



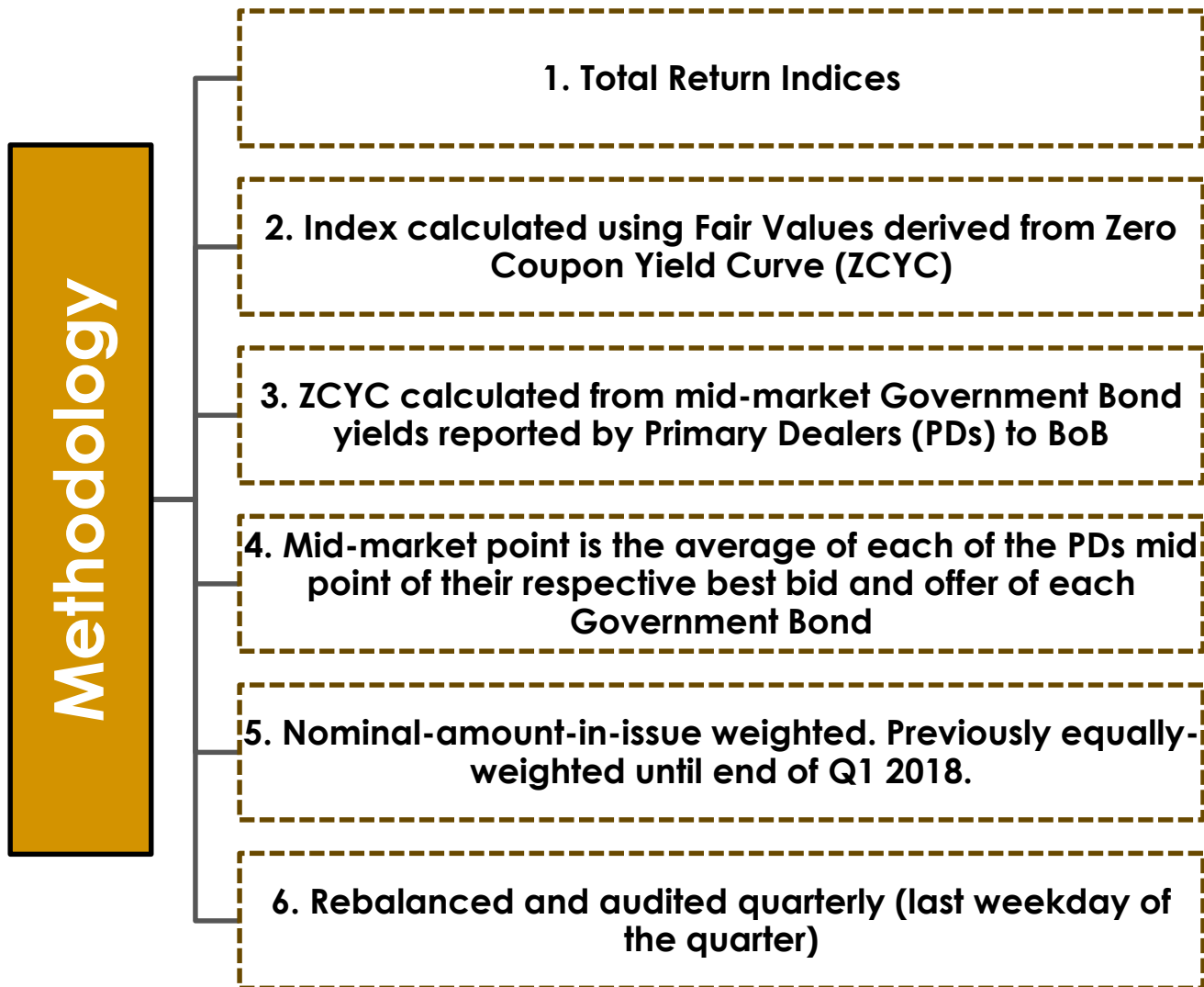
# AN OVERVIEW OF THE BOTSWANA BOND INDEX SERIES (BBIS)



# Introducing the BBIS

- The Botswana Bond Index Series (BBIS) was launched in 2013, but computed from 2010.
- BBIS was created as a result of market participants' plea for a neutral entity to compute indices (as detailed in the Botswana Bond Market Strategy of 2010).
- From inception to Q1 2018, the BBIS had three (3) indices, all of which were **equally-weighted**.
- From April 2018, the BBIS indices were progressively changed to **nominal-amount-in-issue weighted**. Further, a **Composite Fixed Rate Index** was added to the series.
- The BBIS is calculated and distributed by the BSE daily at no cost to recipients.
- Historical series is also available from the BSE.

# Calculation Methodology of the BBIS



# Eligibility Criteria of the BBIS

## Eligibility Criteria

- BSE listed bonds
- Local currency issuances (BWP)
- Minimum term-to-maturity (TTM) of 12 months at issue and rebalancing dates
- For **callable bonds**, the date of call is treated as maturity date for purposes of calculating TTM
- No minimum size or liquidity requirements
- No credit rating requirements

## BBIS – series of 4 indices

### Composite Bond Index (BBI)

- All sovereign and non-sovereign bonds
- Launched in 2013

### Composite Fixed Rate Bond Index (BBIFixed)

- Fixed rate bonds
- Launched in April 2018

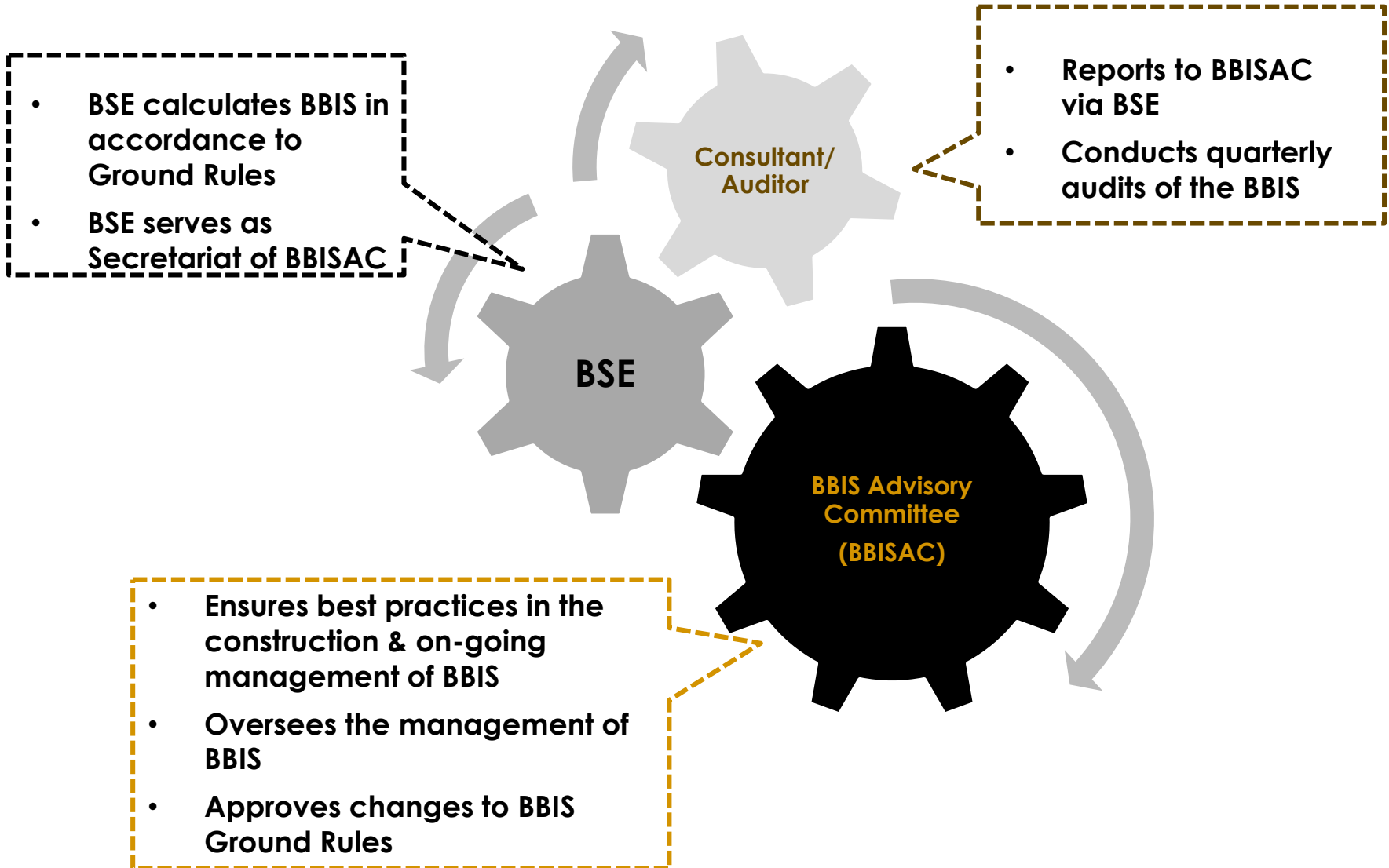
### Government Bond Index (GovI)

- Sovereign bonds (Government of Botswana issued)
- Launched in 2013

### Corporate Bond Index (Corpl)

- Non-sovereign bonds
- Launched in 2013

# Management of the BBIS



# Importance of the BBIS

- The indices are computed and distributed by an independent party, being the BSE.
- The indices undergo a quarterly audit conducted by an independent consultant.
- The indices are overseen by the BBIS Advisory Committee which convenes quarterly.
- The methodology and conventions for computing the indices were derived through a consultative process and are publicly available.
- The indices are available on Bloomberg and Reuters and are distributed widely through other platforms (info@bse and BSE website and X-News).
- **Importance of the BBIS**
  - Price discovery, price formation and promotion of liquidity
  - Computations in line with international best practice ( methodology and governance)
  - Transparency of methodologies, hence ease of replication
  - Inclusivity and representativeness ( floating and fixed rate bonds on a value weighted basis)
  - Accessibility - distributed free of charge.

# BBIS Dissemination & Communication

- BBIS Ground Rules are available on the BSE website
- The BBIS is published in the BSE Daily Market Report in pdf (excel is available on subscription)
- Circulars are published on the BSE's X-News platform as well as posted on the Bulletin Board page of the BSE website
- Circulars used to communicate the following to the:
  - *Results of Quarterly Audit*
  - *Changes in the constituents of BBIS (insertions & removals)*
  - *Restatements*

Published with a 1 day lag

BOTSWANA STOCK EXCHANGE BOND INDEX SERIES (BBIS) AS AT 03/07/2018													
Code	Issue Date	Expiry Date	Coupon (%)	Tenure (years)	TTM	FV/AmntInIssue (BWP M)	Yield	Close (Dirty)	Weight	Mod DUR	DUR	Convexity	
BW008	8-Sep-10	8-Sep-20	7.75%	10.0	2.2	2,147.00	3.63%	111.02	18.70%	1.975918	2.011761	6.219293	
BW007	10-Mar-10	10-Mar-25	8.00%	15.0	6.7	1,974.00	4.39%	123.22	17.17%	5.226556	5.341227	37.413499	
BW011	11-Sep-13	10-Sep-31	7.75%	18.0	13.2	2,103.00	4.98%	128.89	18.28%	8.665329	8.881226	106.068116	
BW012	5-Jun-15	13-Jun-40	6.00%	25.0	22.0	1,528.00	5.18%	111.05	13.32%	12.597192	12.923207	229.402711	
BW013	1-Dec-17	7-Jun-23	4.50%	5.5	4.9	405.00	3.83%	103.32	3.53%	4.386320	4.470231	24.857247	
GBL002	24-Feb-17	24-Feb-20	15.00%	3.0	1.6	21.80	14.82%	100.32	0.19%	1.344617	1.444242	3.406661	
GBL003	4-Oct-17	31-Dec-20	15.00%	3.2	2.5	15.00	15.04%	100.03	0.13%	2.014816	2.166355	6.306545	
GBL004	10-Apr-18	10-Apr-21	15.00%	3.0	2.8	25.00	15.04%	99.96	0.22%	2.132770	2.293173	7.359371	
BDC003	15-Feb-18	9-Jun-23	Floating	5.3	4.9	142.53	8.29%	100.36	1.24%	3.965856	4.130244	21.489388	
						11,485.26			100.00%				
Date	BBI	GovI	CorpI	BBIFixed									
2-Jul-18	181.83	181.45	182.59	100.94									
3-Jul-18	181.62	181.21	182.46	100.81									

Indices expressed in 2 decimal places

# Conclusion

- The BSE is committed to the development of the Botswana Bond Market as evidenced from the continued successful implementation of the Bond Market Development Strategy of 2010 in conjunction with the Botswana Bond Market Association.
- Benchmarks in particular are critical for aiding portfolio management and performance attribution.
- As an independent index provider, the BSE will consistently engage with market participants with respect to the evolution and adoption of the BBIS.
- Trustee education, asset consultant and asset manager engagement with respect to benchmarks is another critical area essential to providing indices that suit the market's appetite.
- At the heart of this initiative, access to the data and governance remain the key priorities hence the free distribution and the oversight by the BBISAC.



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