

# **iBoxx GEMX in cooperation with IFC Methodology**

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# iBoxx GEMX Indices in Cooperation with IFC

The iBoxx Global Emerging Market Index (GEMX) family is designed to reflect the performance of Emerging Market Local Currency denominated debt from countries qualifying for the World Bank Gemloc programme. The index rules aim to offer a broad coverage of the Emerging Markets bond universe, whilst upholding minimum standards of investability and liquidity. The indices are an integral part of the global iBoxx index families, which provide the marketplace with accurate and objective benchmarks by which to assess the performance of bond markets and investments.

All indices within iBoxx GEMX Indices in cooperation with IFC are calculated using nominal debt only, inflation linked debt only as well as in aggregate form. Below the GEMX Overall, the index family is split into three major regional indices: Global, EMEA (Europe, Middle East, Africa), Asia and Latin America. These are further broken down into sub-indices based on countries, bond types and maturities.

All iBoxx indices are priced based on multiple data inputs. The iBoxx GEMX family uses multisource prices as described in the document *iBoxx Pricing Methodology* publicly available on [www.spglobal.com/spdji](http://www.spglobal.com/spdji) under *Methodology*.

These indices could be used for several purposes:

- To act as a benchmark for portfolio management;
- To act as an indicator of market performance and development;
- To act as a basis on which market options & futures may be derived;
- To act as a comparison for different markets

These indices could also be used for strategy evaluations, asset allocation analysis as well as parametric market barometers and optimization.

The index was launched in two phases. Phase I includes the 20 largest countries that meet the investability criteria and whose local bond market size is greater than USD 5 billion. Phase II includes three main changes: the addition of five countries, the inclusion of inflation-linked local currency debt and the inclusion of local dual currency debt.

This document covers the index family structure, rules and calculation methodology.

## Index Family Structure

The figure below provides an overview of the index family structure:

iBoxx GEMX Global		
Asia	Europe, Middle East, Africa	Latin America
China	Egypt	Brazil
India	Hungary	Chile
Indonesia	Kenya	Colombia
Malaysia	Morocco	Costa Rica
Philippines	Nigeria	Mexico
Sri Lanka	Poland	Peru
Thailand	Russia	Uruguay
	Romania	
	South Africa	
	Turkey	

iBoxx GEMX Global
Bond Type (Inflation-Linked, Non-Inflation-Linked, Aggregate)
Maturity (Overall, 1-3, 3-5, 5-7, 7-10, 10-15, 10+ 15+)

### Publication of the Index

For the iBoxx Global Emerging Market Index (GEMX), end-of-day closing values are calculated and distributed once daily after close of trading in the Latin American index countries. The indices are calculated every day except on common bank holidays in all eligible countries. In addition, the indices are calculated with the previous trading day's close on the last calendar day of each month if that day is not a trading day. S&P DJI publishes an index calculation calendar available on [www.spglobal.com/spdji](http://www.spglobal.com/spdji) under *iBoxx Indices Calendars* for registered users. Index data and bond price information is also available from the main information vendors. Bond and index analytical values are calculated each trading day using the daily closing prices. Closing index values and key statistics are published at the end of each business day in the indices section on [www.spglobal.com/spdji](http://www.spglobal.com/spdji) for registered users. In addition, midday fixing levels for bond prices and indices are also published.

# Index selection rules

The rules governing the eligibility of countries and the selection of bonds are transparent, objective and replicable. The rules are described below.

## Country Selection Rules

Countries (currencies) must meet three separate criteria in order to be eligible for the index:

- the country must be an emerging market,
- the local currency sovereign debt of the country must be rated and not be in default, and
- the bond market must meet the size and investability criteria.

Countries that adopt a hard currency as their domestic currency, such as EUR or USD, are not eligible for the GEMX index, and are excluded from the index at the next rebalancing after the adoption.

## GEMX definition of emerging markets

The World Bank provides a definition of emerging markets based on GDP per capita. The classification is updated annually in July and available at: [worldbank.org](http://worldbank.org). This classification is used to define the low and middle income countries eligible for the GEMX indices.

As of March 2008, 139 countries were defined as Emerging Markets. A country must be classified as an emerging market for at least five consecutive years to be eligible for the index. Countries classified as high income for five consecutive years are no longer eligible for the index. For the launch of the index in 2008, the Czech Republic is considered high income and does not qualify for the GEMX indices.

## Sovereign Debt Rating

All countries included in the iBoxx GEMX indices must have a local currency sovereign debt rating from at least one of the following three credit rating agencies:

- Fitch Ratings
- Moody's Investor Service
- S&P Global Ratings

Each agency must have a minimum rating of B- (or the equivalent) or higher for the sovereign debt. A country that doesn't meet the rating requirement at the end of the month during which the rating downgrade occurred is excluded.

## Bond Market Criteria

In addition to being classified as an emerging market, the local currency bond market must fulfill several criteria in order to become eligible for the indices. Bond market size. The minimum size required of a bond market at first inclusion is USD 3 billion equivalent at the country review cut-off date. A country is no longer eligible if the total size of its bond market drops below USD 2 billion. The bond market is defined as the aggregate size of all tradable local currency-denominated debt with a maturity of one year or longer. The bond market size is compiled from the latest BIS Quarterly review, and from internal sources for countries not covered by BIS.

### Countries with local currency bond markets larger than USD 3 billion (30 November 2009):

Argentina	India	Pakistan	Sri Lanka
Brazil	Indonesia	Peru	Thailand
Chile	Kazakhstan	Philippines	Tunisia
China	Kenya	Poland	Turkey
Colombia	Lebanon	Ukraine	Romania
Costa Rica	Malaysia	Russia	Uruguay
Croatia	Mexico	Slovakia	Venezuela
Egypt	Morocco	South Africa	Vietnam

**Number of bonds.** For initial inclusion, a country that qualifies as an emerging market must have at least five eligible government bonds as determined by the bond eligibility rules (see section 2.2). A country is no longer eligible for the aggregate indices if there are less than three eligible sovereign bonds outstanding. Single country indices may continue to be calculated depending on the number of eligible bonds and the continuing availability of pricing. This guarantees that there is enough issuance in the market to be relevant for the aggregate index.

### Countries with fewer than five eligible bonds (30 November 2009):

Argentina	Kazakhstan	Ukraine	Vietnam	Croatia
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### Eligible Countries

#### Eligible countries

Brazil	Kenya <sup>2</sup>	Russia
Chile	Malaysia	Slovakia <sup>1</sup>
China	Mexico	South Africa
Colombia	Morocco	Sri Lanka <sup>2</sup>
Costa Rica <sup>2</sup>	Nigeria	Thailand
Egypt	Peru	Turkey
Hungary	Philippines	Uruguay <sup>2</sup>
India	Poland	Indonesia
Romania		

Following the adaptation of the euro Slovakia was excluded from the index on 31 March 2009.

1. Phase II country, eligible from 30 November 2009.

### Investability Indicator

An investability indicator is published and maintained by Acuity Knowledge Partners who acts as a third party in this process. The investability indicator has a scale from 0 to 100 and comprises three factors:

- Capital controls and taxation
- Liquidity and efficiency
- Regulations and market infrastructure Each of three factors is scored on a scale from 0 to 100.

The investability indicator methodology is published on [www.spglobal.com/spdji](http://www.spglobal.com/spdji) under *Rules Benchmark/Global*.

### Bonds Selection Rules

The following selection criteria are used to determine the index constituents:

- Bond type

- Credit rating
- Time to maturity
- Amount outstanding
- Maximum number of bonds from one issuer

## **Bond Type**

Only fixed-rate bonds whose cash flow can be determined in advance are eligible for the indices. The iBoxx GEMX indices are comprised solely of local currency debt issued by issuers domiciled in the relevant country. Only debt issued by sovereign issuers (defined as a central government) in the local currency are eligible for the index.

In particular, bonds with the following characteristics are included:

- Fixed coupon bonds (“plain vanilla bonds”)
- Zero coupon bonds
- Multi-coupon bonds
- Sinking funds and amortizing bonds, whose redemption schedule is fixed in advance
- Restructured debt
- Inflation-linked bonds whose coupon and principal are linked to a domestic consumer price index or real monetary unit
- Dual currency bonds that are listed either in the US or a country of the European Union

The following bond types are specifically excluded from the index:

- Floating rate notes
- Certificates of Deposit (CDs)
- GDP-linked bonds
- Capitalizing bonds
- Structured notes
- Credit-linked notes and bonds whose redemption is linked to the performance of another entity or a basket of entities
- Convertible bonds and bonds with attached warrants
- Perpetual bonds and fixed-to-floater bonds
- Sinking funds and amortizing bonds whose redemption schedule is not fixed in advance
- Retail bonds
- Private placements
- Extended bonds as defined under section ‘Maturity extension’ in this document
- Global Depository Notes

Make-whole calls, tax changes calls as well as investor (poison) puts are not considered options for the purpose of the bond selection.

For retail bonds and private placements, publicly available information is not always conclusive and the classification of a bond as a retail bond or a private placement will be made at S&P DJI’s discretion based on the information available at the time of determination. S&P DJI may consult with the specific Index

Advisory Committees to review potential retail bonds or private placements. Any bond classified as retail or private placement is added to the list of excluded private placements and retail bonds. The list is published on [www.spglobal.com/spdji](http://www.spglobal.com/spdji) for future reference and to ensure decision's consistency.

In instances where a new bond type is not specifically excluded or included according to the published index rules, S&P DJI will analyse the features of such securities in line with the principles set out in this methodology. S&P DJI may consult the specific Index Advisory Committees. Any decision as to the eligibility or ineligibility of a new bond type will be published and the index rules will be updated accordingly.

### **Credit Rating**

Bonds in the iBoxx GEMX indices do not use individual bond ratings. The individual countries are subject to a rating requirement. The average rating from the aforementioned rating agencies determines the index rating, which is used for all government bonds from the country. For more information on how the average rating is determined, please refer to the *iBoxx Rating Methodology* document available on [www.spglobal.com/spdji](http://www.spglobal.com/spdji) under *Methodology*.

### **Time to Maturity**

All bonds must have a remaining time to maturity of at least one year at the rebalancing date. The time to maturity is calculated from the re-balancing date to the final average life date of each bond. Put or call options are not considered in the calculation of the final average life date. The time to maturity at issuance must be at least 18 months measured from the first settlement date of the bond to the initial average life date. Put or call options are not considered in this calculation.

### **Amount Outstanding**

The minimum inclusion size for nominal, inflation-linked, and dual currency debt issues is USD 100 million local currency equivalent. The outstanding notional for inflation-linked debt is calculated by multiplying the original notional amount of the bond with the accrued inflation protection factor (index ratio).

### **Restrictions on the Number of Bonds per Country**

The aggregate number of offshore and onshore local currency bonds selected per country is 25 (up to 15 nominal and up to 10 inflation-linked bonds). The nominal and inflation-linked bonds are selected independently according to the same principles. If available, three nominal (two inflation-linked) dual currency bonds are selected per country. If less than three (two) dual currency bonds are available, all eligible dual currency bonds are selected. If more than three (two) dual currency bonds are available, the biggest three (two) bonds are selected.

The sovereign nominal (inflation-linked) bonds from each country are selected according to the maturity distribution of all eligible bonds, if more than 15 (10) bonds are eligible for the indices. The selection is undertaken using the following steps:

**Maturity band.** Each bond is assigned to one of the following maturity bands according to its remaining time to maturity at the re-balancing date: 1-5 years, 5-10 years, 10-15 years, 15-20 years and 20+ years.

**Original number of bonds.** The share of each maturity band is calculated as the ratio of maturity band notional to overall notional. The share is multiplied by 15 (10) and rounded to the closest integer. This number is the number of bonds selected from the respective maturity band.

**Adjustments.** The following adjustments are made to the original number of bonds: - The minimum number of bonds from a maturity band is 1, provided that there is at least one eligible bond. - The maximum number of bonds from a maturity band is limited to the number of eligible bonds. - If the number of bonds in a maturity band is higher or lower than its original number due to adjustments 1 or 2 above, the number of bonds in the larger of the two adjacent maturity bands is adjusted in the opposite direction -

If the total number of bonds is higher or lower than 15 (10), the number of bonds in the largest maturity bands is adjusted by 1 each until the total number of bonds is 15 (10).

**Bond selection.** - The eligible bonds within each maturity band are divided into two groups. The first group contains all bonds with an original maturity (measured from the first settlement date to the maturity date) of no more than one year above the upper limit of the maturity band (e.g. 6 years for the 1-5 years maturity band), the second group contains the remaining bonds. - Within each group, the bonds are ordered according to their size (descending), first settlement date (descending), time to maturity (descending), identifier (ascending). - The bonds are selected starting with the bonds in the first group until the relevant number of bonds have been selected.

# Bond Classification

GEMX is a Sovereign index. All bonds are classified accordingly as Sovereigns.

## **Sovereigns**

Bonds issued by a central government and denominated in their local currency.

# Country Weighting and Transition Processes

The weighting scheme of countries in the aggregate index and its regional sub-indices and the processes used to include and exclude specific countries are described below.

## Country Weighting

The maximum weight of country is 10 %.

The minimum weight of a country is 1 %.

The weighting is based on two components, the base weight and an adjustment function for investability.

## Base Weight

The base weight of a country is the market value of its bonds in the index. The base weight is adjusted to conform to the maximum and minimum weights above.

## Investability Adjustment Function

The adjustment function is based on the investability score. The investability score is converted to an adjustment factor using the normal cumulative probability function. The mean of the function is 75 and the standard deviation 30:

$$AF_i = \phi(I_{score}, 75, 30),$$

or as an example:

$$AF_i = \phi(50, 75, 30) = 0.202328$$

Where:

$AF_i$  adjustment function for bond  $i$  i score

$l$  investability score for bond  $i$

## Investable Weights

The investable weight of a country is calculated by multiplying the base weight of each country with its adjustment factor. The results are rescaled to add up to 100% and the maximum and minimum weight restrictions are observed.

## Transition Processes

### Standard Processes

Country eligibility is reviewed quarterly. A country must fulfil all criteria in order to be eligible for the aggregate index. A country that has been excluded from the aggregate index must fulfill all initial inclusion requirements to become eligible once again.

The data for the bond market criteria are taken as of 30 June each year. Changes to the eligibility of countries are published before the end of the second week in July and are effective from 31 August each year – i.e. the September membership information.

The investability index is updated quarterly on the 15 February, 15 May, 15 August and 15 November of each year. If a country fails the minimum investability indicator thresholds, it is removed from the index at the next re-balancing.

The adjustments to country weights in the index are made during the rebalancing at the end of February, May, August and November. The bond market size is taken from the latest BIS Quarterly review for countries covered by the BIS and from internal sources for the remaining markets. The current country weights and investability indicators are available on [www.spglobal.com/spdji](http://www.spglobal.com/spdji) under *Rules Benchmark/Global* for registered users.

For index history, the bond market criteria (section 2.1.3) are applied each year on 30 June to identify the first inclusion date of each country.

Countries whose minimum local currency debt ratings drop below B- are removed from the index at the end of the month during which the rating downgrade occurred. A country is included in the index at the next re-balancing after its minimum debt rating is upgraded to B- or above B- according to Fitch, Moody's and S&P, provided it fulfills all other inclusion criteria.

### **Emergency Procedure to Review Investability**

Sudden events with a potentially negative impact on investability, such as the imposition of capital controls or punitive taxation, may need to be addressed outside the regular quarterly review process. In case of unexpected significant events, the following procedure will be followed:

- S&P DJI calls a meeting of the index technical committee (TC) and index oversight committee (OC)
- The Technical Committee and Oversight Committee decide by majority whether, in light of the events, Acuity Knowledge Partners should undertake an extraordinary review
- The extraordinary review is limited to the scores for the country in which the event occurred
- Acuity Knowledge Partners publishes any updated scores and the country's weight is adjusted at the next re-balancing (or removed from the index if the minimum investability thresholds are breached)
- The decision to review and a detailed time frame are published on S&P DJI's website immediately following the Committee meetings

### **Transition Process for Large Changes to Country Weights**

Countries that become ineligible are generally removed from the index at the next re-balancing. There is an exceptional procedure for large countries that become ineligible but continue to meet the investability criteria (such as migration to high income or the adoption of a hard currency such as EUR or USD):

- The transition process is only applied if the combined original weight of the affected countries exceeds

10%

- If the combined original weight exceeds 10%, the weight of these countries is reduced by an aggregate of 5% each quarter following the initial ineligibility until the weight is 0.
- Within the countries, the weight decrease is distributed according to the relative weight of the countries, e.g. if country A had a weight of 10% and country B a weight of 5%, the transition process lasts three quarters with the weight of country A reduced by 3 1/3 % each quarter and 1 2/3% for country B.

# Index Calculation

## Static Data

Information used in the index calculation is sourced from offering circulars and checked against standard data providers.

## Bond Prices

For more details, please refer to the *iBoxx Pricing Methodology* document, available in the *Methodology* section of the webpage at [www.spglobal.com/spdji](http://www.spglobal.com/spdji).

## Rebalancing Process

The iBoxx Global Emerging Market Index (GEMX) is rebalanced monthly on the last business day of the month after the close of business. Changes to outstanding amounts are only taken into account if they are publicly known three business days before the end of the month. Changes in ratings are only taken into account if they are publicly known two business days before the end of the month. New bonds issued are taken into account if they are publicly known to settle until the last calendar day of the month, inclusive, and if their rating has become known at least three trading days before the end of the month.

In the middle of each month, a preliminary membership list is published on the FTP server and in the indices section on [www.spglobal.com/spdji](http://www.spglobal.com/spdji) under Data, Bond List Preview for registered users.

Three business days before the end of each month, a membership list with final amount outstanding for each bond is published.

Two business days before the end of each month, the rating information for the constituents is updated and the list is adjusted for all rating changes which are known to have taken place two trading days before the end of the month. Bonds which are known to have been upgraded to investment grade two trading days before the end of the month are not included in the membership, but bonds which are known to have been downgraded to sub-investment grade two trading days before the end of the month do get excluded from the membership.

On the last business day of each month, S&P DJI publishes the final membership with closing prices for the bonds, and various bonds analytics based on the index prices of the bonds.

## Index Data

A sub-index of the GEMX is calculated if at least one bond matches all inclusion criteria. If no more bonds qualify for an index, then its level will remain constant. If at least one bond becomes available again, the index calculation will be resumed and chained to the last calculated level.

In order to calculate maturity indices, all bonds are categorized according to their time to maturity into maturity buckets. The intervals are defined as 1-3, 3-5, 5-7, 7-10, 10-15, more than 10 and more than 15 years to maturity. All bonds remain in the appropriate maturity buckets for the entire month.

Calculation occurs on a daily basis as soon as the prices become available. The indices are calculated on each trading day (Monday to Friday), unless this day is a holiday in each of the eligible countries. The indices are also calculated on the last calendar day of each month irrespective of holidays and weekends. If the indices are calculated on a day that is a non-business day in one of the countries, then the prices

from the previous trading day will be carried forward and the index will be calculated using those prices and the current accrued interest and coupon payment data.

The calculation of the indices is based on bid prices. New bonds are included in the indices at their respective ask prices when they enter the index family. In the event that no price can be established for a particular bond, the index continues to be calculated based on the last-available price. This might be the case in periods of market stress, or disruption as well as in illiquid or fragmented markets. If the required inputs become impossible to obtain, S&P DJI may consult the specific Index Advisory Committees at the following rebalancing date. To ensure consistency, decisions taken are made publicly available on a timely basis and S&P DJI has the ability to refer back to previous cases.

On the last trading day of a month, the rebalancing takes place after the daily index calculation for the current month's list, including the calculation of the last calendar day's indices, has been performed.

### **Index Calculus**

For specific index formulas please refer to the *iBoxx Bond Index Calculus Methodology* available at [www.spglobal.com/spdji](http://www.spglobal.com/spdji).

### **Treatment of Special Intra-Month Events**

Data for the application of corporate actions in the index may not be fully or timely available at all times, e.g. the final call prices for make-whole calls or the actual pay-in-kind percentage for PIK-payment options. In such cases, S&P DJI will estimate the approximate value based on the available data at the time of calculation.

### **Index Analytics and Weightings**

The iBoxx Global Emerging Market Index (GEMX) is volume-weighted, with the bond's amount outstanding as the weighting factor. The amount outstanding of a bond is only adjusted during the monthly re-balancing process at the end of each month. The amount issued of a bond does not change when coupons are paid and bonds are redeemed. However, additional tranches and unscheduled repurchases are taken into account to arrive at a suitable basis for index and analytics calculations. Therefore the adjusted amount outstanding is the common basis on which all calculations are based. In addition, incoming bond prices from price providers are linked to the amount outstanding, rather than to the amount issued. This ensures a common basis (to the nominal value of 100), on which all bonds are priced and the indices are calculated.

#### **Definitions:**

- **Amortising bonds:** Bonds whose face value is redeemed according to a schedule at more than one redemption date. Interest payments are made on the basis of the remaining value of the bond.
- **Sinking funds:** Bonds, for which money is applied periodically to redeem part of the outstanding before maturity. At the redemption dates the appropriate amount of bonds may either be retired randomly from the outstanding bonds, or purchased on the open market and thus retired. Interest payments are made on the remaining outstanding bonds.
- **Fully redeemed bonds:** Bonds that are fully called or completely repurchased prior to or at the calculation date.

Scheduled redemption payments for amortising bonds and sinking funds are taken into account from the date on which they occur, as they have a significant influence on index return and analytical values. In addition, bonds that are fully redeemed intra-month are also taken into account immediately. Consequently, all calculations are based on the adjusted amount outstanding.

## Full Redemptions: Exercised Calls, Puts, and Buybacks

If a bond is fully redeemed intra-month, the bond effectively ceases to exist. In all calculations, the redeemed bond is treated as cash based on the last price, the call price or repurchase price, as applicable. The redemption factor, redemption and the redemption price are used to treat these events in the index and analytics calculation. In addition, the clean price of the bond is set to the redemption price, and the interest accrued until the redemption date is treated as an irregular coupon payment.

## Funged Bonds

Bonds may be issued in several tranches. The different tranches are initially legally separate and therefore trade independently for a certain period. On and after the funge date, the tranches will be combined into one bond, i.e. the parent tranche will contain the original security, as well as the additional notional(s) from the new tranche(s). After the funge date, the prices for both the securities are the same, because they constitute one uniform bond. This is reflected in the indices as follows:

### Parent and New Tranche Are Both Index Constituents

- After the funge date, the price from the parent tranche is used for the funged tranche; no price for the funged bond
- Funged tranche leaves the index at the next rebalancing and parent amount outstanding increases accordingly

### Parent Is an Index Constituent, but the New Tranche Is Not

- No special intra-month treatment necessary
- Parent amount outstanding increases at the next rebalancing

### Parent Is Not an Index Constituent but the New Tranche Is

- No special intra-month treatment necessary
- Funged tranche leaves the index; parent tranche enters the index at the next rebalancing

## 5.6.4 Bonds trading flat of accrued

If a bond is identified as trading flat of accrued, the accrued interest of the bond is set to 0 in the total return index calculation and is excluded from the calculation of all bond and index analytical values.

Bonds will be considered trading flat of accrued in any of the following situations:

- a bond has been assigned a default rating and/or
- issuer has announced a failure to pay a coupon and/or
- issuer has announced an intention not to make a payment on an upcoming coupon (grace period).

## Bonds Trading Flat of Accrued

Some bonds have pre-defined coupon changes that lead to a change in the annual coupon over the life of the bond. In all instances, the coupon change must be a fixed amount on top of a fixed coupon, i.e. floating coupon bonds are not eligible for the indices. The two main categories of bonds are step-up bonds and event-driven bonds.

- **Step-up bonds:** These are bonds with a pre-defined coupon schedule that cannot change during the life of the bond. The coupon schedule is used in all bond calculations.
- **Event-driven bonds:** These are bonds whose coupon may change upon occurrence (or non-occurrence) of pre-specified events, such as rating changes, e.g. rating-driven bonds, failure to

register (register-driven bonds), or failure to complete a merger (merger-driven bonds). In the calculation of the indices and the analytics, the coupon schedule as of the calculation date is used. That is to say, any events occurring after the calculation date are ignored in the determination of the applicable coupon schedule. *Example of an event-driven bond:* A bond's rating changes on 31 December 2003 from A- to BBB+ and the coupon steps up from 6% to 6.25% from 1 March 2004 onward. The coupon dates are 1 October and 1 April each year. The correct coupon schedule for the bond and index calculations is date dependent. The index calculation on 20 December 2003 uses the 6% coupon for the whole life of the bond, while the calculation on 31 January 2004 uses a 6% coupon for the current coupon period to 29 February 2004, and a 6.25% coupon for all later interest payments. The index calculation on 20 March uses a 6% coupon until 29 February, a 6.25% coupon for the remainder of the current coupon period and a 6.25% coupon for all future coupon payments. The index calculation after 1 April uses a 6.25% coupon.

## Maturity Extension

### Maturity Extension For Dated Fixed-to-Fixed Bonds With a Reset Date

Maturity	Coupon/Call structure	Workout Date at issuance	Updated Workout date if not called
Dated	Reset/Callable	Assume reset date as workout date	Extend workout date until the end of the next reset date or final maturity date*

\*Assumes the bond terms allow for a redemption at the new assumed maturity date

### Maturity Extension for Perpetuals & Dated Fixed-to-Fixed Bonds With a Reset Date

Maturity	Coupon/Call structure	Workout Date at issuance	Updated Workout date if not called
Perpetual	Reset*/Callable	Assume first call date as workout date	Extend workout date until the end of the next reset date*
Dated	Reset/Callable	Assume reset date as workout date	Extend workout date until the end of the next reset date or final maturity date*

\*Assumes the bond terms allow for a redemption at the new assumed maturity date

## Indicative Net-of-Tax Index

In addition to the standard total return index that ignores all tax implications, an indicative net of tax total return index is published that recognises the withholding taxes imposed by the countries included in the GEMX.

For all countries with the exception of the Philippines, the withholding tax rate is deducted from coupon payments and accrued interest of the index bonds. The net of tax calculations for the Philippines use the final withholding tax principle that adjusts accrued interest, coupons as well as the clean price of the bonds.

The following withholding tax rates apply to the countries included in the GEMX:

### Withholding tax rates for the indicative net of tax index

Country	Withholding tax %
Brazil	15
Chile	4
China	0
Colombia	33
Egypt	20
Hungary	0

Country	Withholding tax %
India	21.115
Indonesia	10
Malaysia	0
Mexico	4.9
Morocco	15
Nigeria	10
Peru	30
Philippines	20
Poland	10
Russia	0
Slovakia	19
South Africa	0
Thailand	0
Turkey	0

### Index history

The Index history starts on 31 December 2006. The index has a base value of 100 on that date.

### Settlement conventions

All iBoxx indices calculate using the assumption of T+0 settlement days.

### Calendar

S&P DJI publishes an index calculation calendar available on [www.spglobal.com/spdji](http://www.spglobal.com/spdji) under *iBoxx Indices Calendars*. This calendar provides an overview of the index calculation holidays of the iBoxx bond index families each year.

### Data publication and Access

The table below summarizes the publication of the iBoxx Global Emerging Market Index (GEMX) at [www.spglobal.com/spdji](http://www.spglobal.com/spdji) for registered users and on the FTP server.

### Data Publication and Access

Frequency	File Type	Access
Daily	Underlying file – Bond level	FTP Server
	Indices files – Index level	FTP Server / website / Bloomberg for index levels only
Weekly	Preview components	FTP Server / website
Monthly	End of month components	FTP Server / website
	XREF files	FTP Server

### Index Review

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.

# Index Governance

## Index Committee

An 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 more information on index governance policies, please refer [here](#).*

# Methodology Changes

<b>27 Jul 2026</b>	<p>Where applicable, S&amp;P DJI updated the index naming conventions:</p> <ul style="list-style-type: none"> <li>• Removed “Markit”</li> <li>• Added “Index”</li> <li>• Replaced currency symbols with written references</li> <li>• Included “Years” or “Months” for maturity-based sub-indices</li> </ul>
<b>30 Jun 2023</b>	<p><b>Annual Index Review 2022</b></p> <ul style="list-style-type: none"> <li>• Introduction of ‘Maturity extension’ section</li> <li>• Index eligibility of bonds with extended workout dates</li> </ul>
<b>31 Mar 2021</b>	<ul style="list-style-type: none"> <li>• Governance and Regulatory Compliance section added</li> </ul>
<b>28 Feb 2019</b>	<ul style="list-style-type: none"> <li>• Classification Section Added</li> </ul>
<b>01 Oct 2014</b>	<ul style="list-style-type: none"> <li>• Index restatement, complaints sections added.</li> <li>• Additional clarifications on bond eligibility, classification and corporate actions.</li> </ul>
<b>31 Mar 2014</b>	<ul style="list-style-type: none"> <li>• 31 Mar 2014 Markit iBoxx GEMX Indices will follow the pricing methodology described in the document “Markit iBoxx Pricing Rules”</li> </ul>
<b>30 Nov 2009</b>	<ul style="list-style-type: none"> <li>• Inclusion of Inflation-linked bonds</li> <li>• Inclusion of Dual currency bonds</li> <li>• Introduction of new countries to Markit iBoxx GEMX indices: <ul style="list-style-type: none"> <li>◦ Costa Rica</li> <li>◦ Kenya</li> <li>◦ Romania</li> <li>◦ Sri Lanka</li> <li>◦ Uruguay</li> </ul> </li> </ul>
<b>31 Jan 2009</b>	<ul style="list-style-type: none"> <li>• Exclusion of Slovakia</li> </ul>
<b>01 Mar 2008</b>	<ul style="list-style-type: none"> <li>• Launch of Markit iBoxx GEMX indices</li> </ul>

# Further Information

## **Client Support**

For client support please contact [index\\_services@spglobal.com](mailto:index_services@spglobal.com).

## **Formal Complaints**

Formal complaints should be emailed to [spdji\\_compliance@spglobal.com](mailto:spdji_compliance@spglobal.com).

Please note: [spdji\\_compliance@spglobal.com](mailto:spdji_compliance@spglobal.com) should only be used to log formal complaints.

## **General Index Inquiries**

For general index inquiries, please contact [index\\_services@spglobal.com](mailto:index_services@spglobal.com).

# ESG Disclosures

EXPLANATION OF HOW ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG) FACTORS ARE REFLECTED IN THE KEY ELEMENTS OF THE BENCHMARK METHODOLOGY <sup>1</sup>		
1	<b>Name of the benchmark administrator.</b>	S&P Dow Jones Indices Limited
2	<b>Underlying asset class of the ESG benchmark.<sup>2</sup></b>	N/A
3	<b>Name of the S&amp;P Dow Jones Indices benchmark or family of benchmarks.</b>	<a href="#">iBoxx Benchmark Statement</a>
4	<b>Do any of the indices maintained by this methodology take into account ESG factors?</b>	No
Appendix latest update:		May 2023
Appendix first publication:		May 2023

1. The information contained in this Appendix is intended to meet the requirements of the European Union Commission Delegated Regulation (EU) 2020/1817 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards the minimum content of the explanation of how environmental, social and governance factors are reflected in the benchmark methodology and the retained EU law in the UK (The Benchmarks (amendment and Transitional Provision) (EU Exit) Regulations 2019).

2. The 'underlying assets' are defined in European Union Commission Delegated Regulation (EU) 2020/1816 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards the explanation in the benchmark statement of how environmental, social and governance factors are reflected in each benchmark provided and published.

# 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 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

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