FREQUENTLY ASKED QUESTIONS
S&P China Composite Select Bond Index

1. What is the S&P China Composite Select Bond Index and why was it created?

The S&P China Composite Select Bond Index was launched on the back of considerable investor demand for a transparent and investable benchmark in the asset class/region. The index covers a diverse collection of bonds, from Chinese sovereigns, policy banks, and Central State-Owned Enterprises (CSOE).

2. What are Central State-Owned Enterprises?

Central State-Owned Enterprises (CSOEs) are Chinese corporations directly governed by the State-Owned Assets Supervision and Administration Commission of the State Council.

3. What is the credit quality of the S&P China Composite Select Bond Index's constituents?

It is a high quality index as it is composed of Chinese sovereign and quasi-sovereign credits. Sovereign bonds must be listed on all three bond market platforms (Shanghai Stock Exchange, Shenzhen Stock Exchange and Chinese interbank market). Agency and corporate bonds issued by CSOEs must be listed on at least one of the above bond market platforms and rated AAA by at least one of the Chinese rating agencies.

5. Does the index include criteria for liquidity?

The index is designed to capture the most liquid segment of the market; hence the par amounts are required to meet higher thresholds. Sovereign bonds must reach a threshold of CNY 20 billion, while agency and corporate bonds must reach thresholds of CNY 15 billion and CNY 1 billion, respectively.

4. How often is the index rebalanced?

The S&P China Composite Select Bond Index is subject to monthly rebalancing, based on new issuance, size and maturity, effective after the close of the last business day of the month. Newly issued bonds must settle for the first time on or before the selection cut-off date (three days before the end of the month) in order to be included in the new month's selection.

5. Why is there demand for Chinese bonds?

Investing in Chinese bonds provides portfolio diversification through the exposure to local rate, credit and currency. In fact, Chinese bonds usually offer a low correlation to U.S. and global markets. More importantly, Chinese bonds have historically offered higher yields than other major bond markets.

6. How big is the China onshore bond market?

The market value tracked by the S&P China Bond Index tripled to over CNY 25.7 trillion in 2014, which is around USD 4 trillion.

7. How have global investors accessed the Chinese onshore bond market in the past? Is that changing?

Traditionally, foreign access to this particular market was very limited, but with the expansion of the Renminbi Qualified Foreign Institutional Investors or "RQFII" program, many institutional investors now have easier access to the onshore bond market. As more index funds and exchange-traded funds (ETFs) continue to tap into the market, product diversity is expected to be improved, while the access by retail investors should also broaden.

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