

iBoxx® ChinaBond | 中债iBoxx

Government & Policy Banks Bond Index Guide

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1. iBoxx ChinaBond Government & Policy Banks Bond Indices

The iBoxx ChinaBond Government & Policy Banks Bond indices are designed to reflect the performance of RMB denominated bonds issued by the Chinese government or one of the three Chinese policy banks. The index rules aim to offer a broad coverage of the underlying bond universe, whilst upholding minimum standards of investability and liquidity. The indices have been created as part of the partnership between ChinaBond Pricing Center Co., Ltd. (“CBPC”) and IHS Markit. The partnership provides investors with accurate and objective indices to assess the performance of the Chinese bond market and investments.

The index is an integral part of the global iBoxx index families, which provide the marketplace with accurate and objective indices by which to assess the performance of bond markets and investments.

All iBoxx indices are priced based on multiple data inputs. The iBoxx ChinaBond Government & Policy Banks Bond indices use the valuation and reference data provided by CBPC.

This document covers the index selection rules and calculation methodology – the structure of the index family is shown in the table below:

iBoxx ChinaBond Government & Policy Banks Bond Overall	
Government	Policy Banks
<ul style="list-style-type: none"> ex-Central Bank Bills 	<ul style="list-style-type: none"> Agricultural Development Bank of China China Development Bank Export-Import Bank of China
Maturity Indices: 1-3, 3-5, 5-7, 7-10, 1-10 and 10+	

1.1. Index Governance

In order to ensure the independence and the objectivity of the Index, the index rules and their compliance will be assisted by the iBoxx Asian General Advisory Committee (GAC), in line with the governance structure for the main iBoxx index families. The Oversight Committee is comprised of representatives from a broad range of asset managers, consultants and industry bodies. The purpose of this committee is to review the recommendations made by IHS Markit and CBPC in respect to the index rules and also to provide consultation on any market developments which may warrant rule changes.

1.2. Publication of the Index

All indices are calculated as end-of-day and distributed once daily. The indices are calculated every Monday to Friday day except on common China Interbank Market non-trading days. The indices are also calculated on special working days (Saturdays or Sundays) that are trading days in the China Interbank Market. 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.

Markit publishes an index calculation calendar which is available in the Indices Documentation section on <http://www.markit.com/Documentation/Product/iBoxx> under *iBoxx Calendar*. 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 corresponding end-of-day prices. Closing index values and key statistics are published at the end of each business day in the indices section on:

- <https://ihsmarkit.com/login.html> for registered users
- http://yield.chinabond.com.cn/cbweb-mn/indices/single_index_query?locale=en_US (English version)
- http://yield.chinabond.com.cn/cbweb-mn/indices/single_index_query?locale=zh_CN (Chinese version)

2. Bond Selection Rules

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

- Issuer type
- Bond type
- Credit rating
- Time to maturity
- Amount outstanding
- Market of issue

2.1. Issuer Type

Following issuers are eligible for the index:

- Bonds issued by the Ministry of Finance of the People's Republic of China
- Central Bank Bills
- Bonds issued by one of the three Chinese policy banks:
 - Agricultural Development Bank of China
 - China Development Bank
 - Export-Import Bank of China

2.2. Bond Type

Following bond types are eligible for the index:

- Fixed coupon plain vanilla bonds
- Callable and puttable bonds
- Amortizing bonds and sinking funds with fixed sinking schedules

All other bond types are excluded from the index, including:

- Zero coupon bonds
- Floating rate notes
- 144As and private placements
- Government savings Bonds and other retail bonds
- Step-ups and event-driven bonds such as rating-driven or registration-driven bonds
- Dated and undated fixed-to-floater bonds
- Subordinated debt and tier-2 capital instruments
- Inflation- and other index-linked bonds
- Structured notes
- Collateralized bonds
- Covered bonds
- Brady bonds
- Catastrophe bonds
- Payment-In-Kinds (PIKs)
- Convertibles
- Bonds cum- or ex-warrant
- New bonds entering the index that have already been called prior to rebalancing

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 IHS Markit's discretion based on the information available at the time of determination. IHS Markit may consult with CBPC, and IHS Markit and CBPC may jointly 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 <http://www.markit.com/NewsInformation/GetNews/IBoxx> under *News & Information* 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, IHS Markit will analyse the features of such securities in line with the principles set out in 2.2 of this guide. IHS Markit may consult with CBPC, and IHS Markit and CBPC may jointly 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.

2.3. Credit Rating

There is no rating requirement.

2.4. Time to Maturity

All bonds must have an expected remaining life of one year at the rebalancing date. Newly issued bonds must meet the minimum initial time to maturity rule. The minimum initial time to maturity as measured from the first settlement date to the maturity date of the bond, must be 18 months or more.

The expected remaining life is expressed in years and calculated as follows:

- For plain vanilla bonds, the expected remaining life of the bond is its time to maturity, calculated as the number of days between the last calendar day of the current month and its maturity.
- For dated and undated callable hybrid capital bonds, the first call date is always assumed to be the expected redemption date. The expected remaining life is calculated as the number of days between the last calendar day of the current month and the expected redemption date.
- For soft bullets, the expected remaining life of the bond is its time to the expected maturity and not to its final maturity date.
- For sinking funds and amortizing bonds, the average life is used instead of the final maturity to calculate the remaining time to maturity.

2.5. Amount Outstanding

Eligible bonds must be denominated in CNY, with a minimum amount outstanding of CNY 10bn.

2.6. Market of Issue

Bonds need to trade in the China Interbank Market (CIBM). Bonds trading in multiple venues are eligible for the index if CIBM is one of the trading venues.

Bonds that are exclusively traded on the Shanghai and/or Shenzhen Stock Exchanges, the Shanghai Free-trade Zone or in the OTC market are not eligible for the index. Bonds settled and traded in Hong Kong, Macao or outside the People's Republic of China are also not eligible.

3. Bond Classification

All bonds are classified based on the principal activities of the issuer and the main sources of the cash flows used to pay coupons and redemptions. In addition, a bond's specific collateral type or legal provisions are evaluated. Hence, it is possible that bonds issued from different subsidiaries of the same issuer carry different classifications.

The issuer classification is reviewed regularly based on updated information received by IHS Markit, and status changes are included in the indices at the next rebalancing if necessary. Where the sector classification of a specific entity is not very clear due to the diversified business of the entity, a decision will be made at IHS Markit's discretion. IHS Markit will assign the Markit classification according to its evaluation of the business risk presented in the security prospectus and annual reports, if available. IHS Markit will also compare the classification to peers in the potential sectors, and IHS Markit may consult with the Index Advisory Committees. Membership lists including bond classifications are published on the FTP server and in the indices section of products.markit.com for registered users.

The main sector classifications are described below:

3.1 Sovereigns

Bonds issued by a central government and denominated in the respective local currency

3.2 Sub-sovereigns

Bonds issued by entities with explicit or implicit government backing due to legal provision, letters of comfort or the public service nature of their business.

Policy Banks: The three policy banks – Agricultural Development Bank of China, China Development Bank and Export-Import Bank of China established in 1994.

4. Index Calculation

4.1. Static Data

The information used in the index calculation is provided by ChinaBond Pricing Center Co., Ltd.

FX spot and forward rates are sourced from WM Company. The daily index calculation uses the FX rates from 4pm London time.

4.2. Bond Prices

The RMB bond valuation data used in the index calculation is provided by ChinaBond Pricing Center Co., Ltd. For more details, please refer to the *Markit iBoxx Pricing Rules* document, available in the Methodology section of the Markit iBoxx Documentation page on <http://www.markit.com/Documentation/Product/iBoxx>.

4.3. Rebalancing Process

All iBoxx ChinaBond Government & Policy Banks Bond indices are rebalanced monthly on the last business day of the month. Any inclusion after the index cut-off day (t-3) will not be considered in the re-balancing process but will become effective at the end of the following month. New bonds issued are considered for inclusion if they are publicly known to settle until the last calendar day of the month, inclusive, and if their rating and amount outstanding has become known at least three trading days before the end of the month.

Two business days before the end of each month, the rating and amount information for the constituents is updated and the list is adjusted for all rating and amount changes which are known to have taken place three business days before the end of the month which could also result in exclusion of the bond. The changes made on T-2 for rating and amount will not be considered for inclusion.

4.3.1. Exceptions to the Monthly Rebalancing

Scheduled changes of bond weights due to redemption payments of amortizing bonds or sinking funds are taken into account on the day they occur.

Bonds that have been called are considered cash for the remainder of the month. Scheduled coupon changes are also effective on the date the coupon changed.

The universe of bonds is reviewed monthly. Bonds which meet the eligibility criteria above will be selected for inclusion into the index at the end of the month.

4.4. Index Data

The calculation of the index is based on closing prices. 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, IHS Markit 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 IHS Markit may 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.

4.5. Index Weights

The bonds in the index are market capitalisation weighted.

4.6. Index Calculus

For specific index formulae please refer to the *Markit iBoxx Bond Index Calculus* document, available in the Methodology section of the iBoxx Documentation page on www.ihsmarkit.com.

4.7. Treatment of the Special Intra-Month Events

Data for the application of corporate actions in the indices 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, IHS Markit will estimate the approximate value based on the available data at the time of calculation.

4.7.1. Redemption – Matured Bonds, Exercised Calls, Puts and Buybacks

If a bond is fully redeemed intra-month or if the bond matures intra-month, the bond effectively ceases to exist. In all calculations, the redeemed bond is treated as cash based on the last iBoxx price, the call price or repurchase price, redemption 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 a coupon payment

4.7.2. Cash

Cash from coupon payments and redemptions is held as cash in the index and re-invested into the index at month end. During the month the cash component is not earning any interest.

4.7.3. Bonds Trading Flat of Accrued

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

4.8. Index History

Base date for the index is December 31st, 2007 with a value of 100.

4.9. Settlement Conventions

All iBoxx indices are calculated using the assumption of t+0 settlement days.

4.10. Calendar

The index is calculated and published based on the China InterBank Market (CIBM) trading calendar, which may include weekend trading days. IHS Markit publishes an index calculation calendar in the *Index Calendar* section of the iBoxx Documentation page on <http://www.markit.com/Documentation/Product/iBoxx>.

This calendar provides an overview of the index calculation holidays of the Markit iBoxx bond index families in a given year.

4.11. Data Publication and Access

The indices are published on the IHS Markit website (www.ihsmarkit.com), CBPC website (www.chinabond.com.cn), IHS Markit and CBPC FTP servers, and made available through main information vendors. Below is a summary of the different file types and their respective publication channels:

Frequency	File Type	Access
Daily	Underlyings file – Bond level	CBPC FTP Server IHS Markit FTP Server
	Forwards file – Bond level	CBPC FTP Server IHS Markit FTP Server
	Indices file – Index level	CBPC FTP Server / IHS Markit FTP Server CBPC website / IHS Markit website Bloomberg for headline index levels only
Monthly	Components file	CBPC FTP Server IHS Markit FTP Server
	XREF file	CBPC FTP Server IHS Markit FTP Server

4.12. Index Review

The Index methodology reviews for the indices outlined within this guide are performed on a periodic basis. Any material changes to the methodology governing the indices are published on the IHS Markit website.

5. Governance and Regulatory Compliance

IHS Markit Benchmark Administration Limited (IMBA UK) is the Index Administrator of iBoxx indices. Information on IMBA UK's governance and compliance approach can be found [here](#). This document covers:

- Governance arrangements, including external committees
- Input data integrity
- Conflicts of interest management
- Market disruption and Force Majeure
- Methodology changes and cessations
- Complaints
- Errors and restatements
- Reporting of infringements and misconduct
- Methodology reviews
- Business continuity

More details about IMBA UK can be found on the [Administrator's website](#).

6. Changes to the iBoxx ChinaBond Government & Policy Banks Bond Indices

3 Nov 2021	Governance and Regulatory Compliance section added
30 Oct 2018	Launch of the iBoxx ChinaBond Government & Policy Banks Bond Indices

7. Further Information – IHS Markit

Glossary of key terms

The Markit iBoxx Glossary document of key terms is available in the Methodology section of the Markit iBoxx Documentation page on <http://www.markit.com/Documentation/Product/iBoxx>.

For contractual or content issues please contact:

Markit Indices GmbH

Friedrich-Ebert-Anlage 35-37

60327 Frankfurt am Main

Germany

E-mail: indices@ihsmarkit.com

Web: ihsmarkit.com/iBoxx

For technical issues and client support:

E-mail: indices@ihsmarkit.com

Phone:	Asia Pacific	Japan:	+81 3 6402 0127
		Singapore:	+65 6922 4210
	Europe	General:	+800 6275 4800
		UK:	+44 20 7260 2111
	USA	General:	+1 877 762 7548

Formal complaints

Formal complaints can be sent electronically to our dedicated email address at

complaints_indices@markit.com

General index enquiries can be sent electronically to our Markit iBoxx indices support group at

indices@ihsmarkit.com

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Ownership

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8. Further Information – ChinaBond Pricing Center Co., Ltd.

ChinaBond Pricing Center Co., Ltd., a subsidiary wholly-owned by China Central Depository & Clearing Co., Ltd. (CCDC), is a benchmark pricing platform built by CCDC in the past decade based on its neutrality and professionalism as a central securities depository. It was established in Shanghai in July 2017. Since the release of China's first RMB government bond yield curve in 1999 by CCDC, ChinaBond Pricing Data, the authoritative pricing benchmark of the Chinese bond market produced and maintained by ChinaBond Pricing Center, has developed six data categories including ChinaBond Yield Curve, ChinaBond Valuation, ChinaBond Index, ChinaBond VaR, ChinaBond Implied Market Rating and My Statistics, fully reflecting the price and risk level of the RMB bond market. There are more than 1,000 domestic users of ChinaBond Pricing Data, covering all funds, insurance and securities companies, as well as more than 90 percent of banks. ChinaBond Pricing Data has efficiently promoted the fair value pricing of bonds and market transparency. It has become an important reference indicator for fiscal and monetary policies, and also a powerful market monitoring tool for regulators. In addition, it effectively assists the implementation of interest rate liberalization, RMB internationalization and other national financial strategies.

Contractual issues

Contractual issues can be sent electronically to: dataservice@ccdc.com.cn

ChinaBond indices content issues

ChinaBond indices content issues can be sent electronically to: jiangjf@ccdc.com.cn

Valuation methodology and formal complaints

Valuation methodology and formal complaints can be sent electronically to: gaochao@ccdc.com.cn