

# MSCI FIXED INCOME INDEX- GLOSSARY OF TERMS

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# 1 Introduction

MSCI Fixed Income Index - Glossary of Terms aims to provide a general outline of the terminology used in MSCI Fixed Income Index methodologies.

Please refer to MSCI Fixed Income Index Calculation Methodology for precise details on index calculation and event handling. Further refer to MSCI Fixed Income Data Methodology document for granular details on input data points like fixed income security prices, yield, spread, duration, convexity etc.

## 2 Constituent Level Terminology

Term	Description
<b>144A bond</b>	144A bond is a privately placed bond that is not subject to 2-year minimum holding period requirement and is traded among Qualified Institutional Buyers under the SEC rule 144A.
<b>Accrued Interest</b>	Accrued interest is the amount of interest as a percentage of par that accrues between the last coupon date and the current date.
<b>Ask Price / Offer Price</b>	Ask price / Offer price is the price at which a market participant is prepared to sell a security.
<b>Bid Price</b>	Bid price is the price at which a market participant is prepared to purchase a security.
<b>Bullet bond</b>	Bullet bond is a non-callable bond with a fixed maturity where the entire principal is paid all at once on the maturity date, as opposed to amortizing the bond over its lifetime.
<b>Call</b>	Call is an action taken to pay the principal amount prior to the stated maturity date, in accordance with the provisions for “call” stated in the bond indenture.
<b>Call Date</b>	Call date is the date at which a bond is redeemable by the issuer prior to the maturity date.
<b>Call Price</b>	Call price is the specified price at which a bond may be redeemed or called prior to the maturity date.
<b>Callable Bond</b>	Callable bond is a bond with an embedded option for the issuer to redeem the bond prior to the maturity date, at the call price.
<b>Clean Price</b>	Clean price is the price of a bond excluding accrued interest.
<b>Convertible bond</b>	Convertible bond is a bond with an option allowing the bondholder to exchange the bond for a specified number of shares or common stock.

<b>Convexity</b>	Convexity of a bond is the second derivative of the bond price with respect to yield. It measures the change of duration for a percentage change in yield.
<b>Corporate Bond</b>	Corporate bond is a bond issued by a private corporation.
<b>Coupon</b>	Coupon is the interest rate a bond's issuer promises to pay to the bondholder until maturity, or other redemption event, generally expressed as an annual percentage of the bond's face value.
<b>Coupon Frequency</b>	Coupon frequency is the frequency with which a bond pays interest (e.g., quarterly, semi-annually, yearly).
<b>Coupon Income</b>	Coupon Income is the sum of income derived from regular interest payments received on the face value of bond and accrued interest.
<b>Credit Rating</b>	Credit rating is an evaluation of the credit risk of a prospective issuer, predicting the issuer's ability to pay back the debt, and is an implicit forecast of the likelihood of the issuer defaulting.
<b>CUSIP</b>	The Committee on Uniform Security Identification Procedures (CUSIP) was established by the American Bankers Association to develop a uniform method of identifying securities. CUSIP numbers are unique nine-character alphanumeric identifiers assigned to each series of securities. CUSIPs are assigned by CUSIP Global Services (CGS), the overarching entity representing all CUSIP global identification offerings. CGS is managed on behalf of the American Bankers Association (ABA) by Standard & Poor's CUSIP Service Bureau.
<b>Dirty Price</b>	Dirty price is the price of a bond including accrued interest.
<b>Dual Currency Bond</b>	Dual currency bond is a bond which has coupon payments in one currency and the principal payment in another currency.
<b>Duration to Worst</b>	Duration to Worst is the duration of a bond computed using the nearest call date or maturity, whichever comes first.
<b>Effective Convexity</b>	Effective convexity is measure of a bond's convexity which considers its embedded options.
<b>Effective Duration</b>	Effective duration is measure of a bond's duration which considers its embedded options.
<b>Equity Clawbacks</b>	Equity Clawbacks allow the bond issuer to refinance a certain amount of the outstanding bonds with proceeds from an equity offering.

<b>Fixed to Floating Rate Bond</b>	Fixed to floating rate bond is a bond where coupon rate changes from fixed rate to floating rate on pre-determined date in future.
<b>Floating Rate Bond</b>	Floating rate bond is a bond with variable coupon rate.
<b>Fungible Bonds</b>	Fungible bonds are new bonds that are issued as separate tranches but are eventually merged or 'funged' into existing bonds of the same issuer, with which they share the same characteristics.
<b>Hybrid Bond</b>	Hybrid bond is bond which combines both debt and equity characteristics. The most common type of hybrid bond is a convertible bond.
<b>Income Return</b>	Income Return of a bond represents part of total return that is attributable to change in the accrued interest, as well as it accounts for cash inflow from coupon payments and income from principal redemption.
<b>Investment Grade</b>	Investment grade is a broad credit designation given to bonds which have a high probability of being paid and minor, if any, speculative features. Bonds rated Baa3 and higher by Moody's Investors Service or BBB- and higher by Standard & Poor's are deemed by those agencies to be "investment grade."
<b>Inflation Protected Bond</b>	Inflation protected bond is a bond that is indexed to inflation and pays investors a fixed interest rate on the bond's par value adjusted for inflation.
<b>ISIN</b>	An International Securities Identification Number (ISIN) uniquely identifies a security. Its structure is defined in International Standard for Organization 6166. Securities for which ISINs are issued include bonds, commercial paper, equities and warrants. The ISIN code is a 12-character alpha-numerical code that does not contain information characterizing financial instruments but serves for uniform identification of a security at trading and settlement.
<b>Market Value</b>	Market Value of a bond is defined as the product of its amount outstanding and dirty price.
<b>Market Value with Cash</b>	Market Value with Cash of a bond is defined as sum of its market value and its total cumulative cash balance.
<b>Maturity Date</b>	Maturity date is the date when the principal amount of the bond is due to be repaid and interest payments stop.
<b>Modified Duration</b>	Modified duration of a bond is the first derivative of the bond price with respect to yield. It measures the change of price for a percentage change in yield.
<b>Amount Outstanding</b>	Amount outstanding is the principal amount outstanding of the bond.

<b>OAS (Option Adjusted Spread)</b>	OAS is the spread over the benchmark zero coupon curve that is realized if the bond is held until maturity. Its calculation considers the interest rate volatility for the embedded option in the bond.
<b>Payment-In-Kind bond</b>	Payment-in-kind bond is a type of bond that defers complete or partial coupon payment by delivering more bonds in the form of additional amount outstanding to the bondholder.
<b>Perpetual bond</b>	Perpetual bond is a bond with no maturity date.
<b>Preferred Stock</b>	Preferred stock is stock that pays a fixed dividend. In a company's capital structure, it has preference over common stocks, but is behind debt in the case of bankruptcy.
<b>Price Income</b>	Price income is the income generated due to change in clean price of bond due to market movements.
<b>Price Return</b>	Price return of a bond represents part of total return that is attributable to change in the clean price of a bond.
<b>Private Placement Bond</b>	Private placement bond is a bond sold directly to an investor.
<b>Puttable Bond</b>	Puttable bond is a bond that gives the holder the right to force the issuer or the issuer's agent to repurchase the bond at a predetermined price, at a predetermined date or dates, prior to the final stated maturity date.
<b>Redemption Income</b>	Redemption Income is income generated from redemption of principal at a price which is either at a premium or discount compared to bond's closing market price on the day.
<b>Regulation S (Reg S)</b>	Regulation S – often referred to as 'Reg S', provides an SEC compliant way for US and non-US companies to raise capital outside the United States.
<b>Senior Bond</b>	Senior bond holds senior debt which is considered lower risk than subordinated debt. Although senior debt holders must be repaid before other unsecured creditors in a bankruptcy event, the securities are backed only by the credit of the issuer and its ability to service the debt.
<b>SIFMA US Holidays</b>	The Securities Industry and Financial Markets Association (SIFMA) is a United States industry trade group representing securities firms, banks, and asset management companies. On behalf of financial markets participants, SIFMA recommends a holiday schedule for financial markets in the U.S., U.K. and Japan. All SIFMA holiday recommendations apply to the trading of U.S. dollar-denominated government securities, mortgage- and asset-

	backed securities, over-the-counter investment-grade and high-yield corporate bonds, municipal bonds and secondary money market trading in bankers' acceptances, commercial paper and Yankee and Euro certificates of deposit.
<b>Sinkable bond</b>	Sinkable bond is a bond backed by a fund that sets aside money at a pre-defined rate and according to a pre-defined schedule, to ensure principal and interest payments.
<b>Step-down coupon bond</b>	Step-down coupon bond is a bond in which coupon decreases over time at pre-determined rates and dates in the future.
<b>Step-up coupon bond</b>	Step-up coupon bond is a bond in which coupon increases over time at pre-determined rates and dates in the future.
<b>Strippable Bond</b>	Strippable bond is a bond in which regular coupon and the principal are divided and sold separately.
<b>Subordinated Bond</b>	Subordinated bond holds subordinated debt which is any type of loan that's paid after all other corporate debts and loans are repaid, in the event of a borrower's bankruptcy.
<b>Sukuk Bond</b>	A sukuk bond is a financial product whose terms and structures comply with the sharia law. It is issued with an intent to create returns similar to those of conventional bonds. However, unlike a conventional bond which represents the debt obligation of the issuer, a sukuk technically represents an interest in an underlying funding arrangement structured according to the sharia which entitles the holder to a proportionate share of the returns generated by such arrangement at a defined future date.
<b>Time to Maturity</b>	Time to maturity is calculated as the number of years between the current date and the maturity date.
<b>Total cumulative cash balance</b>	Total cumulative cash balance of the bond is the sum of cash accrued from its interest payments and principal redemption since the last rebalancing date. Total cumulative cash balance of the security is reset to zero on the rebalancing date.
<b>Total Return</b>	Total return is the sum of the Income return and the Price return of a bond.
<b>Warrant</b>	Warrant attached to bond entitles the holder to buy the underlying stock of the issuing company at a fixed price called exercise price until the expiry date.
<b>Yield to Maturity</b>	Yield to maturity is an annual rate of return expected on a bond based on its current price and the assumption that it will be held till the maturity date.
<b>Yield to Worst</b>	Yield to worst represents the lowest potential yield that an investor would receive on a bond if provisions like prepayment, call etc. are used by the issuer.
<b>Zero Coupon bond</b>	Zero coupon bond is a bond which does not pay any coupon.



### 3 Index Level Terminology

Term	Description
<b>Announcement Date</b>	Announcement date is the date on which results of index review are disseminated publicly.
<b>Annual FI Market Classification Review</b>	Annual cycle aiming to review the classification of Fixed Income Markets into Developed & Emerging. The results of each annual cycle are announced in June.
<b>Base date (decarbonization)</b>	Reference date relative to which the decarbonization trajectory is calculated, in accordance with the concept of "base year" defined by the EU Commission's Delegated Act containing the minimum technical requirements for the EU Climate Transition Benchmarks and EU Paris- aligned Benchmarks ( <a href="https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R1818&amp;from=EN">https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R1818&amp;from=EN</a> )
<b>Base date of the index</b>	The date where the index has its base value and against which the performance of the index is measured.
<b>Capping</b>	The process of limiting the maximum weight of a security in an index, typically to avoid concentration risk.
<b>Controversial business involvement criteria</b>	Criteria used to identify companies that are involved in certain business activities, based on products of MSCI ESG Research such as (but not limited to) the MSCI ESG Business Involvement Screening Research and MSCI Climate Change Metrics.
<b>Cut-off Date</b>	Cut-off date is the date whereby, data as of close of that date is considered in the index rebalancing.

<b>Daily Index Return</b>	Daily Index Return is day-over-day change in index levels.
<b>ESG Controversies</b>	<p>A product of MSCI ESG Research named "MSCI ESG Controversies", that provides assessments of controversies concerning the potential negative environmental, social, and/or governance impact of company operations, products, and services. MSCI ESG Controversies Score is integer-valued using a 0-10 scale, with "0" being the most severe controversy.</p> <p>The MSCI ESG Controversies methodology can be found at: <a href="https://www.msci.com/esg-and-climate-methodologies">https://www.msci.com/esg-and-climate-methodologies</a></p>
<b>ESG Rating</b>	<p>A factor produced by MSCI ESG Research and named "MSCI ESG Rating", that aims to measure entities' management of environmental, social and governance risks and opportunities. MSCI ESG Ratings are translated from the MSCI ESG Score into a seven-point scale from 'AAA' to 'CCC', indicating how an entity manages relevant key issues relative to industry peers.</p> <p>The MSCI ESG Ratings methodology can be found at: <a href="https://www.msci.com/esg-and-climate-methodologies">https://www.msci.com/esg-and-climate-methodologies</a></p>
<b>Fixed Index Methodologies</b>	Methodology documents containing construction and maintenance rules for the MSCI Fixed Income Indexes. Any index family is governed by a number of documents: the specific index methodology, the MSCI Corporate Bond Indexes, the MSCI Government Bond Indexes, the MSCI Index Calculation methodology, the MSCI Fundamental Data methodology and the MSCI Index Policies.
<b>GICS Structure</b>	GICS is designed with four levels of classifications, starting with sectors on the top, branching into industry groups, industries and finally the sub-industries at the grass root level.
<b>GICS Structure Review</b>	Annual Review of the GICS Structure to ensure that the GICS structure remains relevant and current to the investment community.
<b>Global Industry Classification Standard (GICS)</b>	<p>Standard developed by MSCI and S&amp;P Dow Jones Indices used to classify companies <i>within the Global Investable Equity Universe</i> to an industry based on its principal business activity.</p> <p>The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and S&amp;P Global Market Intelligence. "Global Industry Classification Standard (GICS)" is a service mark of MSCI and S&amp;P Global Market Intelligence.</p>

<b>Index Rebase</b>	Changes to the base date and base value of an index.
<b>Index Review</b>	Regular index maintenance process performed at the frequency defined by the relevant index methodologies. Many indexes, including the MSCI Corporate Bond Indexes and the MSCI Government Bond Indexes are reviewed on a monthly basis. Other indexes may be reviewed at a different frequency, e.g., monthly, semi-annually, or annually.
<b>Income Return Index Level</b>	Income Return Index level represents cumulative performance of index relative to its base value, due to income return of constituent securities.
<b>Index Average Amount Outstanding</b>	Index average amount outstanding is the simple average of the outstanding principal of all the securities in the index.
<b>Index Average Clean Price</b>	Index average clean price is the amount outstanding weighted average of the clean price of all the bonds in the index.
<b>Index Average Convexity</b>	Index average convexity is market value weighted average of the convexity of all the bonds in the index.
<b>Index Average Coupon</b>	Index average coupon is the amount outstanding weighted average of the coupon of all the bonds in the index.
<b>Index Average Credit Rating</b>	Index average credit rating is the market value weighted average of the credit rating of all the bonds in the index.
<b>Index Average Dirty Price</b>	Index average dirty price is the amount outstanding weighted average of the dirty price of all the bonds in the index.
<b>Index Average Effective Convexity</b>	Index average effective convexity is the market value weighted average of the effective convexity of all the bonds in the index.
	Index average effective duration is the market value weighted average of the effective duration of all the bonds in the index.

<b>Index Average Effective Duration</b>	
<b>Index Average Modified Duration</b>	Index average modified duration is the market value weighted average of the modified duration of all the fixed income securities in the index.
<b>Index Average OAS</b>	Index average OAS is the duration-adjusted market value weighted average of the option adjusted spread of all the bonds in the index.
<b>Index Average Time to Maturity</b>	Index average time to maturity is the market value weighted average of the time to maturity of all the bonds in the index.
<b>Index Average Yield to Maturity</b>	Index average yield to maturity is the market value weighted average of the yield to maturity of all the bonds in the index.
<b>Index Average Yield to Worst</b>	Index average yield to worst is the market value weighted average of the yield to worst of all the bonds in the index.
<b>Index Base Value</b>	Index base value is starting value (e.g., 1000) of an index against which ongoing calculations are done and performance of the index is measured.
<b>Index Constituent Count</b>	Index constituent count is the number of bonds in the index.
<b>Index Income Return</b>	Index income return is market value weighted average of constituent level income return of bonds in the index.
<b>Index Level</b>	Index level is value of an index relative to its base value.
<b>Index Price Return</b>	Index price return is market value weighted average of constituent level price return of bonds in the index.
<b>Index Total Return</b>	Index total return is market value weighted average of constituent level total return of bonds in the index.
<b>MSCI ESG Research</b>	A short name for MSCI ESG Research LLC, a subsidiary of MSCI Inc. that produces and provides information such as company ratings and research that are used by MSCI Inc. for the construction and maintenance of MSCI Indexes.

<b>Parent Index</b>	MSCI index used as the universe for the construction of any derived index. For example: MSCI USD IG Corporate Bond Index is the parent index for MSCI USD IG ESG Universal Corporate Bond Index.
<b>Price Return Index Level</b>	Price Return Index level represents cumulative performance of index relative to its base value, due to price return of constituent securities.
<b>Rebalancing</b>	Rebalancing of an index is the application of the index methodology rules which generally results in additions, deletions, and weight changes of the underlying securities in the index.
<b>Rebalancing date</b>	Rebalancing date is date when the changes to the index published on the announcement date become effective.
<b>Replicability and Investability of a benchmark</b>	. Level of accessibility of index constituents by a target investor group enabling passive replication a benchmark.
<b>Representativeness of a benchmark</b>	Ability of a benchmark to reflect an investment process it aims to represent.
<b>Restrictiveness level (framework)</b>	Framework designed by MSCI ESG Research to define significant involvement in controversial activities. According to this framework, there are four restrictiveness levels: Most Restrictive, Highly Restrictive, Moderately Restrictive, Least Restrictive. The framework and the corresponding restrictiveness levels are used to screen certain controversial activities from the MSCI Indexes.
<b>Settlement Date</b>	Settlement date is date on which the trade settles i.e., securities must be paid for (purchase), or securities must be delivered (sale).
<b>Strategy Indexes</b>	Indexes that are based on alternative weighting schemes and introduce a tilt towards certain variables (for example: Factors, ESG, Climate, Themes, etc.) intended to capture systematic risk premia or other fundamental characteristics.
<b>Sustainable Impact</b>	A product of MSCI ESG Research named "MSCI Impact Solutions: Sustainable Impact Metrics", designed to identify companies that derive revenue from products or services with positive impact on society and the environment. The MSCI Sustainable Impact Metrics are comprised of Environmental Impact and Social Impact categories.

<b>Total Return Index Level</b>	Total Return Index level represents cumulative performance of index relative to its base value, due to total return of constituent bonds.
<b>Turnover</b>	Turnover is the measure of the index composition shift using the market value of securities entering and exiting the index.

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