

FTSE MPF Fixed Income Index Series

v1.1



**FTSE
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Section 1

Introduction

1. Introduction

1.1 FTSE MPF Fixed Income Index Series

- 1.1.1 This document sets out the Ground Rules for the construction and management of the FTSE MPF Fixed Income Index Series.
- 1.1.2 The FTSE MPF Fixed Income Index Series is designed to help users comply with the regulatory requirements governing investments in debt securities by Hong Kong Mandatory Provident Fund schemes.
- 1.1.3 The FTSE MPF Fixed Income Index Series consists of the following:
 - The FTSE MPF World Government Bond Index (MPFWGBI)
 - The FTSE MPF World Broad Investment-Grade Corporate Bond Index (MPFWBIG_CORP)
- 1.1.4 The FTSE MPF Fixed Income Index Series incorporates additional criteria* as stipulated by the Mandatory Provident Fund Schemes (General) Regulation and Guidelines on Debt Securities.
- 1.1.5 The FTSE MPF Fixed Income Index Series does not take account of ESG factors in its design.

1.2 FTSE Russell

- 1.2.1 FTSE Russell is a trading name of FTSE International Limited, Frank Russell Company, FTSE Global Debt Capital Markets Limited (and its subsidiaries FTSE Global Debt Capital Markets Inc. and FTSE Fixed Income Europe Limited), FTSE Fixed Income LLC, FTSE (Beijing) Consulting Limited, Refinitiv Benchmark Services (UK) Limited, Refinitiv Limited and Beyond Ratings.
- 1.2.2 FTSE hereby notifies users of the index that it is possible that circumstances, including external events beyond the control of FTSE, may necessitate changes to, or the cessation of, the index and therefore, any financial contracts or other financial instruments that reference the index or investment funds which use the index to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index.
- 1.2.3 Index users who choose to follow this index or to buy products that claim to follow this index 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 nor its subsidiary undertakings (or any person concerned with the preparation or publication of these Ground Rules) for any losses, damages, claims and expenses suffered by any person as a result of:
 - any reliance on these Ground Rules, and/or
 - any inaccuracies in these Ground Rules, and/or
 - 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 benchmark administrator of the index.¹

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;
- disseminate the indices.

2.1.3 These Ground Rules set out the methodology and provide information about the publication of the Index Series.

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. 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 Fixed Income 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.

¹ 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 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 Ground 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](#)

3.2 Queries and Complaints

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

[Benchmark Determination Complaints Handling Policy.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.

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

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

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 Benchmarks², the European benchmark regulation³ and the UK benchmark regulation⁴. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE Russell Governance Framework.pdf](#)

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

³ 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.

⁴ The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019.

Section 4

Eligibility securities

4. Eligibility Securities

4.1 FTSE MPF Fixed Income Index Series

4.1.1 The series consists of the following indices. To be considered in a FTSE MPF Fixed Income Index, securities must be eligible for the “Base Index”. Additional criteria are then applied to the Base Index to select the bonds that comply with the regulatory requirements as stipulated by the Mandatory Provident Fund Schemes (General) Regulation and Guidelines on Debt Securities.

4.1.2 For the additional criteria applied to the index, please see Section 5.

4.2 FTSE MPF World Government Bond Index (MPFWGBI)

4.2.1 The index is based on the FTSE World Government Bond Index (WGBI) which measures the performance of fixed-rate, local currency, investment-grade sovereign bonds.

4.3 FTSE MPF WorldBIG Corporate Bond Index (MPFWBIG Corp)

4.3.1 The index is based on the corporate subset of the FTSE World Broad Investment-Grade Bond Index (WorldBIG®), which provides a broad-based measure of the global fixed income credit markets.

4.4 Additional Note

4.4.1 For full details on the design criteria and calculation assumptions for the base indices, please refer to the FTSE Fixed Income Index Guide which is publicly available at [FTSE-Fixed-Income-Indices-Guide.pdf](#).

Section 5

Index methodology

5.

Index methodology

5.1

Design criteria and calculation methodology

5.1.1

The FTSE MPF Fixed Income Index Series follows the general methodology of the base index except that it incorporates below additional criteria as stipulated by the Mandatory Provident Fund Schemes (General) Regulation and Guidelines on Debt Securities¹. The additional criteria for this index series are summarised in Figure 1.

Figure 1. Design criteria and calculation methodology for the FTSE MPF Fixed Income Index Series

Index	MPFWGBI	MPFWBIG CORP
Minimum credit quality	Minimum credit quality requirement per Schedule 1 to the Mandatory Provident Fund Schemes (General) Regulation and III.1 Guidelines on Debt Securities.	
Capping	Maximum 9% for non-exempt authority (issuer) as per Mandatory Provident Fund Schemes (General) Regulation and III.1 Guidelines on Debt Securities' definition of exempt authority.	Maximum 9% for all issuers
Hedging	35% and 100% hedged to HKD	
Base Date	December 31, 2015	MPFWBIG CORP December 31, 2015
Index	MPFWGBI	MPFWBIG CORP

5.2

Tickers

Ticker	Index Description
SBMPFCH	FTSE MPF World Broad Investment-Grade Corporate Bond Index, in HKD terms
SBMPFCHC	FTSE MPF World Broad Investment-Grade Corporate Bond Index, currency hedged in HKD terms
SBMPFC35	FTSE MPF World Broad Investment-Grade Corporate Bond Index, 35% currency-hedged in HKD term

5.3 Chronological Summary of Events

Year	Highlight
2023	June: FTSE MPF World Broad Investment-Grade Corporate Bond Index is introduced
2021	Dec: The MPF regulatory requirements are amended to include the Central People's Government (CPG) and Mainland policy banks in the scope of "exempt authority". Therefore, The FTSE MPF World Government Bond Index has followed the change in accordance.
2015	Dec: FTSE MPF World Government Bond Index is introduced

Appendix A

Further information

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 further information on the FTSE MPF Fixed Income Index Series please visit www.lseg.com/en/ftse-russell/ or e-mail fi.index@lseg.com. Contact details can also be found on this website.

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