5 billion Japan: JPY 500 billion; 20+ year bonds: JPY 450 billion (excludes Bank of Japan holdings and Ministry of Finance buybacks) United Kingdom: GBP 2 billion (excludes Bank of England holdings) United States: USD 5 billion public amount outstanding (excludes Federal Reserve holdings)
Minimum credit quality	Entry: A- by S&P and A3 by Moody's, for all new markets. Exit: Below BBB- by S&P and Baa3 by Moody's.
Market accessibility level	Minimum level of 2. For further details on calibration of Market Accessibility Levels, please see FTSE Fixed Income Country Classification Process.
Composition	Sovereign debt denominated in the domestic currency. Eligible security types by market are listed in the below table. Variable rate, floating rate, fixed-to-floating rate, index-linked, retail directed, bills, stripped zero coupon, convertibles, savings, and private placements are excluded.
Weighting	Market capitalisation
Rebalancing	Once a month on the last business day of the month (pricing as of the last business day of the monthly and settlement as of the last calendar day of the month.)
Reinvestment of cash flows	Intra-month cash flows from interest and principal payments are not reinvested as part of monthly index total return calculations ⁵ .
Pricing	Refinitiv, see figure 1.
Calculation frequency	Daily

⁵ Prior to 1 November 2022, reinvestment income was included in the total return calculation.

Settlement date	Monthly: Settlement is on the last calendar day of the month. Daily: Same day settlement, except if the last business day of the month is not the last calendar day of the month; then, settlement is on the last calendar day of the month.
Fixing date	Each month, the upcoming month's index constituents are "fixed" on the profile fixing date. Each year's scheduled fixing dates are published on the website.
Base date	December 31 2014

FTSE G7 and EMU Government Bond Index – Developed Markets composition by market

Markets	Security type
Austria	Includes Bundesanleihen Excludes Bundesobligationen bonds
Belgium	N/A
Canada	N/A
Finland	Excludes sinking fund, putable, extendable, housing fund and yield bonds
France	Includes Obligations Assimilables du Trésor (OATs) and Bons du Trésor à Intérêt Annuel Normalisé (BTANs)
Germany	Includes Bundesrepublik, Schatzanweisungen, Bundesobligationen, Unity bonds, Treuhandanstalt, and Treuhandobligationen Excludes Schuldscheine, Unverzinsliche, Bundespost, Bundesbahn, and European Recovery Program Bonds
Ireland	N/A
Italy	Includes Buoni del Tesoro Poliennale (BTPs)
Japan	Includes callable bonds Excludes JGBs for individuals and discount bonds
Netherlands	N/A
Spain	Includes Bonos and Obligaciones del Estado Excludes discount bonds (Letras and Pagares del Tesoro)
United Kingdom	Includes callable, partly paid, and convertible (into other gilt issues) bonds Excludes rump gilts and perpetuals (undated)
United States	Includes callable bonds

Figure 1. Pricing sources and snap times

Country	Source	Snap Time
Canada	Refinitiv	4:00pm (New York)
Eurozone	Refinitiv	4:15pm (London)
Japan	Refinitiv	3:00pm (Tokyo)
United Kingdom	Refinitiv	4:15pm (London)
United States	Refinitiv	4:00pm (New York)

4.2 Holiday calendar

- 4.2.1 The index is calculated Monday through Friday except Christmas Day (observed) and New Year's Day (observed). Each local market will observe its own holiday calendar; if a local market is on holiday, the closing prices used for that day will be the closing prices from the previous day.

4.3 Index quality

- 4.3.1 An index quality is assigned to each index bond as of profile fixing. The quality is first mapped to the Standard & Poor's Financial Services LLC ("S&P") rating. If a bond is not rated by S&P but it is rated by Moody's Investors Service, Inc ("Moody's"), the S&P equivalent of the Moody's rating is assigned to the index quality. If a bond is rated by neither S&P nor Moody's, the bond is not assigned an index quality. If a bond is rated as investment-grade by one rating agency and high-yield by the other, the S&P equivalent of the investment-grade rating is assigned to the index quality. These ratings remain unchanged for the entire performance month.

4.4 Return computation

- 4.4.1 Total returns are computed on the assumption that each security is purchased at the beginning of the period and sold at the end of the period. An issue's total rate of return is the percentage change in its total value over the measurement period. The components of total return for each security are price change, principal payments, coupon payments and accrued interest. The total returns are market capitalisation-weighted using the security's beginning-of-period market value (see Figure 2).

Figure 2. Total rate of return calculation methodology

Beginning-of-period value	-	(Beginning price + Beginning accrued) x Beginning par amount outstanding
End-of-period value	-	[(Ending price + Ending accrued) x (Beginning par amount outstanding – Principal payments)] + Coupon payments + Principal payments
Total rate of return (%)	-	[(End-of-period value/Beginning-of-period value) – 1] x 100

A note on precision: Returns are computed to at least six decimal places but reported to a maximum of four. In addition, owing to rounding errors inherent in computer floating-point arithmetic, the last digit in any reported value may sometimes be off by one from its true value.

Ticker for the FTSE G7 and EMU Government Bond Index – Developed Markets

Ticker	Index
CFIIG7ES	FTSE G7 and EMU Government Bond Index – Developed Markets, in CHF terms
CFIIG7EE	FTSE G7 and EMU Government Bond Index – Developed Markets, in EUR terms
CFIIG7EG	FTSE G7 and EMU Government Bond Index – Developed Markets, in GBP terms
CFIIG7EU	FTSE G7 and EMU Government Bond Index – Developed Markets, in USD terms
CFII7ESC	FTSE G7 and EMU Government Bond Index – Developed Markets, currency-hedged in CHF terms
CFII7EEC	FTSE G7 and EMU Government Bond Index – Developed Markets, currency-hedged in EUR terms
CFII7EGC	FTSE G7 and EMU Government Bond Index – Developed Markets, currency-hedged in GBP terms
CFII7EUC	FTSE G7 and EMU Government Bond Index – Developed Markets, currency-hedged in USD terms

4.5 Chronological summary of events

- 4.5.1 The construction of G7 and EMU Government Bond Index – Developed Markets is driven by the same events that mark the WGBI-DM, for more information, please see the FTSE Fixed Income Index Guide.

Appendix A

Further information

A glossary of terms used in FTSE Russell's Ground Rule documents can be found through the following link:

[Glossary of terms FTSE Fixed Income.pdf \(ftserussell.com\)](#)

For contact details please visit the FTSE Russell website or contact FTSE Russell client services at fi.index@lseg.com.

Website: <http://www.lseg.com/en/ftse-russell/>

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