

STANDARD
&POOR'S

S&P CHINESE RENMINBI INDEX

INDEX METHODOLOGY

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Introduction

The S&P Chinese Renminbi Index is designed as a tradable index which seeks to replicate the performance of the Chinese Renminbi versus the U.S. Dollar.

Highlights

The S&P Chinese Renminbi index represents the performance of a rolling investment in three-month, non-deliverable, forward currency contracts.

The index is rebalanced every three months on the valuation date of the previous three-month contract.

The index has an excess return version, reflecting changes in forwards prices, and a total return version which adds a risk-free rate to the excess return index.

S&P would like to thank Morgan Stanley for its significant contribution to the development of the S&P Chinese Renminbi Index.

Index Family

The S&P Chinese Renminbi Index belongs to the S&P Currency Beta Index Family which provides exposure to single currencies or groups of currencies.

Index Construction

Approaches

The methodology assumes that three-month currency forward contracts are entered into after the close of trading on each rebalancing date, are held until maturity and are, then, rolled over. Spot and forward exchange rates used for all currencies are in relation to the U.S. Dollar.

Index Calculations

The index is rebalanced on the valuation date of the previous forward contract. On any date, t , the index is calculated by valuing the three-month forward contract entered into at the prior rebalancing date using a linear interpolation between the current three-month forward rate and the current spot rate.

$$Index\ Value_t = Index\ Value_{rb} * (1 + Return_{i,t}) \quad (1)$$

where:

$Index\ Value_{rb}$ = Index value as of the last rebalancing.

$Return_{i,t}$ = Return of currency i from the prior rebalancing date to t

$Return_{i,t}$ is calculated as follows:

$$Return_{i,t} = \frac{(3M\ Forward\ Rate_{i,rb} / Interpolated\ 3M\ Forward\ Rate_{i,t} - 1) / DF_t}{DF_t} \quad (2)$$

where:

DF_t = Discount Factor = $(1 + Days\ left / 360 * LIBOR_t)$

$LIBOR_t$ = Three-month USD LIBOR rate as of date t .

$3M\ Forward\ Rate_{i,rb}$ = The three-month forward rate of currency i as of the last rebalancing

Interpolated 3M Forward Rate_{i,t} = The value, as of the close of date *t*, of a three-month forward contract of currency *i* entered into at the close of the prior rebalancing. It is calculated in the following manner:

$$\begin{aligned} \text{Interpolated 3M Forward Rate}_{i,t} = \\ \text{Spot Rate}_{i,t} + (3\text{M Forward Rate}_{i,t} - \text{Spot Rate}_{i,t}) * (\text{Days left}) / (\text{Days in period}) \end{aligned} \quad (3)$$

where:

Spot Rate_{i,t} = Spot rate of currency *i* on date *t*

3M Forward Rate_{i,t} = Three-month forward rate of currency *i* on date *t*

Days left = Calendar days between the settlement date of the three-month forward contract as of the prior rebalancing and the settlement date of the spot contract on date *t*.

Days in period = Calendar days between the settlement date of the three-month forward contract on date *t* and the settlement date of the spot contract on date *t*.

The source data for forward and spot rates used in (2) and (3) is Tullett Prebon, via Reuters page PNDF, for end of day calculations, and page PYNDF, for intraday calculations. The index is calculated intraday between 9:30 AM and 4:00 PM ET based on data from Reuters page PYNDF. Bid prices are used for forward and spot rates for end of day calculations. For intraday calculations bid prices are used for forward rates and ask prices are used for spot rates.

A closing value for the index is calculated each day using data from Reuters page PNDF, taken at 11:00 AM Beijing time. For any day, *t*, the closing value of the index is calculated using data as of 11:00 AM Beijing time on date *t+1*. On rebalancing dates, non-deliverable forwards will settle at the spot rate set by the People's Bank of China as displayed on Reuters page SAEC, or Reuters code CNY=SAEC, at 9:30 AM Beijing time. The index will roll into the new three-month, non-deliverable forward at the closing value, 11:00AM Beijing time, using data from Reuters page PNDF.

Total Return Index

A total return version of the index is calculated, which includes interest accrual on the notional value of the index based on the overnight U.S. Fed Funds rate, as follows:

$$TRIV_t = TRIV_{rb} * Return_{i,t} + TRIV_{rb} * \prod_{i=rb+1}^t (1 + FF_{t-1} * D_{t-1,t} / 360)$$

where:

$TRIV_t$ = Total return index value as of the current date, t .

$TRIV_{rb}$ = Total return index value as of the last rebalancing date, rb .

$D_{t-1,t}$ = Count of calendar days from the previous trading date, $t-1$, to the current date, t .

FF_{t-1} = Fed Funds open rate as of the last trading date, $t-1$, as reported on Reuters, under RIC USONFF=GCMN, under the open field.

Index Maintenance

Rebalancing

Frequency. Index rebalancings occur on the valuation date of the currently held three-month, non-deliverable forward contract. The index begins on January 3rd, 2006 and assumes a three-month forward contract is entered into on that day. The following rebalancing date is the date on which the three-month forward entered into on January 3rd takes valuation and so forth. A complete rebalancing schedule for the upcoming year is available at www.indices.standardandpoors.com.

Base Date

The index base date is January 3rd, 2006. The base value of the index is 100. Daily returns are available from January 3rd, 2006.

Index Governance

Index Committee

The S&P Currency Beta Series Index Committee maintains the S&P Chinese Renminbi Index. The Index Committee meets regularly. At each meeting, the Index Committee reviews any significant market events. In addition, the Index Committee may revise index policy covering rules for timing of rebalancing or other matters.

Standard & Poor's considers information about changes to its indices and related matters to be potentially market moving and material. Therefore, all Index Committee discussions are confidential.

Index Policy

Holiday Schedule

The index is calculated daily, throughout the calendar year. The only days the index is not calculated are on days when Tullett Prebon exchange rates services are not published.

A complete holiday schedule for the year is available on Standard & Poor's Web site at www.indices.standardandpoors.com.

Index Dissemination

Complete data for index replication are available through Standard & Poor's index data group for subscription via FTP.

Tickers

	Bloomberg	Reuters
S&P Chinese Renminbi Index	SPCBCNYP	.SPCBCNYP
S&P Chinese Renminbi Total Return Index	SPCBCNY	.SPCBCNY

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