

Recalculation Policy and Guidelines – Fixed Income Indices

v1.7



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FTSE Russell Fixed Income Index Recalculation Policy

This document sets out the FTSE Russell¹ Fixed Income Index Recalculation Policy. This policy and the FTSE Russell Fixed Income Index Recalculation Guidelines below apply only to those fixed income indices where the relevant index ground rules and other methodology documents indicate that this policy and the guidelines apply.

FTSE Russell makes every effort to maintain its indices to high standards. However, investors, licensees and other market participants should be aware that inaccuracies may arise in the index level and/or constituent data from time to time. A range of events may contribute to the inaccuracy, including the following examples: the use of incorrect data for amounts outstanding, coupons or FX rates; incorrect constituent prices; processing issues leading to the incorrect application of the index methodology; incorrect analytics calculations such as duration or yield; and external disruptions or market conditions that may lead to late or incomplete delivery of input data.

Where an inaccuracy is identified, FTSE Russell will follow the steps set out in the FTSE Russell Index Recalculation Guidelines – Fixed Income Indices below when determining whether an index or index series should be recalculated and/or associated data products reissued as a result of an inaccuracy. Because of the unpredictable nature of the issues that could arise, these guidelines should not be construed as definitive rules that determine the steps FTSE Russell will take whenever an inaccuracy is identified. In addressing inaccuracies, FTSE Russell reserves the right to consult market participants in complex cases as to the appropriate course of action, including the decisions on whether to recalculate indices and/or reissue its associated data products.

Please note that FTSE Russell does not accept any responsibility to investors, licensees or other market participants for the accuracy of the index or its constituent data and accepts no liability for any losses, damages, claims or expenses suffered by any person as a result of any errors or inaccuracies in the compilation or calculation of the index or any constituent data, whether arising as a result of negligence or otherwise.

Table one: FTSE Russell Fixed Income Recalculation Guidelines

Table one below sets out the general categories of errors and guidelines that FTSE Russell will follow when determining whether an index or index series should be recalculated and/or associated data products reissued. The terms of the FTSE Russell Index Recalculation Policy apply to these guidelines.

In interpreting these guidelines, FTSE Russell will use expert judgement taking into account all relevant factors including, but not limited to: the asset class of the index constituents; the nature of the incident, the impact on the total return of the broad, top-level index and sub-indices; the impact on constituent weights; the rebalance frequency of the index; the time elapsed since the incident occurred; the implications for products known to track the index; and the impact on index users should a recalculation and/or reissue take place. Because of the individual circumstances of an incident may be complex, FTSE Russell reserves the right to recalculate, or not to recalculate, an index when these general guidelines might suggest otherwise.

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If a decision to recalculate an index is taken, all affected sub-indices and custom indices will also be recalculated. Following such an event, index users will be notified of the products affected through standard communication channels (including the publication of a FTSE Russell client notice), index values will be updated on the FTSE Russell website and associated data products will be reissued.

If an inaccuracy is discovered prior to client delivery, the index will be recalculated and clients will be notified of any delay to file deliverables.

Category	Example issue	Guideline
Data input	Incorrect amount outstanding	Correct with notice*
Incorrect security inclusion or exclusion	Instrument incorrectly added or removed from the index	Correct with notice*
	New instrument added with incorrect weight (i.e. inaccurate amount outstanding or market value)	
	Instrument added to the incorrect sector or incorrectly categorised	
Incorrect index composition	Previous index rebalance undertaken incorrectly	Decision taken on a case-by-case basis according to materiality
Calculation	Wrong coupon amount	Recalculate and reissue index files
	Coupon reinvested on incorrect date	
Pricing input	Incorrect closing price	Recalculate if material impact to index total return or if at month-end
	Incorrect WM foreign exchange spot and forward rate	
Statistical calculation	Analytics (e.g. duration, yield) calculation error	Correct future calculations; provide notice to clients on historical impact if material

*For daily rebalanced indices, notice will be T+2; for monthly rebalanced indices, the correction will be applied in the preliminary monthly fix.

Generally, materiality will be determined with respect to the impact on standard indices. FTSE Russell will exercise its expert judgement when determining where a custom index, an index linked to an exchange traded product or a standard sub-index other than those listed in the table, should be recalculated.

Further information

For further information on FTSE Russell indices, please visit www.lseg.com/en/ftse-russell/ or e-mail info@ftserussell.com.

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