

Rule Change Announcements

Index rule changes

**Bank of America
Merrill Lynch**

31 July 2017

BofAML index rule changes

Following our annual rule survey, several changes to the BofA Merrill Lynch Bond Indices, listed below, are being adopted. All proposals that were under consideration are reviewed in this report along with details of all adopted changes and their impact on affected indices. All adopted changes will take effect on September 30, 2017.

- The handful of USD/EUR corporate indices that had size filters below 250mn will be increased to that level so as to align with all of the other indices in those markets.
- The Jumbo and Regular Pfandbrief Indices will be repositioned as Large Cap and Small Cap indices with the segmentation based solely on issue size.
- Local currency sovereigns will be added to the Green Bond Index.
- Assignment of global convertible index constituents to the various non-U.S. regional sub-indices will be based on the underlying equity country of risk.
- Several indices will be discontinued effective September 30, 2017: CIRO, CIRH, CIRM, CIRR and H531.

Annual review of index-qualifying countries

All changes below will take effect with the September 30, 2017 rebalancing.

Table 1: Country qualification changes affecting key indices

Index	Additions	Removals
World Sovereign Bond Index (WSOV)	None	None
Global Government Index (WOG1)	None	None
Eastern Europe Government Index (EE00)	Hungary	None
All Maturity Emerging Markets Sovereign Bond Index (WALE)	None	None
Diversified Emerging Markets Sovereign Bond Index (WALD)	None	None
Local Debt Markets Plus Index (LDMP)	None	None
World Inflation-Linked Sovereign Bond Index (WILS)	None	None
Global Inflation-Linked Government Index (WOGI)	New Zealand	None
All Maturity Emerging Markets Inflation-Linked Sovereign Bond Index (WILE)	None	None
Diversified Emerging Markets Inflation-Linked Sovereign Bond Index (WILD)	None	None
Local currency non-sovereign indices (LCCB, LCCD, LOCM, LOCL)	None	None

Source: BofA Merrill Lynch Bond Indices

Bond Indices
Global

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Refer to important disclosures on page 11 to 12.

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Decisions reached on survey questions

Questions 1-4: Minimum size filters for the Emerging Markets Corporate, Asian Dollar, Contingent Capital, and select investment grade indices

Rule decision

Rule changes adopted. Starting September 30, 2017, the minimum amount outstanding for a security to qualify for inclusion in the indices listed in Table 2, along with any associated parent and sub-indices, will be 250mn.

Comments

A clear majority of respondents were in favor of increasing the minimum size filter for bonds in all three currencies under review. And of those, most favored moving to the same 250mn threshold as is currently used by the rest of the high grade and high yield indices. That is not surprising given that current issuance trends find fewer and fewer bonds coming to the market below the proposed levels. Ten years ago the smaller deals under 250mn accounted for more than 20% of both the US and Euro High Yield Indices. But that percentage has dropped steadily ever since and is now under 4% for both.

Because the adopted rule change will make the US Corporate 150 Index the same as the US Corporate Index, we will discontinue H531 as of September 30, 2017.

Table 2: Pro forma impact of removing securities <250mn (as of 6/30/2017)

Index	Ticker	# issues	Face (USD mm)	% Weight	OAY	OAS	OAD
Asian Dollar Index	ADOL	-44	(9,012)	-1.3%	-0.03	-3	0.02
0-1 Year AAA-A US Corporate Index	C01A	-18	(3,297)	-0.9%	0	0	0.00
Contingent Capital Index	COCO	-6	(1,080)	-0.6%	0	0	0.00
0-5 Year US Corporate Index	CWA0	-42	(7,707)	-0.3%	0	0	0.00
0-5 Year AAA-A1 US Corporate Index	CWAW	-7	(1,238)	-0.1%	0	-1	0.00
Emerging Markets Corporate Plus Index	EMCB	-86	(15,476)	-1.1%	-0.03	-3	0.03
0-3 Year US Treasury & Agency Index	GSA0	-61	(11,738)	-0.2%	0	0	0.01
US Corporate 150 Index	H531	-477	(89,602)	-1.7%	-0.01	-1	-0.02
0-1 Year US Corporate Index	H540	-42	(7,707)	-1.4%	-0.01	-1	0.00
US Composite Agency Index	H541	-61	(11,738)	-7.4%	0	0	0.00
US Foreign Government & Supranational Index	H542	-2	(400)	-0.2%	0	0	0.00

Source: BofA Merrill Lynch Bond Indices

Question 5: Inclusion criteria for the Jumbo and Regular Pfandbrief indices

Rule decision

Rule changes adopted. Starting September 30, 2017, the “jumbo” and “regular” pfandbrief index constituents will be segmented between those two groups purely based on amount outstanding. The Jumbo Pfandbrief Index (GODJ) and its sub-indices will be comprised of pfandbrief with at least EUR 500mn face amount outstanding. The Regular Pfandbrief Index (GODP) and its sub-indices will be comprised of pfandbrief with at least EUR 250mn and less than EUR 500mn face amount outstanding. Concurrent with the rule change, the Jumbo and Regular Pfandbrief index names will change to “Large Cap” and “Small Cap” respectively.

Comment

A clear majority of respondents believed a large/small cap approach made the most sense for transitioning the legacy pfandbrief sub-indices. An impact analysis and complete official name change tables can be found below in Tables 3 and 4.

Table 3: Pro-forma Impact of rule change on Pfandbrief sub-indices (as of 6/30/2017)

Index	Ticker	# issues	Face (mm)	OAY	OAS	OAD
Jumbo Pfandbrief	G0DJ	136	94,100	0.23	1	1.54
Regular Pfandbrief	G0DP	-136	(78,888)	0.24	10	1.15

Source: BofA Merrill Lynch Bond Indices

Table 4: Pfandbrief sub-index official name changes

Ticker	Current Name	New Name
G0DJ	Jumbo Pfandbrief Index	Large Cap Pfandbrief Index
G0DP	Regular Pfandbrief Index	Small Cap Pfandbrief Index
G1DJ	1-3 Year Jumbo Pfandbrief Index	1-3 Year Large Cap Pfandbrief Index
G1DP	1-3 Year Regular Pfandbrief Index	1-3 Year Small Cap Pfandbrief Index
G2DJ	3-5 Year Jumbo Pfandbrief Index	3-5 Year Large Cap Pfandbrief Index
G2DP	3-5 Year Regular Pfandbrief Index	3-5 Year Small Cap Pfandbrief Index
G3DJ	5-7 Year Jumbo Pfandbrief Index	5-7 Year Large Cap Pfandbrief Index
G3DP	5-7 Year Regular Pfandbrief Index	5-7 Year Small Cap Pfandbrief Index
G4DJ	7-10 Year Jumbo Pfandbrief Index	7-10 Year Large Cap Pfandbrief Index
G4DP	7-10 Year Regular Pfandbrief Index	7-10 Year Small Cap Pfandbrief Index
G5DJ	1-10 Year Jumbo Pfandbrief Index	1-10 Year Large Cap Pfandbrief Index
G5DP	1-10 Year Regular Pfandbrief Index	1-10 Year Small Cap Pfandbrief Index
G6DJ	5-10 Year Jumbo Pfandbrief Index	5-10 Year Large Cap Pfandbrief Index
G6DP	5-10 Year Regular Pfandbrief Index	5-10 Year Small Cap Pfandbrief Index
G7DJ	10-15 Year Jumbo Pfandbrief Index	10-15 Year Large Cap Pfandbrief Index
G7DP	10-15 Year Regular Pfandbrief Index	10-15 Year Small Cap Pfandbrief Index
G8DP	15+ Year Regular Pfandbrief Index	15+ Year Small Cap Pfandbrief Index
G9DJ	10+ Year Jumbo Pfandbrief Index	10+ Year Large Cap Pfandbrief Index
G9DP	10+ Year Regular Pfandbrief Index	10+ Year Small Cap Pfandbrief Index
GVDJ	1-5 Year Jumbo Pfandbrief Index	1-5 Year Large Cap Pfandbrief Index
GVDP	1-5 Year Regular Pfandbrief Index	1-5 Year Small Cap Pfandbrief Index

Source: BofA Merrill Lynch Bond Indices

Question 6: Inclusion criteria for the Green Bond Index

Rule decision

Rule change adopted. Starting September 30, 2017, local currency sovereign issues will qualify for inclusion in the Green Bond Index (GREN).

Comment

The vast majority of respondents agreed that local currency sovereigns should be included in GREN. Based on a pro-forma analysis as of June 30, 2017, only one additional security would enter the index: €7bn FRTR 1.75 6/25/2039.

Question 7: Inclusion criteria for the regional Convertible indices

Rule decision

Rule change adopted. Starting September 30, 2017, the country criteria for selection of constituents for the convertible security regional sub-indices will be based on the country of risk of the underlying equity.

Comment

A clear majority of respondents agreed that country of risk should be used as the basis for determining which regional sub-index a constituent should be included in. The current rule determines the region based on the underlying equity's country of issue, which is where the specified equity is listed. The tables below list the pro forma additions/removals to the regional index as of June 30, 2017.

The Global 300 Convertible Index (VG00) is also affected by this rule change, as its composition is driven by the relative market capitalization of the regional indices. However, VG00's rules state that there is no forced turnover as long as the constituents remain a part of the convertible universe, defined by the Global Convertible Index (CONV). Therefore, though the regional target weights will change if the proposal is adopted, VG00 would move towards the new weights through natural attrition.

Table 5: Pro-forma VE00 constituent changes (as of 6/30/2017)

Action	ISIN	Issuer	Ticker	Coupon	Maturity	Country of Risk	Country of Issue
ADD	USY0020QAA95	Aegean Marine Pe	ANW	4	11/1/2018	GR	US
ADD	US00773VAA44	Aegean Marine Pe	ANW	4.25	12/15/2021	GR	US
ADD	US38046YAA91	Golar LNG Ltd	GLNG	2.75	2/15/2022	NO	US
ADD	US29359WAA36	Ensco Jersey	ESV	3	1/31/2024	GB	US
ADD	NO0010701055	Golden Ocean Gro	GOGL	3.07	1/30/2019	NO	US
ADD	US47102XAH89	Janus Capital Gr	JHG	0.75	7/15/2018	GB	US
ADD	US62952QAB68	NXP Semicond	NXPI	1	12/1/2019	NL	US
ADD	USG81075AE63	Ship Finance Int	SFL	3.25	2/1/2018	NO	US
ADD	USG81075AF39	Ship Finance	SFL	5.75	10/15/2021	NO	US
ADD	US80918TAA79	Scorpio Tankers	STNG	2.375	7/1/2019	MC	US
ADD	XS1494008003	Telenor East Hol	TELNO	0.25	9/20/2019	NL	US
ADD	US89643QAB41	Trinity Biotech	TRIB	4	4/1/2045	IE	US
REMOVE	NO0010719735	BW Group Ltd	BWGRP	1.75	9/10/2019	SG	NO
REMOVE	XS1403868398	Abigrove	CHMFRU	0.5	4/29/2021	RU	GB
REMOVE	XS1566998297	Abigrove	CHMFRU	0	2/16/2022	RU	GB
REMOVE	XS1351586588	Technipfmc	FTI	0.875	1/25/2021	US	FR
REMOVE	XS1383319974	Remgro Jersey Gb	REMSJ	2.625	3/22/2021	ZA	GB
REMOVE	XS0605635787	Steinhoff Financ	SHFSJ	4.5	3/31/2018	ZA	DE
REMOVE	XS1023684282	Steinhoff Financ	SHFSJ	4	1/30/2021	ZA	DE
REMOVE	XS1272162584	Steinhoff Financ	SHFSJ	1.25	8/11/2022	ZA	DE
REMOVE	XS1398317484	Steinhoff Financ	SHFSJ	1.25	10/21/2023	ZA	DE
REMOVE	XS1443221343	Tullow Oil Jers	TLWLN	6.625	7/12/2021	GH	GB

Source: BofA Merrill Lynch Bond Indices

Table 6: Pro-forma VASI constituent changes (as of 6/30/2017)

Action	ISIN	Issuer	Ticker	Coupon	Maturity	Country of Risk	Country of Issue
ADD	NO0010719735	BW Group Ltd	BWGRP	1.75	9/10/2019	SG	NO
ADD	US22943FAB67	CTRIIP.Com Intl	CTRP	0.5	9/15/2017	CN	US
ADD	US22943FAD24	CTRIIP.Com Intl	CTRP	1.25	10/15/2018	CN	US
ADD	US22943FAF71	CTRIIP.Com Intl	CTRP	1	7/1/2020	CN	US
ADD	US22943FAL40	CTRIIP.Com Intl	CTRP	1.25	9/15/2022	CN	US
ADD	US22943FAH38	CTRIIP.Com Intl	CTRP	1.99	7/1/2025	CN	US
ADD	US316827AC80	51job Inc	JOBS	3.25	4/15/2019	CN	US
ADD	US55932XAA28	Magnachip	MX	5	3/1/2021	KR	US
ADD	US82922RAD52	Sina Corp	SINA	1	12/1/2018	CN	US
ADD	US874080AB08	Tal Education Gr	TAL	2.5	5/15/2019	CN	US
ADD	US92763WAA18	Vipshop Holding	VIPS	1.5	3/15/2019	CN	US

Source: BofA Merrill Lynch Bond Indices

Table 7: Pro-forma VEMK constituent changes (as of 6/30/2017)

Action	ISIN	Issuer	Ticker	Coupon	Maturity	Country of Risk	Country of Issue
ADD	US151290BC62	Cemex Sab	CEMEX	3.75	3/15/2018	MX	US
ADD	US151290BT97	Cemex Sab	CEMEX	3.72	3/15/2020	MX	US
ADD	US151290BR32	Cemex Sab	CEMEX	3.72	3/15/2020	MX	US
ADD	XS1403868398	Abigrove	CHMFRU	0.5	4/29/2021	RU	GB

Table 7: Pro-forma VEMK constituent changes (as of 6/30/2017)

Action	ISIN	Issuer	Ticker	Coupon	Maturity	Country of Risk	Country of Issue
ADD	XS1566998297	Abigrove	CHMFRU	0	2/16/2022	RU	GB
ADD	US58733RAB87	Mercadolibre Inc	MELI	2.25	7/1/2019	AR	US
ADD	US65366HAA14	Nice Systems Inc	NICE	1.25	1/15/2024	IL	US
ADD	XS1383319974	Remgro Jersey Gb	REMSJ	2.625	3/22/2021	ZA	GB
ADD	XS0605635787	Steinhoff Financ	SHFSJ	4.5	3/31/2018	ZA	DE
ADD	XS1023684282	Steinhoff Financ	SHFSJ	4	1/30/2021	ZA	DE
ADD	XS1272162584	Steinhoff Financ	SHFSJ	1.25	8/11/2022	ZA	DE
ADD	XS1398317484	Steinhoff Financ	SHFSJ	1.25	10/21/2023	ZA	DE
ADD	US88163VAE92	Teva Pharmaceut	TEVA	0.25	2/1/2026	IL	US
ADD	US47216EAA82	Jazz Us Holdings	TSEMIT	8	12/31/2018	IL	US
ADD	US98474TAB35	Yandex Nv	YNDX	1.125	12/15/2018	RU	US
ADD	XS1443221343	Tullow Oil Jers	TLWLN	6.625	7/12/2021	GH	GB

Source: BofA Merrill Lynch Bond Indices

Select US high grade indices to be discontinued

Effective September 30, 2017, the following indices will be discontinued:

- CIRH: The BofA Merrill Lynch US Healthcare REIT Index
- CIRM: The BofA Merrill Lynch US Multi-Family Housing REIT Index
- CIRO: The BofA Merrill Lynch US Office/Industrial REIT Index
- CIRR: The BofA Merrill Lynch US Retail Index
- H531: The BofA Merrill Lynch US Corporate 150 Index

Complete performance results for the decommissioned indices will be compiled up to and including September 30, 2017. However, October 2017 constituent holdings will not be selected for these indices.

Annual review of global index-qualifying countries

Inclusion of a country in various global sovereign and broad market indices is based on a series of criteria which are evaluated annually based on data collected as of June 30. The results of the 2017 review, which take effect on September 30, 2017, are detailed below.

World Sovereign Bond Index (WSOV)

No changes. Argentina crossed the quantitative threshold for inclusion but will not be added to the index as a consistent track record of reliable third party pricing is not available. Costa Rica meets the quantitative criterion but will not be included at this time due to a lack of readily available, transparent pricing.

Table 8: World Sovereign Bond Index (WSOV) country qualification criteria

- 1) \$10bn face value outstanding (conversion based on the avg. of the 12 preceding month-end exchange rates)
- 2) Readily available, transparent price source

Source: BofA Merrill Lynch Bond Indices

Global Government Index (WOG1)

No changes.

Table 9: Global Government Index (WOG1) country qualification criteria

- 1) Member of the FX-G10 or Western Europe
- 2) Investment grade sovereign foreign currency debt composite rating
- 3) \$50bn face value outstanding on entry; \$25bn to remain (conversion based on the average of the 12 preceding month-end exchange rates)
- 4) Debt is available to foreign investors
- 5) Readily available, transparent price source

Source: BofA Merrill Lynch Bond Indices

Euro Government Index (EG00)

No changes.

Table 10: Euro Government Index (EG00) country qualification criteria

- 1) Sovereign debt issued by a member country of the European Monetary Union
- 2) Investment grade sovereign local currency debt composite rating
- 5) Readily available, transparent price source

Source: BofA Merrill Lynch Bond Indices

Eastern Europe Government Index (EE00)

Hungary will be added to the index as it now meets the rating criteria along with all other quantitative and qualitative criteria.

Table 11: Eastern Europe Government Index (EE00) country qualification criteria

- 1) Sovereign debt issued by an Eastern European Government
- 2) Investment grade sovereign foreign currency debt composite rating
- 3) \$10bn face value outstanding (conversion based on the avg. of the 12 preceding month-end exchange rates)
- 4) Debt is available to foreign investors
- 5) Readily available, transparent price source

Source: BofA Merrill Lynch Bond Indices

Table 12: Hungary Government Index (GOHU), 6/30/2017

Minimum bond size (HUF millions)	1,000
# bonds	16
Face value (USD millions)	35,241
Market value (USD millions)	40,293
Yield to maturity	1.54
Modified duration	4.52
Pro forma weight in EE00	13.70%

Source: BofA Merrill Lynch Bond Indices

All Maturity Emerging Markets Sovereign Bond Index (WALE)

No changes. Argentina crossed the quantitative threshold for inclusion but will not be added to the index as a consistent track record of reliable third party pricing is not available. Costa Rica meets the quantitative criterion but will not be included at this time due to a lack of readily available, transparent pricing.

Table 13: All Maturity Emerging Markets Sovereign Bond Index (WALE) country qualification criteria

- 1) Not a member of the FX-G10 or Western Europe
- 2) \$10bn face value outstanding (conversion based on the avg. of the 12 preceding month-end exchange rates)
- 3) Readily available, transparent price source

Source: BofA Merrill Lynch Bond Indices

Diversified Emerging Markets Sovereign Bond Index (WALD)

No changes. Argentina crossed the quantitative threshold for inclusion but will not be added to the index as a consistent track record of reliable third party pricing is not available. The following countries meet the size criterion but will not be included at this time due to a lack of readily available, transparent pricing, foreign access and/or liquidity: China; Costa Rica; Egypt; India; Morocco; Sri Lanka.

Table 14: Diversified Emerging Markets Sovereign Bond Index (WALD) country qualification criteria

- 1) Not a member of the FX-G10 or Western Europe
- 2) \$10bn face value outstanding (conversion based on the avg. of the 12 preceding month-end exchange rates)
- 3) Debt is available to foreign investors
- 4) Readily available, transparent price source
- 5) Reasonable liquidity

Source: BofA Merrill Lynch Bond Indices

Local Debt Markets Plus Index (LDMP)

No changes. Argentina crossed the quantitative threshold for inclusion but will not be added to the index as a consistent track record of reliable third party pricing is not available. The following countries meet the quantitative criteria but will not be included due to lack of reliable, transparent pricing, foreign access and/or liquidity: Costa Rica; Egypt; India; Morocco; Sri Lanka.

Table 15: Local Debt Markets Plus Index (LDMP) country qualification criteria

- 1) Not a member of the FX-G10 or Western Europe
- 2) A1 or lower foreign currency long-term sovereign debt rating
- 3) \$10bn face value outstanding (conversion based on the avg. of the 12 preceding month-end exchange rates)
- 4) Debt is available to foreign investors
- 5) Readily available, transparent price source
- 6) Reasonable liquidity

Source: BofA Merrill Lynch Bond Indices

World Inflation-Linked Sovereign Bond Index (WILS)

No changes. Argentina continues to meet the quantitative threshold but will not be added to the index as a consistent track record of reliable third party pricing is not available.

Table 16: World Inflation-Linked Sovereign Bond Index (WILS) country qualification criteria

1) \$2bn face value outstanding (conversion based on the avg. of the 12 preceding month-end exchange rates)

2) Readily available, transparent price source

Source: BofA Merrill Lynch Bond Indices

Global Inflation-Linked Government Index (WOGI)

New Zealand will be added as it has crossed the minimum size threshold and meets all other criteria as well.

Table 17: Global Inflation-Linked Government Index (WOGI) country qualification criteria

1) Member of the FX-G10 or Western Europe

2) Investment grade sovereign foreign currency debt composite rating

3) \$10bn face value outstanding (conversion based on the avg. of the 12 preceding month-end exchange rates)

4) Debt is available to foreign investors

5) Readily available, transparent price source

Source: BofA Merrill Lynch Bond Indices

Table 18: New Zealand Inflation-Linked Government Index (GOZI), 6/30/2017

Minimum bond size (NZD millions)	1,000
# bonds	4
Face value (USD millions)	11,569
Market value (USD millions)	12,663
Yield to maturity	1.96
Modified duration	11.45
Pro forma weight in WOGI	0.36%

Source: BofA Merrill Lynch Bond Indices

All Maturity Emerging Markets Inflation-Linked Sovereign Bond Index (WILE)

No changes. Argentina continues to meet the quantitative threshold but will not be added to the index as a consistent track record of reliable third party pricing is not available.

Table 19: All Maturity Emerging Markets Inflation-Linked Sovereign Bond Index (WILE) country qualification criteria

1) Not a member of the FX-G10 or Western Europe

2) \$2bn face value outstanding (conversion based on the avg. of the 12 preceding month-end exchange rates)

3) Readily available, transparent price source

Source: BofA Merrill Lynch Bond Indices

Diversified Emerging Markets Inflation-Linked Sovereign Bond Index (WILD)

No changes. Argentina continues to meet the quantitative threshold but will not be added to the index as a consistent track record of reliable third party pricing is not available. Russia and Uruguay meet the quantitative criteria but will not be included due to lack of reliable, transparent third party pricing and/or liquidity.

Table 20: Diversified Emerging Markets Inflation-Linked Sovereign Bond Index (WILD) country qualification criteria

- 1) Not a member of the FX-G10 or Western Europe
- 2) \$2bn face value outstanding (conversion based on the avg. of the 12 preceding month-end exchange rates)
- 3) Debt is available to foreign investors
- 4) Readily available, transparent price source
- 5) Reasonable liquidity

Source: BofA Merrill Lynch Bond Indices

Local emerging markets non-sovereign indices (LCCB, LCCD, LOCM, LOCL)

No changes. The Argentinian peso (ARS) and Costa Rican colon (CRC) meet the quantitative criterion for inclusion but will not be added at this time due to a lack of a readily available, transparent pricing for its fixed rate local currency sovereign debt.

Table 21: Local emerging markets non-sovereign index currency criteria

- 1) Country not a member of the FX-G10 or Western Europe
- 2) Fixed rate local currency sovereign debt of at least \$10bn face value outstanding (conversion is based on the average of the 12 preceding month-end exchange rates)
- 3) Fixed rate local currency sovereign debt must have a readily available, transparent price source

Source: BofA Merrill Lynch Bond Indices

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