

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

September 2020

# Table of Contents

Introduction	2
<b>Index Objectives</b>	<b>2</b>
<b>Supporting Documents</b>	<b>2</b>
Eligibility Criteria	3
<b>Eligibility Factors</b>	<b>3</b>
Index Construction	5
<b>Index Weightings</b>	<b>5</b>
<b>Index Calculations</b>	<b>5</b>
Index Maintenance	6
<b>Rebalancing</b>	<b>6</b>
<b>Currency of Calculation and Additional Index Return Series</b>	<b>6</b>
<b>Base Date and History Availability</b>	<b>6</b>
Index Governance	7
<b>Index Committee</b>	<b>7</b>
Index Policy	8
<b>Announcements</b>	<b>8</b>
<b>Holiday Schedule</b>	<b>8</b>
<b>Rebalancing</b>	<b>8</b>
<b>End-of-Day Calculation</b>	<b>8</b>
<b>Index Releases</b>	<b>8</b>
<b>Recalculation Policy</b>	<b>8</b>
<b>Contact Information</b>	<b>8</b>
Index Dissemination	9
<b>Tickers</b>	<b>9</b>
<b>Index Data</b>	<b>9</b>
<b>Web site</b>	<b>9</b>
Appendix	10
<b>Methodology Changes</b>	<b>10</b>
Disclaimer	11

# 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).

## 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.

# 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 Corporation, 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 or Puttable bonds)
- Convertible bonds<sup>1</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 totaling at least US\$ 1 billion outstanding. The bonds of any issuer failing to meet this criterion are excluded from the index.

---

<sup>1</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.
  - Pengyuan Credit Rating Co., Ltd.
  - Golden Credit Rating International Co., Ltd
- **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 Refinitiv.

# 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 Corporation
	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. The Index Committee, nevertheless, reserves the right to make adjustments to an index at any time that it believes appropriate.

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 (T)
Announcement Date	T minus 2
Reference Date	T minus 3

*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 Reuters at 04:15 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.spdji.com](http://www.spdji.com).

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

*For the inputs necessary to calculate certain types of indices, including decrement, dynamic hedged, fair value, and risk control indices, please refer to the Parameters documents available at [www.spdji.com](http://www.spdji.com).*

## 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	08/30/2013	08/30/2013	100

# Index Governance

## Index Committee

S&P Dow Jones Indices' Asia Fixed Income 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.spdji.com](http://www.spdji.com).

## **Holiday Schedule**

The indices are calculated daily, 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.spdji.com](http://www.spdji.com), 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 [S&P DJI's All Indices by Methodology Report](#) 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.spdji.com/contact-us](http://www.spdji.com/contact-us).

## Web site

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

# Appendix

## Methodology Changes

Methodology changes since January 1, 2015 are as follows:

Change	Effective Date (After Close)	Methodology	
		Previous	Updated
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

Copyright © 2020 S&P Dow Jones Indices LLC. All rights reserved. STANDARD & POOR'S, S&P, S&P 500, S&P 500 LOW VOLATILITY INDEX, S&P 100, S&P COMPOSITE 1500, S&P MIDCAP 400, S&P SMALLCAP 600, S&P GIVI, GLOBAL TITANS, DIVIDEND ARISTOCRATS, S&P TARGET DATE INDICES, GICS, SPIVA, SPDR and INDEXOLOGY are registered trademarks of Standard & Poor's Financial Services LLC ("S&P"). DOW JONES, DJ, DJIA and DOW JONES INDUSTRIAL AVERAGE are registered trademarks of Dow Jones Trademark Holdings LLC ("Dow Jones"). These trademarks together with others have been licensed to S&P Dow Jones Indices LLC. Redistribution or reproduction in whole or in part are prohibited without written permission of S&P Dow Jones Indices LLC. This document does not constitute an offer of services in jurisdictions where S&P Dow Jones Indices LLC, S&P, S&P Trucost Limited, SAM (a part of S&P Global), Dow Jones or their respective affiliates (collectively "S&P Dow Jones Indices") do not have the necessary licenses. Except for certain custom index calculation services, all information provided by S&P Dow Jones Indices is impersonal and not tailored to the needs of any person, entity or group of persons. S&P Dow Jones Indices receives compensation in connection with licensing its indices to third parties and providing custom calculation services. Past performance of an index is not an indication or guarantee of future results.

It is not possible to invest directly in an index. Exposure to an asset class represented by an index may be available through investable instruments based on that index. S&P Dow Jones Indices does not sponsor, endorse, sell, promote or manage any investment fund or other investment vehicle that is offered by third parties and that seeks to provide an investment return based on the performance of any index. S&P Dow Jones Indices makes no assurance that investment products based on the index will accurately track index performance or provide positive investment returns. S&P Dow Jones Indices LLC is not an investment advisor, and S&P Dow Jones Indices makes no representation regarding the advisability of investing in any such investment fund or other investment vehicle. A decision to invest in any such investment fund or other investment vehicle should not be made in reliance on any of the statements set forth in this document. Prospective investors are advised to make an investment in any such fund or other vehicle only after carefully considering the risks associated with investing in such funds, as detailed in an offering memorandum or similar document that is prepared by or on behalf of the issuer of the investment fund or other investment product or vehicle. S&P Dow Jones Indices LLC is not a tax advisor. A tax advisor should be consulted to evaluate the impact of any tax-exempt securities on portfolios and the tax consequences of making any particular investment decision. Inclusion of a security within an index is not a recommendation by S&P Dow Jones Indices to buy, sell, or hold such security, nor is it considered to be investment advice.

These materials have been prepared solely for informational purposes based upon information generally available to the public and from sources believed to be reliable. No content contained in these materials (including index data, ratings, credit-related analyses and data, research, valuations, model, software or other application or output therefrom) or any part thereof ("Content") may be modified, reverse-engineered, reproduced or distributed in any form or by any means, or stored in a database or retrieval system, without the prior written permission of S&P Dow Jones Indices. The Content shall not be used for any unlawful or unauthorized purposes. S&P Dow Jones Indices and its third-party data providers and licensors (collectively "S&P Dow Jones Indices Parties") do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Dow Jones Indices Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON AN "AS IS" BASIS. S&P DOW JONES INDICES PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Dow Jones Indices Parties be

liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related information and other analyses, including ratings, research and valuations are generally provided by licensors and/or affiliates of S&P Dow Jones Indices, including but not limited to S&P Global's other divisions such as S&P Global Market Intelligence. Any credit-related information and other related analyses and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. Any opinion, analyses and rating acknowledgement decisions are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Dow Jones Indices does not assume any obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Dow Jones Indices LLC does not act as a fiduciary or an investment advisor. While S&P Dow Jones Indices has obtained information from sources they believe to be reliable, S&P Dow Jones Indices does not perform an audit or undertake any duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P Global Ratings reserves the right to assign, withdraw or suspend such acknowledgement at any time and in its sole discretion. S&P Dow Jones Indices, including S&P Global Ratings, disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgement as well as any liability for any damage alleged to have been suffered on account thereof. Affiliates of S&P Dow Jones Indices LLC, including S&P Global Ratings, may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of securities or from obligors. Such affiliates of S&P Dow Jones Indices LLC, including S&P Global Ratings, reserve the right to disseminate its opinions and analyses. Public ratings and analyses from S&P Global Ratings are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) and [www.globalcreditportal.com](http://www.globalcreditportal.com) (subscription), and may be distributed through other means, including via S&P Global Ratings publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).

S&P Global keeps certain activities of its various divisions and business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions and business units of S&P Global may have information that is not available to other business units. S&P Global has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

In addition, S&P Dow Jones Indices provides a wide range of services to, or relating to, many organizations, including issuers of securities, investment advisers, broker-dealers, investment banks, other financial institutions and financial intermediaries, and accordingly may receive fees or other economic benefits from those organizations, including organizations whose securities or services they may recommend, rate, include in model portfolios, evaluate or otherwise address.