FTSE World Broad Investment-Grade USD Multilateral Development Bank Bond Capped Index

v1.6
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Section 1
Introduction

1. Introduction

1.1 FTSE World Broad Investment-Grade USD Multilateral Development Bank Bond Capped Index

1.1.1 The FTSE World Broad Investment-Grade USD Multilateral Development Bank Bond Capped Index measures the performance of US Dollar-denominated debt issued by select multilateral development banks in the FTSE World Broad Investment-Grade Bond Index. To be eligible for inclusion, a multilateral development bank must have all the G7 countries as members\(^1\). The market weight of the issuers is capped at 25%.

1.1.2 As of July 2022, the index applies controversial conduct exclusions based on United Nations Global Compact (UNGC) Principles to the Multilateral Development Bank Bonds.

1.1.3 For more information on the World Broad Investment-Grade Bond Index, please see the FTSE Fixed Income Index Guide.

1.2 FTSE Russell


1.2.1 FTSE Russell hereby notifies users of the index that it is possible that factors, including external factors beyond the control of FTSE Russell, 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.

1.2.2 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 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.

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\(^1\) G7 countries are Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States.
Section 2

Management responsibilities

2. Management responsibilities

2.1 FTSE Fixed Income LLC (FTSE)

2.1.1 FTSE is the benchmark administrator of the index series\(^2\).

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 best reflect the aim 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 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 ground rules should subsequently be updated to provide greater clarity.

\(^2\) 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). FTSE Fixed Income LLC administers the Index Series in line with the third country transitional provisions contained within Article 51(5) of the European Benchmark Regulation and the third country transitional provisions as amended by Article 42(5) of 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 or by contacting fi.index@lseg.com. These policies are reviewed annually and any changes are approved by the FTSE Russell Product governance board.

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 Index advisory board for discussion before approval by the FTSE Russell Product governance board.

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


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 SI Data Inputs

3.3.1 Further information on SI data provided by FTSE Russell and third parties used in this index can be found in the following guide:

Guide_to_FTSE_and_Third_Party_Sustainable_Investment_Data_used_in_FTSE_Russell_Indices

3.4 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

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

3.5.1 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

3.6 Policy for Benchmark Methodology Changes

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

Policy_for_Benchmark_Methodology_Changes.pdf
3.7 **FTSE Russell Governance Framework**

3.7.1 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\(^3\), the European benchmark regulation\(^4\) and the UK benchmark regulation\(^5\). The FTSE Russell Governance Framework can be accessed using the following link:

FTSE_Russell_Governance_Framework.pdf

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\(^3\) IOSCO Principles for Financial Benchmarks Final Report, FR07/13 July 2013.

\(^4\) 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.

Section 4
Composition and design criteria

### Design criteria and calculation assumptions for the FTSE World Broad Investment-Grade USD Multilateral Development Bank Bond Capped Index

| **Coupon** | Fixed-rate, no zero-coupon bonds |
| **Minimum maturity** | At least one year |
| **Minimum issue size** | USD 1 billion |
| **Minimum credit quality** | BBB- by S&P or Baa3 by Moody’s |
| **Composition** | US Dollar denominated debt issued by multilateral development banks that must have all of the G7 countries as members. The index must only contain multilateral development banks that are supranational institutions with mission statements that state the intent to promote sustainable economic development in developing countries, by financially supporting their sustainable development goals, or by providing non-financial support for infrastructure development, such as policy advice or technical assistance. The list of multilateral development banks eligible for inclusion is reviewed annually in July. Any changes to inclusion will be implemented for August daily preview files and implemented for September profiles. As of July 2022, the following multilateral development banks are eligible for inclusion:  
- Inter-American Development Bank  
- Asian Development Bank  
- International Bank for Reconstruction and Development  
- European Bank for Reconstruction and Development  
- African Development Bank  
- International Finance Corporation  
- International Development Association |
| **Weighting** | Market capitalisation |
| **Capping** | The maximum weight of an issuer is capped at 25% |
| **Rebalancing** | Once a month at the end of the month |
| **Reinvestment of cash flows** | Intra-month cash flows from interest and principal payments are not reinvested as part of monthly index total return calculations6. |
| **Pricing** | Refinitiv bid-side pricing at 16:00 (New York) |
| **Calculation frequency** | Daily |
| **Settlement date** | Monthly: settlement is on the last calendar day of the month. 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. |

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6 Prior to 1 November 2022, reinvestment income was included in the total return calculation.
Fixing date | 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 www.lseg.com/en/ftse-russell/.

Base date | 31 July 2009

### 4.1 Controversial conduct exclusions

#### 4.1.1 For controversial conduct exclusions, we use Global Standard Screening dataset provided by Sustainalytics. Sustainalytics applies its own guidelines to assess company compliance with relevant international norms, assigning one of the following three statuses: non-compliant, watchlist or compliant with UNGC Principles. Those issuers that are non-compliant are removed from the index at the next monthly rebalance. In the event that there are less than four remaining issuers, the capping will be removed.

### 4.2 Safeguard Policies Disclosure

#### 4.2.1 Each issuer needs to disclose they have safeguard policies in place to mitigate and reduce environmental and social risks in the public domain arising from the projects they finance. This disclosure on the public websites will be reviewed on an annual basis in July of each year.

#### 4.2.2 Those issuers that are non-compliant for UNGC violations or do not have safeguard policies are removed from the index at the next monthly rebalance. In the event that there are less than four (4) remaining issuers, the capping will be removed.

### 4.3 Holiday calendar

#### 4.3.1 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.

### 4.4 Index quality

#### 4.4.1 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.

### 4.5 Exchange rates

#### 4.5.1 The closing Refinitiv Spot Rates and The Refinitiv Forward Rates, provided by Refinitiv, are used. Refinitiv takes several snapshots at regular intervals centred on the fixing time of 16:00 London time and selects the median rate for each currency. All rates are mid-market quotations and appear on Refinitiv (see WMRSPOT01).

### 4.6 Return computation

#### 4.6.1 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**

<table>
<thead>
<tr>
<th>Beginning-of-period value</th>
<th>-</th>
<th>(Beginning price + Beginning accrued) x Beginning par amount outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>End-of-period value</td>
<td>-</td>
<td>[(Ending price + Ending accrued) x (Beginning par amount outstanding – Principal payments)] + Coupon payments + Principal payments</td>
</tr>
<tr>
<td>Total rate of return (%)</td>
<td>-</td>
<td>[(End-of-period value/Beginning-of-period value) – 1] x 100</td>
</tr>
</tbody>
</table>
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 inaccuracies 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

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

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

Ticker for the FTSE World Broad Investment-Grade USD Multilateral Development Bank Bond Capped Index

<table>
<thead>
<tr>
<th>Ticker</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>CFIIUMDB</td>
<td>FTSE World Broad Investment-Grade USD Multilateral Development Bank Bond Capped Index, in USD terms</td>
</tr>
</tbody>
</table>
### 4.7 Chronological summary of events

**FTSE World Broad Investment-Grade USD Multilateral Development Bank Bond Capped Index event summary**

<table>
<thead>
<tr>
<th>Year</th>
<th>Monthly highlights</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td><strong>November</strong>: intra-month cash flows from interest and principal payments are not reinvested as part of monthly index total return calculations.</td>
</tr>
<tr>
<td>2019</td>
<td><strong>September</strong>: the FTSE World Broad Investment-Grade USD Multilateral Development Bank Bond Capped Index is introduced.</td>
</tr>
</tbody>
</table>
Appendix A

Further information

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

Glossary_of_terms_FTSE_Fixed_Income.pdf

For contact details, please visit the FTSE Russell website or contact FTSE Russell client services at fi.index@lseg.com.

Website: www.lseg.com/en/ftse-russell/