

# FTSE International Inflation-Linked Securities Select Index

v2.7

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## Section 1

# Introduction

## 1. Introduction

### 1.1 FTSE International Inflation-Linked Securities Select Index

1.1.1 The FTSE International Inflation-Linked Securities Select Index measures the returns of inflation-linked bonds outside the United States with fixed-rate coupon payments that are linked to an inflation index. The index includes markets tracked by the FTSE World Inflation-Linked Securities Index (WILSI) and FTSE World Inflation-Linked Securities Index-Additional Markets (WILSI-AM) that meet inclusion criteria. Currently, the index comprises government inflation-linked debt from 18 countries denominated in 15 currencies.

1.1.2 The market capitalisation-based weights of each individual country in the FTSE International Inflation-Linked Securities Select Index are capped at 22.5%. Furthermore, the total market weights of the countries with more than 4.6% market weight in the index cannot exceed 45% of the total index weight. After the country weights are determined, constituents within each country are assigned weights in proportion to their market capitalization. Historical profile statistics and performance for the FTSE International Inflation-Linked Securities Select Index are available since January 2011.

1.2 The FTSE International Inflation-Linked Securities Select Index does not take account of ESG factors in its design.

### 1.3 FTSE Russell

1.3.1 FTSE Russell is a trading name of FTSE International Limited, Frank Russell Company, FTSE Global Debt Capital Markets Limited (and its subsidiary FTSE Global Debt Capital Markets Inc.), FTSE Fixed Income LLC, FTSE (Beijing) Consulting Limited .

1.3.2 FTSE Russell hereby notifies users of the index series that it is possible that circumstances, including external events beyond the control of FTSE Russell, may necessitate changes to, or the cessation of, the index series and therefore, any financial contracts or other financial instruments that reference the index series or investment funds which use the index series to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index.

1.3.3 Index users who choose to follow this index series or to buy products that claim to follow this index series should assess the merits of the index's rules-based methodology and take independent investment advice before investing their own or client funds. No liability whether as a result of negligence or otherwise is accepted by FTSE Russell for any losses, damages, claims and expenses suffered by any person as a result of:

- any reliance on these Ground Rules;
- any inaccuracies in these Ground Rules;
- any non-application or misapplication of the policies or procedures described in these Ground Rules; and/or
- any inaccuracies in the compilation of the index or any constituent data.

## Section 2

# Management responsibilities

## 2. Management responsibilities

### 2.1 FTSE International Limited (FTSE)

2.1.1 FTSE is the administrator of the index<sup>1</sup>.

2.1.2 FTSE is responsible for the daily calculation, production and operation of the index series, and will:

- maintain records of the index weightings of all constituents;
- make changes to the constituents and their weightings in accordance with the Ground Rules;
- carry out the periodic index reviews of the index series and apply the changes resulting from the reviews as required by the Ground Rules; and
- disseminate the indices.

### 2.2 Amendments to these Ground Rules

2.2.1 These Ground Rules shall be subject to regular review (at least once a year) by FTSE Russell to ensure that they continue to best reflect the aims of the index series. Any proposals for significant amendments to these Ground Rules will be subject to consultation with FTSE Russell advisory committees and other stakeholders if appropriate. The feedback from these consultations will be considered by the FTSE Russell Index Governance Board before approval is granted.

2.2.2 As provided for in the Statement of Principles for FTSE Russell Indices, where FTSE Russell determines that the Ground Rules are silent or do not specifically and unambiguously apply to the subject matter of any decision, any decision shall be based as far as practical on the Statement of Principles. After making any such determination, FTSE Russell shall advise the market of its decision at the earliest opportunity. Any such treatment will not be considered as an exception or change to the Ground Rules, or to set a precedent for future action, but FTSE Russell will consider whether the rules should subsequently be updated to provide greater clarity.

<sup>1</sup> The term administrator is used in this document in the same sense as it is defined in [Regulation \(EU\) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds](#) (the European Benchmark Regulation) and [The Benchmarks \(Amendment and Transitional Provision\) \(EU Exit\) Regulations 2019](#) (the UK Benchmark Regulation).

## Section 3

# FTSE Russell index policies

## 3. FTSE Russell index policies

These Ground Rules should be read in conjunction with the following policy documents, which can be accessed using the links below:

### 3.1 Queries and Complaints

FTSE Russell's complaints procedure can be accessed using the following link:

[FTSE Russell Benchmark Determination Complaints Handling Policy.pdf](#)

### 3.2 Statement of Principles for FTSE Fixed Income Indices (the Statement of Principles)

Indices need to keep abreast of changing markets and the Ground Rules cannot anticipate every eventuality. Where the rules do not fully cover a specific event or development, FTSE Russell will determine the appropriate treatment by reference to the Statement of Principles for FTSE Fixed Income Indices, which summarises the ethos underlying FTSE Russell's approach to index construction. The Statement of Principles is reviewed annually and any changes proposed by FTSE Russell are presented to the FTSE Russell Policy advisory board for discussion before approval by the FTSE Russell Index Governance Board.

The Statement of Principles for Fixed Income Indices can be accessed using the following link:

[Statement of Principles Fixed Income Indices.pdf](#)

### 3.3 Recalculation Policy and Guidelines

The Recalculation Policy and Guidelines for Fixed Income Indices document is available from the FTSE Russell website using the link below or by contacting [fi.index@lseg.com](mailto:fi.index@lseg.com).

[Fixed Income Recalculation Policy and Guidelines.pdf](#)

### 3.4 Index Policy in the Event Clients are Unable to Trade a Market or a Security

3.4.1 Details of FTSE Russell's treatment can be accessed using the following link:

[Index Policy in the Event Clients are Unable to Trade a Market or a Security.pdf](#)

### 3.5 Policy for Benchmark Methodology Changes

3.5.1 Details of FTSE Russell's policy for making benchmark methodology changes can be accessed using the following link:

[Policy for Benchmark Methodology Changes.pdf](#)

### **3.6 FTSE Russell Governance Framework**

3.6.1 To oversee its indices, FTSE Russell employs a governance framework that encompasses product, service and technology governance. The framework incorporates the London Stock Exchange Group's three lines of defence risk management framework and is designed to meet the requirements of the IOSCO Principles for Financial Benchmarks<sup>2</sup>, the European benchmark regulation<sup>3</sup> and the UK benchmark regulation<sup>4</sup>. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE Russell Governance Framework.pdf](#)

### **3.7 Real Time Status Definitions**

3.7.1 Please refer to the following guide for details of real time status definitions for indices that are calculated in real time.

[Real Time Status Definitions.pdf](#)

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<sup>2</sup> IOSCO Principles for Financial Benchmarks Final Report, FR07/13 July 2013.

<sup>3</sup> Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds.

<sup>4</sup> The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019.

## Section 4

# Composition and design criteria

## 4. Composition and design criteria

### 4.1 Design criteria and calculation assumptions for the FTSE International Inflation-Linked Securities Select Index

|                               |   |
|-------------------------------|---|
| <b>Coupon</b>                 | Fixed rate  |
| <b>Minimum maturity</b>       | At least one year   |
| <b>Minimum issue size</b>     | <p><b>Americas</b></p> <p>Brazil: BRL 1 billion<br/> Canada: CAD 1 billion<br/> Chile: CLF 5 million<br/> Mexico: MXV 5 billion</p> <p><b>Europe, Middle East and Africa</b></p> <p>EMU markets (France, Germany, Italy, Spain): EUR 2.5 billion<br/> Israel: ILS 5 billion<br/> New Zealand: NZD 750 million<br/> Poland<sup>5</sup>: PLN 5 billion<br/> South Africa: ZAR 500 million<br/> Sweden: SEK 10 billion<br/> Turkey: TRL 2 billion<br/> United Kingdom: GBP 2 billion</p> <p><b>Asia-Pacific and Japan</b></p> <p>Australia: AUD 750 million<br/> Japan: JPY 250 billion (excludes Bank of Japan and Ministry of Finance holdings)<br/> South Korea: KRW 1 trillion</p> |
| <b>Minimum credit quality</b> | C by S&P and Ca by Moody's (excludes defaulted issues)  |
| <b>Composition</b>            | Eligible security types by market are listed in the below table.  |
| <b>Weighting</b>              | <p>Market capitalization subject to following caps:</p> <ul style="list-style-type: none"> <li>– individual country is capped at 22.5%; and</li> <li>– total market weights of the countries with more than 4.6% market weight in the index cannot exceed 45% of the total index weight.</li> </ul> <p>After the country weights are determined, constituents within each country are assigned weights in proportion to their market capitalization.</p> <p>See the weighting methodology section for more details.</p>   |
| <b>Rebalancing</b>            | Once a month at the end of the month.   |

<sup>5</sup> Poland is eligible for inclusion but currently its inflation-linked securities do not meet the minimum size criteria due to large buy-back by the government in February 2014.

|                                   |  |
|-----------------------------------|--|
| <b>Reinvestment of cash flows</b> | Intra-month cash flows from interest and principal payments are not reinvested as part of monthly index total return calculations <sup>6</sup> .   |
| <b>Pricing</b>                    | LSEG Pricing Service except for:<br>Israel (provided by Tel Aviv Stock Exchange)<br>Korea (provided by KAP)<br>Mexico (provided by Proveedor Integral de Precios S.A. de C.V.)<br>Poland (provided by BondSpot)<br>South Africa (provided by Johannesburg Stock Exchange)<br>For more information on market close, see figure one. |
| <b>Calculation frequency</b>      | Daily  |
| <b>Settlement date</b>            | Monthly: settlement is on the last calendar day of the month.<br>Daily: same-day settlement except if the last business day of the month is not the last calendar day of the month; then, settlement is on the last calendar day of the month.   |
| <b>Fixing date</b>                | Each month, the upcoming month's index constituents are fixed on the profile fixing date. The profile fixing dates for each year are available on the website at <a href="http://www.ftserussell.com/index">www.ftserussell.com/index</a> .  |
| <b>Base date</b>                  | December 31, 2010  |

## 4.2 FTSE International Inflation-Linked Securities Select Index composition

The bonds that will be added for countries that qualify for inclusion are as follows:

| Country             | Inflation-linked securities  | Inflation index   |
|---------------------|--|---|
| <b>Australia</b>    | Treasury indexed bonds   | Consumer Price Index (CPI), published by the Australian Bureau of Statistics (ABS)  |
| <b>Brazil</b>       | NTN-B (National Treasury Notes, series B)  | IPCA: extended CPI, published by Instituto Brasileiro de Geografia e Estatística (IBGE)   |
| <b>Canada</b>       | N/A  | CPI (62-001-X, free), published by Statistics Canada  |
| <b>Chile</b>        | BCU, BTU   | IPC: Índice de Precios al Consumidor, published by Central Bank of Chile  |
| <b>France</b>       | OATi, OAT€i, BTAN€i  | OATi: CPI ex-tobacco, published by National Institute of Statistics and Economic Studies (INSEE). OAT€i and BTAN€i: EU Harmonized Index of Consumer Prices (HICP) ex-tobacco, published by Eurostat |
| <b>Germany</b>      | BUND€i, BOBL€i   | EU HICP ex-tobacco, published by Eurostat   |
| <b>Israel</b>       | GALIL, CPI-Linked Government Bonds   | CPI: published by the Central Bureau of Statistics (CBS)  |
| <b>Italy</b>        | BTP€i  | EU HICP ex-tobacco, published by Eurostat   |
| <b>Japan</b>        | Inflation-Indexed Bonds (JGBi)   | CPI, published by the Statistics Bureau and the Director-General for Policy Planning of Japan   |
| <b>Mexico</b>       | UDIBONOS (Federal Government Bonds)<br>UDIS: Unidades de Inversion – value based on Consumer Price denominated in UDI) | Index, currently published by Instituto Nacional de Estadística y Geografía (INEGI) and published by Banco de Mexico prior to July 14, 2011   |
| <b>New Zealand</b>  | Inflation-Indexed Bonds (IIB)  | CPI: measured and published quarterly by Statistics New Zealand   |
| <b>Poland</b>       | IZ-Series T-Bonds  | CPI: published by Central Statistical Office (CSO)  |
| <b>South Africa</b> | Inflation-Linked Bonds   | Headline CPI: all items CPI for all urban areas, published by Statistics South Africa (Stats SA)  |

<sup>6</sup> Prior to November 1, 2022, reinvestment income was included in the total return calculation.

| Country        | Inflation-linked securities | Inflation index  |
|----------------|-----------------------------|--|
| South Korea    | KTBi – inflation-linked KTB | KRCPI: published by the Statistics Korea   |
| Spain          | OBL€i, BON€i                | EU HICP ex-tobacco, published by Eurostat  |
| Sweden         | Inflation-Linked Bonds      | CPI, published by Statistics Sweden (Statistiska centralbyran – SCB)                     |
| Turkey         | CPI Indexed Bonds           | CPI: General Consumer Price Index, published by Turkish Statistical Institute (TURKSTAT) |
| United Kingdom | Index-Linked GILTs (ILG)    | Retail Price Index (RPI), published by Office for National Statistics (ONS)              |

4.2.1 The price of each issue in the inflation-linked securities index is adjusted by using an index ratio. In general, this ratio is the current index level<sup>7</sup> divided by the inflation index level at the time of issue of the security. If the inflation index is published monthly, then the intra-month index ratio is calculated using linear interpolation. The calculation of an index ratio, if any, follows individual market convention.

**Figure one: pricing sources and snap times**

| Country        | Source                                    | Snap time            |
|----------------|---|----------------------|
| Australia      | LSEG Pricing Service                      | 16:00 (Tokyo)        |
| Brazil         | LSEG Pricing Service                      | 16:00 (New York)     |
| Canada         | LSEG Pricing Service                      | 16:00 (New York)     |
| Chile          | LSEG Pricing Service                      | 16:00 (New York)     |
| France         | LSEG Pricing Service                      | 16:15 (London)       |
| Germany        | LSEG Pricing Service                      | 16:15 (London)       |
| Israel         | Tel Aviv Stock Exchange                   | 17:25 (Tel Aviv)     |
| Italy          | LSEG Pricing Service                      | 16:15 (London)       |
| Japan          | LSEG Pricing Service                      | 15:00 (Tokyo)        |
| Mexico         | Proveedor Integral de Precios S.A.de C.V. | 14:00 (Mexico City)  |
| New Zealand    | LSEG Pricing Service                      | 16:00 (Tokyo)        |
| Poland         | Bond Spot                                 | 16:30 (Warsaw)       |
| South Africa   | Johannesburg Stock Exchange               | 17:00 (Johannesburg) |
| South Korea    | KAP                                       | 15:30 (Seoul)        |
| Spain          | LSEG Pricing Service                      | 16:15 (London)       |
| Sweden         | LSEG Pricing Service                      | 16:15 (London)       |
| Turkey         | LSEG Pricing Service                      | 14:00 (London)       |
| United Kingdom | LSEG Pricing Service                      | 16:15 (London)       |

<sup>7</sup> The current index level is equal to a previous value; the look-back period is specified at the time of issuance for each individual bond.

### 4.3 Weighting methodology

4.3.1 The index rules state that: 1. the total market weights of the countries with more than 4.6% market weight in the index cannot exceed 45% of the total index weight; and 2. the market capitalisation-based weights of each individual country in the index are capped at 22.5%. After the country weights are determined, constituents within each country are assigned weights in proportion to their market capitalisation.

Monthly re-weighting process.

1. Identify the list of countries with weight >4.6% (high-set) and the remaining countries are referred as low-set.
2. The individual country cap is set to the market weight for all countries except those in the high-set group.
3. Re-weight the high-set and low-set countries according to these conditions:
  - a. the number of countries in the high-set group can be no less than five; and
  - b. the sum of country weights of the high-set group cannot exceed the cap of 45% per index rules.
4. Iterate the calculation until these two conditions are met.

### 4.4 Holiday calendar

4.4.1 The index is calculated Monday through Friday except Christmas Day (observed) and New Year's Day (observed). Each local market will observe its own holiday calendar: if a local market is on holiday, the closing prices used for that day will be the closing prices from the previous day.

### 4.5 Index quality

4.5.1 An index quality is assigned to each index bond as of profile fixing. The quality is first mapped to the Standard & Poor's Financial Services LLC (S&P) rating. If a bond is not rated by S&P but it is rated by Moody's Investors Service, Inc (Moody's), the S&P equivalent of the Moody's rating is assigned to the index quality. If a bond is rated by neither S&P nor Moody's, the bond is not assigned an index quality. If a bond is rated as investment grade by one rating agency and high yield by the other, the S&P equivalent of the investment-grade rating is assigned to the index quality. These ratings remain unchanged for the entire performance month.

### 4.6 Exchange rates

4.6.1 The WMR Closing Spot Rates and WMR Closing Forward Rates are used. Several snapshots are taken at regular intervals centered on the fixing time of 16:00 London time and the median rate for each currency is selected. All rates are mid-market quotations (see WMRSPOT01).

### 4.7 Return computation

4.7.1 Total returns are computed on the assumption that each security is purchased at the beginning of the period and sold at the end of the period. An issue's total rate of return is the percentage change in its total value over the measurement period (see figure two). The components of total return are price change, principal payments, coupon payments and accrued interest. The total returns use each individual security's beginning-of-period market value.

**Figure two: total rate of return calculation methodology**

|                           |   |  |
|---------------------------|---|--|
| Beginning-of-period value | - | (Beginning price + Beginning accrued) x Beginning par amount outstanding   |
| End-of-period value       | - | [(Ending price + Ending accrued) x (Beginning par amount outstanding – Principal payments)] + Coupon payments + Principal payments |
| Total rate of return (%)  | - | [(End-of-period value/Beginning-of-period value) – 1] x 100  |

A note on precision: returns are computed to at least six decimal places but reported to a maximum of four. In addition, owing to rounding errors inherent in computer floating-point arithmetic, the last digit in any reported value may sometimes be off by one from its true value.

**Figure three: total rate of return calculation methodology for base currency returns, unhedged**

**Total rate of return (%)**

$$\left\{ \left[ 1 + \left( \frac{\text{Local Currency Return}}{100} \right) \right] \times \left( \frac{\text{End-of-Month Spot Rate}}{\text{Beginning-of-Month Spot Rate}} \right) - 1 \right\} \times 100$$

This equation holds true only if the spot rates are quoted as base currency per unit of foreign currency.

**Ticker for the FTSE International Inflation-Linked Securities Select Index**

| Ticker   | Index   |
|----------|---|
| CFIIWILC | FTSE International Inflation-Linked Securities Select Index |

**4.8 Chronological summary of events**

**FTSE International Inflation-Linked Securities Select Index event summary**

| Year | Monthly highlights  |
|------|---|
| 2022 | <b>November:</b> intra-month cash flows from interest and principal payments are not reinvested as part of monthly index total return calculations.   |
| 2020 | <b>June:</b> the country capping process is adjusted to reduce index turnover.  |
| 2018 | <b>November:</b> the pricing source for local currency government bond changes from Citi traders to Thomson Reuters for the following: Australia, France, Germany, Italy, Japan, Sweden, Turkey and the United Kingdom.   |
| 2017 | <b>September:</b> the index is rebranded to the FTSE International Inflation-Linked Securities Select Index following its acquisition by the London Stock Exchange Group.   |
| 2016 | <b>April:</b> the pricing source for Chilean government bonds changes to reflect bid-market pricing from Thomson Reuters.<br><b>September:</b> Canada and Spain are added to the FTSE International Inflation-Linked Securities Select Index.   |
| 2015 | <b>August:</b> the pricing convention for the Australian inflation-linked bonds changes to reflect bid-side pricing from mid-side pricing.  |
| 2014 | <b>February:</b> the outstanding amount of Polish inflation-linked bonds drops below the minimum size criteria for inclusion and therefore, the bonds are removed from the March 2014 index profile. The coverage for the Polish inflation-linked securities will resume when the bonds satisfy the inclusion criteria. |
| 2013 | <b>December:</b> Australia, Mexico, Poland and South Africa join the FTSE International Inflation-Linked Securities Select Index.   |

## Appendix A

# Further information

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A Glossary of Terms used in FTSE Russell's ground rule documents can be found using the following link:

[Fixed Income Glossary of Terms.pdf](#)

For contact details, please visit the FTSE Russell website or contact FTSE Russell client services at [fi.index@lseg.com](mailto:fi.index@lseg.com).

**Website:** [www.ftserussell.com](http://www.ftserussell.com)

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