

# INDEX GUIDELINE

*Solactive China Government Bond TR CNY Index*

*Version 1.1*

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## INTRODUCTION

This document (the "GUIDELINE") is to be used as a guideline with regard to the composition, calculation and maintenance of the Solactive China Government Bond TR CNY Index (the "INDEX"). Any amendments to the rules made to the GUIDELINE are approved by the OVERSIGHT COMMITTEE specified in Section 5.5. The INDEX is calculated, administered and published by Solactive AG ("SOLACTIVE") assuming the role as administrator (the "INDEX ADMINISTRATOR") under the Regulation (EU) 2016/1011 (the "BENCHMARK REGULATION" or "BMR"). The name "Solactive" is trademarked.

*The text uses defined terms which are formatted with "SMALL CAPS". Such Terms shall have the meaning assigned to them as specified in Section 6 (Definitions).*

The GUIDELINE and the policies and methodology documents referenced herein contain the underlying principles and rules regarding the structure and operation of the INDEX. SOLACTIVE does not offer any explicit or tacit guarantee or assurance, neither pertaining to the results from the use of the INDEX nor the level of the INDEX at any certain point in time nor in any other respect. SOLACTIVE strives to the best of its ability to ensure the correctness of the calculation. There is no obligation for SOLACTIVE – irrespective of possible obligations to ISSUERS – to advise third parties, including investors and/or financial intermediaries, of any errors in the INDEX. The publication of the INDEX by SOLACTIVE does not constitute a recommendation for capital investment and does not contain any assurance or opinion of SOLACTIVE regarding a possible investment in a financial instrument based on this INDEX.



# 1. INDEX SPECIFICATIONS

## 1.1. SCOPE OF THE INDEX

The INDEX is a rules-based, market value weighted index engineered to mirror the Chinese CNY denominated government bond market.

The INDEX is a Total Return index including government bonds with a maturity of more than 1 month.

## 1.2. IDENTIFIERS AND PUBLICATION

The INDEX is published under the following identifiers:

Name	ISIN	Currency	Type	RIC	BBG ticker
Solactive China Government Bond TR CNY Index	DE000SLOAYW8	CNY	TR	.SOLCNSOV	

\*TR means that the INDEX is calculated as Total Return index as described in the Bond Index Methodology, which is available on the SOLACTIVE website: <https://www.solactive.com/documents/bond-index-methodology/>

The INDEX is published on the website of the INDEX ADMINISTRATOR ([www.solactive.com](http://www.solactive.com)) and is, in addition, available via the price marketing services of Boerse Stuttgart GmbH and may be distributed to all of its affiliated vendors. Each vendor decides on an individual basis as to whether it will distribute or display the INDEX via its information systems.

Any publication in relation to the INDEX (e.g. notices, amendments to the GUIDELINE) will be available at the website of the INDEX ADMINISTRATOR: <https://www.solactive.com/news/announcements/>.

## 1.3. INITIAL LEVEL OF THE INDEX

The initial level of the INDEX on the START DATE is 1000. Historical values from the LIVE DATE will be recorded in accordance with Article 8 of the BMR. Levels of the INDEX published for a period prior to the LIVE DATE have been back-tested.

## 1.4. PRICES AND CALCULATION FREQUENCY

The INDEX is calculated and distributed once every BUSINESS DAY based on the EVALUATED BID PRICE of the INDEX COMPONENTS. Bonds added in a rebalancing (see Section 3) are included the INDEX at the EVALUATED ASK PRICE on the relevant REBALANCE DAY (as specified in Section 3). INDEX analytical values are calculated each BUSINESS DAY using the LAST EVALUATED PRICE based on FIXING TIME. Should there be no current WM Fixing spot exchange rates available on Reuters the most recent WM Fixing spot exchange rates on Reuters for the preceding BUSINESS DAY is used in the calculation.



## 1.5. LICENSING

Licenses to use the INDEX as the underlying value for financial instruments, investment funds and financial contracts may be issued to stock exchanges, banks, financial services providers and investment houses by Solactive.

## 1.6. CONFLICTS OF INTEREST

There are no conflicts of interest identified for this index.



## 2. INDEX SELECTION

On each SELECTION DAY, all bonds which meet the INDEX COMPONENT REQUIREMENTS are eligible for inclusion in the INDEX and will be added as INDEX COMPONENT on the REBALANCE DAY. Additionally, on each SELECTION DAY, it will be evaluated whether all current INDEX COMPONENTS still meet the INDEX COMPONENT REQUIREMENTS. Each INDEX COMPONENT that does not meet the INDEX COMPONENT REQUIREMENTS will be removed from the INDEX on the next REBALANCE DAY.

### 2.1. SELECTION OF THE INDEX COMPONENTS

The initial composition of the INDEX, as well as any selection for a rebalance (as specified in Section 3) is determined by using the following rules:

- Only sovereign bonds issued by the Government of China
- The bonds must be denominated in CNY.
- The AMOUNT OUTSTANDING of the bond must not be lower than CNY 5 000 000 000
- TIME TO MATURITY of the bonds must be more than 1 month from the REBALANCE DAY.
- Fungible STRIPS, PRINCIPAL ONLY STRIPS and INTEREST Only Strips are specifically excluded.
- TREASURY BILLS, FLOATING RATE NOTES, INFLATION-LINKED BONDS, HYBRID AND BANK CAPITAL BONDS AND SECURITIZED BONDS are not eligible
- A price from the PRICING PROVIDER must be available for each INDEX COMPONENT on each SELECTION DAY.

(the "INDEX COMPONENT REQUIREMENTS")

### 2.2. WEIGHTING OF THE INDEX COMPONENTS

On each REBALANCE DAY each INDEX COMPONENT is weighted using the market value based on the LAST EVALUATED BID PRICE and accrued interest as on the SELECTION Day in order to achieve the aim of the INDEX. The weighting of the INDEX COMPONENTS will be as follows:

The INDEX COMPONENTS are weighted according to their respective Market Values in proportion to the aggregated Market Value of all INDEX COMPONENTS in the index.



## 3. REBALANCE

### 3.1. ORDINARY REBALANCE

In order to reflect the new selection of the INDEX COMPONENTS determined on the SELECTION DAY (in accordance with Section 2.1) the INDEX is adjusted on the REBALANCE DAY after CLOSE OF BUSINESS.

For more information on the rebalance procedure please refer to the Bond Index Methodology, which is incorporated by reference and available on the SOLACTIVE website: <https://www.solactive.com/documents/bond-index-methodology/>.

SOLACTIVE will publish any changes made to the INDEX COMPONENTS with sufficient notice before the REBALANCE DAY on the SOLACTIVE webpage under the section "[Announcement](#)", which is available at <https://www.solactive.com/news/announcements/>

### 3.2. EXTRAORDINARY REBALANCE

The INDEX is not rebalanced extraordinarily.



## 4. CALCULATION OF THE INDEX

### 4.1. INDEX FORMULA

The INDEX is calculated as a Total Return index.

The calculation is performed according to the Bond Index Methodology, which is available on the SOLACTIVE website: <https://www.solactive.com/documents/bond-index-methodology/>.

A gross total return index seeks to replicate the overall return from holding an index portfolio, thus considering both coupon payments and Corporate Action proceeds in addition to the price changes adjusted for any accrued interest.

The direct reinvestment formula implies a daily reinvestment in the INDEX of proceeds resulting from corporate actions and coupon payments in respect of the INDEX COMPONENTS on the effective date of such events. The reinvestment will be undertaken proportionately to the weights of the INDEX COMPONENTS. The direct reinvestment index formula stipulates further that the level of the INDEX changes based on the change of the prices of its INDEX COMPONENTS taking into account their weight in the INDEX.

A more detailed description of the mechanics of the DIRECT REINVESTMENT formula can be found in the Bond index Methodology under Section 1.2.1, which is available on the SOLACTIVE website: <https://www.solactive.com/documents/bond-index-methodology/>.

### 4.2. ACCURACY

The level of the INDEX will be rounded to four decimal places. Accrued Interest is calculated with settlement convention of each specific bond. If a bond does not pay any coupons (e.g. zero-coupon bonds or T-Bills) the Accrued Interest as well as the coupon payment will be set to 0.

### 4.3. ADJUSTMENTS

Under certain circumstances, an adjustment of the INDEX may be necessary between two regulars REBALANCE DAYS. Basically, such adjustment is needed to be made if a corporate action (as specified in Section 4.4 below) in relation to an INDEX COMPONENT occurs. Such adjustment may need to be done in relation to an INDEX COMPONENT and/or may also affect the number of INDEX COMPONENTS and/or the weighting of certain INDEX COMPONENTS and will be made in compliance with the Bond Index Methodology, which is available which is available on the SOLACTIVE website:

<https://www.solactive.com/documents/bond-index-methodology/>.





## 4.4. CORPORATE ACTIONS

As part of the INDEX maintenance SOLACTIVE will consider various events – also referred to as corporate actions – which result in an adjustment to the INDEX between two regulars REBALANCE DAYS. Such events have a material impact on the price, weighting or overall integrity of INDEX COMPONENTS. Therefore, they need to be accounted for in the calculation of the INDEX. Corporate actions will be implemented from the cum-day to the ex-day of the corporate action, so that the adjustment to the INDEX coincides with the occurrence of the price effect of the respective corporate action.

Adjustments to the INDEX to account for corporate actions will be made in compliance with the Bond Index Methodology, which is available on the SOLACTIVE website: <https://www.solactive.com/documents/bond-index-methodology/>. This document contains for each corporate action a brief definition and specifies the relevant adjustment to the INDEX variables.

While SOLACTIVE aims at creating and maintaining its methodology for treatment of corporate actions as generic and transparent as possible and in line with regulatory requirements, it retains the right in accordance with the Bond Index Methodology to deviate from these standard procedures in case of any unusual or complex corporate action or if such a deviation is made to preserve the comparability and representativeness of the INDEX over time.

Solactive considers following, but not conclusive, list of corporate actions as relevant for INDEX maintenance:

- > Early Redemption (an event that leads to a redemption of a bond before the regular maturity date)
- > Flat Trading (e.g. a bond ISSUER fails to meet its coupon payment obligation)
- > Bond Default (e.g. when the ISSUER fails to meet its coupon payment obligation or repay the principal at maturity)
- > Tender Offers (a holder of a bond is invited to tender the bond for a specific price at a specific time before the regular maturity date)
- > Exchange Offers (type of a tender offer where the ISSUER offers its bondholders to exchange their existing bonds for an asset other than cash)
- > Distressed Debt Exchange (form of debt exchange when bondholders agree to reduce the principal amount of debt securities in order to obtain higher payment priority in the form of secured debt)
- > Bond Funge (bond issue that is attached to an existing one (parent bond). On a defined date the parent bond absorbs the funged bond)
- > Payment-in-Kind Bonds (a situation where a bond pay interest in additional bonds rather than in cash)
- > Conversion of [CoCo] Bonds [Debt Issuance]
- > Bond Maturity



## 4.5. RECALCULATION

SOLACTIVE makes the greatest possible efforts to accurately calculate and maintain its indices. However, errors in the determination process may occur from time to time for variety reasons (internal or external) and therefore, cannot be completely ruled out. SOLACTIVE endeavors to correct all errors that have been identified within a reasonable period of time. The understanding of "a reasonable period of time" as well as the general measures to be taken are generally depending on the underlying and is specified in the Solactive Correction Policy, which is incorporated by reference and available on the SOLACTIVE website: <https://www.solactive.com/documents/correction-policy/>.

## 4.6. MARKET DISRUPTION

Market stress can arise due to a variety of reasons, but generally results in inaccurate or delayed prices for one or more INDEX COMPONENTS. The determination of the INDEX may be limited or impaired at times of illiquid or fragmented markets and market stress.



## 5. MISCELLANEOUS

### 5.1. DISCRETION

Any discretion which may need to be exercised in relation to the determination of the INDEX (for example the determination of the INDEX COMPONENTS or any other relevant decisions in relation to the INDEX) shall be made in accordance with strict rules regarding the exercise of discretion or expert judgement established by the INDEX ADMINISTRATOR.

### 5.2. METHODOLOGY REVIEW

The methodology of the INDEX is subject to regular review, at least annually. In case a need of a change of the methodology has been identified within such review (e.g. if the underlying market or economic reality has changed since the launch of the INDEX, i.e. if the present methodology is based on obsolete assumptions and factors and no longer reflects the reality as accurately, reliably and appropriately as before), such change will be made in accordance with the Methodology Policy, which is incorporated by reference available on the SOLACTIVE website: <https://www.solactive.com/documents/methodology-policy/>.

Such change in the methodology will be announced on the SOLACTIVE webpage under the Section "Announcement", which is available at <https://www.solactive.com/news/announcements/>. The date of the last amendment of this INDEX is contained in this GUIDELINE.

### 5.3. CHANGES IN CALCULATION METHOD

The application by the INDEX ADMINISTRATOR of the method described in this document is final and binding. The INDEX ADMINISTRATOR shall apply the method described above for the composition and calculation of the INDEX. However, it cannot be excluded that the market environment, supervisory, legal, financial or tax reasons may require changes to be made to this method. The INDEX ADMINISTRATOR may also make changes to the terms and conditions of the INDEX and the method applied to calculate the INDEX that it deems to be necessary and desirable in order to prevent obvious or demonstrable error or to remedy, correct or supplement incorrect terms and conditions. The INDEX ADMINISTRATOR is not obliged to provide information on any such modifications or changes. Despite the modifications and changes, the INDEX ADMINISTRATOR will take the appropriate steps to ensure a calculation method is applied that is consistent with the method described above.

### 5.4. TERMINATION

SOLACTIVE makes the greatest possible efforts to ensure the resilience and continued integrity of its indices over time. Where necessary, SOLACTIVE follows a clearly defined and transparent procedure to adapt index methodologies to changing underlying markets (see Section 5.2 "Methodology Review") in order to maintain



continued reliability and comparability of the indices. Nevertheless, if no other options are available the orderly cessation of the INDEX may be indicated. This is usually the case when the underlying market or economic reality, which the INDEX is set to measure or to reflect, changes substantially and in a way not foreseeable at the time of inception of the INDEX, the INDEX rules, and particularly the selection criteria, can no longer be applied coherently or the INDEX is no longer used as the underlying value for financial instruments, investment funds and financial contracts.

SOLACTIVE has established and maintains clear guidelines on how to identify situations in which the cessation of the INDEX is unavoidable, how stakeholders are to be informed and consulted and the procedures to be followed for a termination or the transition to an alternative index. Details are specified in the Solactive Termination Policy, which is incorporated by reference and available on the SOLACTIVE website: <https://www.solactive.com/documents/termination-policy/>.

## 5.5. OVERSIGHT

An oversight committee composed of staff from SOLACTIVE and its subsidiaries (the "OVERSIGHT COMMITTEE") is responsible for decisions regarding any amendments to the rules of the INDEX. Any such amendment, which may result in an amendment of the GUIDELINE, must be submitted to the OVERSIGHT COMMITTEE for prior approval and will be made in compliance with the Methodology Policy, which is available on the SOLACTIVE website: <https://www.solactive.com/documents/methodology-policy/>.



## 6. DEFINITIONS

"BANK CAPITAL BONDS" are bonds with features similar to convertible bonds but employed by Banks to raise their capital in times of stress derived from mechanical or discretionary triggers.

"BENCHMARK REGULATION" shall have the meaning as defined in Section "Introduction".

"BMR" shall have the meaning as defined in Section "Introduction".

"BUSINESS DAY" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) Saturday and Sunday as well as the 24th and 31st of December are not considered Business Days. Any day other than a Saturday or Sunday, as well as the 24th and 31st of December and other than holidays as recommended by SIFMA and Target 2 holidays in Europe.

"CLOSE OF BUSINESS" is a time stamp when an INDEX is calculated.

"COUNTRY OF DOMICILE" is defined by SOLACTIVE based on the assessment of market data providers as the location of the company's management board.

"COUNTRY OF INCORPORATION" is defined by SOLACTIVE based on the assessment of market data providers as the country where the company is incorporated or legally registered.

"COUNTRY OF RISK" is defined by SOLACTIVE based on the assessment of market data providers as the country in which the company would be influenced the most by potential changes in the business environment.

"COVERED BONDS" are bonds backed by a ring-fenced pool of assets such as mortgages or public-sector loans. The ISSUER retains the responsibility to maintain the quality of the underlying asset pool.

"EFFECTIVE TIME TO MATURITY" is the minimum of the next call or put date and the final maturity date.

"EXTENDABLE" A extendable bond (or extendible bond) is a long-term debt security that includes an option to lengthen its maturity period.

"FIXED COUPON BONDS" are bonds with a coupon rate that is fixed throughout their life, as opposed to bonds with floating, or variable coupons.

"FIXING TIME" is the time when the prices for the INDEX COMPONENTS are fixed for index calculation. [This is specified in the Bond Index Methodology, which is available on the SOLACTIVE website: <https://www.solactive.com/documents/bond-index-methodology/>.]

"FLOATING RATE NOTES" are bonds with a floating coupon rate, i.e. the coupon payments fluctuate in line with the underlying level of a pre-specified interest rate.

"GUIDELINE" shall have the meaning as defined in Section "Introduction".

"INDEX" shall have the meaning as defined in Section "Introduction".

"INDEX ADMINISTRATOR" shall have the meaning as defined in Section "Introduction".

"INDEX CALCULATOR" is SOLACTIVE or any other appropriately appointed successor in this function.



"INDEX COMPONENT" is each bond reflected in the INDEX.

"INDEX COMPONENT REQUIREMENTS" shall have the meaning as defined in Section 2.1.

"INDEX CURRENCY" is the currency specified in the column "Currency" in the table in Section 1.2.

"INFLATION-LINKED BONDS" are bonds whose principal and coupon payments are indexed to inflation.

"INTEREST ONLY STRIPS" are a security where the holder receives the non-principal portion of the monthly payments on the underlying loan pool.

"ISSUER" is the issuing entity of the respective bond.

"LAST EVALUATED ASK PRICE" the last available evaluated ask price by the designated PRICING PROVIDER.

"LAST EVALUATED BID PRICE" the last available evaluated bid price by the designated PRICING PROVIDER.

"LAST EVALUATED MID PRICE" is the average between LAST EVALUATED ASK PRICE and LAST EVALUATED BID PRICE.

"LIVE DATE" is 2020-11-03

"OVERSIGHT COMMITTEE" shall have the meaning as defined in Section 5.5.

"PERPETUAL" is a bond with no maturity date<sup>^</sup>

"PRINCIPAL ONLY STRIPS" are a fixed-income security where the holder receives the non-interest portion of the monthly payments on the underlying loan pool.

"PUTABLES" Puttable bond (put bond, putable or retractable bond) is a bond with an embedded put option. The holder of the puttable bond has the right, but not the obligation, to demand early repayment of the principal. The put option is exercisable on one or more specified dates.

"PRICING PROVIDER" is Intercontinental Exchange ("ICE").

"PRIVATE PLACEMENT" A private placement involves the sale of securities to a relatively small number of select investors. Investors targeted include wealthy accredited investors, large banks, mutual funds, insurance companies and pension funds.

"REBALANCE DAY" is the close of the last Business Day of each month.

"SECURITIZED BONDS" are bonds backed by a pool of assets and payed by the cash flows derived from the securities backing the bonds.

"SELECTION DAY" is 6 BUSINESS DAYS before the scheduled REBALANCE DAY.

"SOLACTIVE" shall have the meaning as defined in Section "Introduction".

"START DATE" is 2014-12-31

"STEP-UP COUPON BONDS" are bonds whose coupons increase while the bond is outstanding. The coupon amounts are determined at issuance.

"TIME TO MATURITY" is measured from the REBALANCE DAY



## Index Guideline

"TREASURY BILLS" are short term bonds (less than one year), issued by government.

"ZERO COUPON BONDS" means bonds which do not pay interest but are issued at a discount.

# CONTACT

**Solactive AG**  
**German Index Engineering**

Platz der Einheit 1  
60327 Frankfurt am Main  
Germany

Tel.: +49 (0) 69 719 160 00

Fax: +49 (0) 69 719 160 25

Email: [info@solactive.com](mailto:info@solactive.com)

Website: [www.solactive.com](http://www.solactive.com)

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