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Exercise of Expert Judgement in FTSE Fixed Income Indices

v1.6

FTSE RUSSELL
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Introduction

1. Introduction

1.1.1 The index methodology documents (including index guides and Ground Rules) and policies which underpin the FTSE fixed income indices are written with the intent of removing the need for judgement or discretion to be exercised in so far as is feasible. However, there may be new or complex circumstances that are not covered in the methodology documents. This policy sets out the procedures followed by FTSE Russell in those circumstances.

1.1.2 This policy sets out the manner in which expert judgement may be applied in decisions to recalculate and/or correct indices when a calculation or data input issue has been identified.

2. New or complex instruments and issuers

2.1.1 In circumstances where the index treatment of a fixed income instrument or issuer, or market event is not captured or codified by the index methodology documents, the issue will be escalated to the Fixed Income Technical Forum, an internal group of subject matter experts, who will consider potential index treatment.

2.1.2 In such circumstances, FTSE Russell will inform index users of its course of action and subsequently seek to clarify the index methodology, incorporating input from index users where appropriate.

3. Index recalculation decisions

3.1.1 The recalculation policy and guidelines are intended to provide guidance on the remedy to be followed should an error in an index calculation be identified. FTSE Russell will determine the appropriate treatment based on these guidelines. This will include decisions on whether an index should be restated historically, and/or whether the index composition should be corrected with the provision of an index announcement.

The recalculation policy and guidelines can be accessed through the following link:

Fixed_Income_Recalculation_Policy_and_Guidelines.pdf

4. Client and stakeholder consultation

4.1.1 If FTSE Russell considers that index stakeholder input is required to determine the appropriate index treatment for a security type, issuer or market event, where time allows, they will consult stakeholders, either through discussion at ad-hoc meetings of relevant FTSE Russell external advisory committees, or through consultation with affected stakeholders individually, on the most appropriate treatment. Based on analysis of the feedback received, the appropriate treatment of the inclusion consideration or market event will be determined.

4.1.2 On rare occasions when an imminent specific event or market development is not covered by the methodology documents, and for which the timetable precludes stakeholder consultation, FTSE Russell will determine the appropriate treatment by reference to the guiding principles documented in the statement of principles for FTSE Fixed Income Indices.

The Statement of Principles can be accessed through the following link:

Statement_of_Principles_Fixed_Income_Indices.pdf

5. Notification

5.1.1 The confirmed treatment of events described in this policy will be relayed to clients and other stakeholders simultaneously via the publication of an announcement on the FTSE Russell website and will be disseminated through client channels. The announcement will include the rationale for the decision.

6. Record keeping

6.1.1 Instances of the use of expert judgement will be recorded and detailed at the subsequent meeting of the FTSE Russell Index Governance Board.

Further information

If you have any questions and would like to speak to a client services individual directly, please do not hesitate to contact us on the numbers below, or via email at info@ftserussell.com.

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