

FTSE Indian Government Bond FAR Short Duration Capped Index

v1.2



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Section 1

Introduction

1. Introduction

1.1 FTSE Indian Government Bond FAR Short Duration Capped Index

- 1.1.1 The FTSE Indian Government Bond FAR Short Duration Capped Index measures the returns of fixed rate, local currency bonds specified under Fully Accessible Route (FAR) by the Reserve Bank of India that have an average life of 6 months to 5 years. These bonds do not have any foreign ownership restrictions.
- 1.1.2 The FTSE Indian Government Bond FAR Short Duration Capped Index does not take account of ESG factors in its design.
- 1.1.3 The base currency of the FTSE Indian Government Bond FAR Short Duration Capped Index is Indian Rupee (INR).
- 1.1.4 The index will also be reported in USD and USD hedged terms.

1.2 FTSE Russell

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, The Yield Book Inc. and Beyond Ratings.

- 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, 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 series.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.

2.2 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.

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 or by contacting fi.index@lseg.com. These policies are reviewed annually and any changes are approved by the FTSE Russell Index 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 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

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](#)

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](#)

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

Composition and design criteria

4. Composition and design criteria

Figure 1. Design criteria and calculation assumptions for the FTSE Indian Government Bond FAR Short Duration Capped Index

Coupon	Fixed-rate
Currency	Indian Rupee (INR)
Minimum Maturity	6 months
Maximum Maturity	5 years
Minimum issue size	INR 250 billion (except Benchmark bonds, which are included regardless of size)
Composition	Indian government securities as specified by the Reserve Bank of India under the Fully Accessible Route (FAR) Effective May 2022, the index must have a minimum of 6 bonds included. If the number of eligible bonds falls below 6, bonds with an average life greater than 5 years will be considered for inclusion, adding the one with an average life closest to 5 years first. Bonds with an average life greater than 5 years will be removed when eligible bonds with an average life between 6 months – 5 years meets the minimum number of 6 bonds again.
Weighting	Market Capitalization
Rebalancing	Once a month at the end of the month
Capping	No capping prior to May 2022 profile Effective May 2022, issue cap of 25%
Transaction costs	Bonds enter at Ask and exit at Bid
Reinvestment of Cash Flows	Intra-month cash flows from interest and principal payments are not reinvested as part of monthly index total return calculations. ⁵
Pricing	Refinitiv 6:00 pm (Tokyo) Bid side, except when bond enters the index, ask price is used.
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.
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 profile fixing dates
Base date	April 30, 2017

⁵ Prior to 1 November 2022, reinvestment income was included in the total return calculation.

4.1 History

4.1.1 The Index includes bonds which meet the maturity and screening criteria which were issued with original maturity of 5, 10 and 30 years and have an average life between 1 and 5 years. History from April 2017 – April 2020 is calculated based on the FTSE Indian Government Bond Index. The base index was updated to the FTSE Indian Government Bond FAR Index effective May 2020.

4.2 Holiday calendar

4.2.1 The index is calculated Monday through Friday except Christmas Day (observed) and New Year's Day (observed). If the local market is on holiday, the closing prices used for that day will be the closing price from the previous day.

4.3 Return computation

4.3.1 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 1). 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 2. 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 inaccuracies inherent in computer floating-point arithmetic, the last digit in any reported value may sometimes be off by one from its true value.

4.4 Exchange rates

4.4.1 The closing Refinitiv Spot Rates and the Refinitiv Forward Rates, provided by Refinitiv, are used. Refinitiv takes several snapshots at regular intervals centered on the fixing time of 4:00 p.m. London time and selects the median rate for each currency. All rates are mid-market quotations.

Tickers for the FTSE 0+ Years Fixed Income Index Series

Ticker	Index	Terms
CFIIFSDL	FTSE Indian Government Bond FAR Short Duration Capped Index	INR
CFIIFSDU	FTSE Indian Government Bond FAR Short Duration Capped Index	USD
CFIIFSUC	FTSE Indian Government Bond FAR Short Duration Capped Index	USD hedged

4.5 Chronological summary of events

Figure 3. FTSE Indian Government Bond FAR Short Duration Capped Index Event Summary

Year	Highlight
2022	<p>November: Reinvestment income is no longer included in the total return calculation.</p> <p>October: FTSE Indian Government Bond FAR Short Duration Capped Index is launched, with history going back to April 28, 2017. Effective May 2022 profile:</p> <ul style="list-style-type: none"> a. issue cap of 25% is introduced b. minimum number of bonds in the index is set to 6

Appendix A

Further information

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/

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