

# **IHS Markit Benchmark Administration Limited Consultation on the European, North American, and Global iBoxx Indices – Results**

**LONDON, FEBRUARY 24, 2022:** IHS Markit Benchmark Administration Limited (IMBA) has [conducted](#) a consultation with market participants on potential changes to the European, North American, and Global iBoxx indices.

## **BACKGROUND**

The iBoxx indices are designed to measure the performance of bond markets globally. As part of the Annual Index Review, IMBA considers potential updates to the rules of the iBoxx indices. Following the 2022 iBoxx European and North American Annual Index Review, the methodology changes detailed below and on the following pages are being implemented.

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### A) Eligibility Expansion of 144A Bonds in Additional iBoxx USD Indices.

IMBA UK will add bonds that are only issued in 144A-version (i.e. there is no corresponding RegS security) to the iBoxx USD index families mentioned below in order to complete the coverage of the US dollar universe. The inclusion is limited to broad benchmark indices; bonds only issued as a 144A version shall not be eligible for liquid indices and liquid sub-indices associated with index families mentioned in the table below.

The table below indicates the index families that are impacted by this change.

Impacted Index Families
iBoxx USD Investment Grade
iBoxx USD FRN Corporates Investment Grade
iBoxx USD Infrastructure Investment Grade

### IMPLEMENTATION TIMING

IMBA will implement the previously described methodology change following the June 2023 month-end rebalancing, which takes effect prior to the market open on Monday, July 3, 2023.

### B) Maturity Extension for Perpetuals & Dated Fixed-to-Fixed Bonds with a Reset Date.

The table below summarizes the changes.

Maturity	Coupon/Call Structure	Workout Date at Issuance	Updated Workout Date if Not Called
Perpetual	Reset*/Callable	Assume <u>first call date</u> as workout date	Extend workout date until the end of the next reset date*
Dated	Reset/Callable	Assume <u>reset date</u> as workout date	Extend workout date until the end of the next reset date or final maturity date*

\*Assumes the bond terms allow for a redemption at the new assumed maturity date

### IMPLEMENTATION TIMING

IMBA will implement the previously described methodology change following the May 2023 month-end rebalancing, which takes effect prior to the market open on Thursday, June 1, 2023.

### C) Maturity Extension and Eligibility for Perpetual Bonds Without a Reset Date.

IMBA will exclude perpetuals without coupon resets from all iBoxx indices if the first call date is missed, with the exception of the following index families, which continue to remain eligible:

Index Families
iBoxx USD Emerging Market Corporates
iBoxx USD Asia ex-Japan
iBoxx USD APAC
iBoxx AHBI
iBoxx SGD
Hang Seng Markit iBoxx

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Additionally, when such bonds are not called, the workout date is extended to the call date closest to five years from the current workout date.

The below table summarizes the change.

Maturity	Coupon/Call Structure	Workout Date at Issuance	Updated Workout Date if Not Called
Perpetual	Fixed/ Callable	Assume <u>reset date</u> as workout date	Extend workout date until the assumed next reset date - <u>5 years from first call date</u> *. Such bonds will only be eligible to APAC iBoxx indices and iBoxx USD Emerging Markets Corporates.

\* Assumes the terms allow for a redemption at the new assumed maturity date.

## IMPLEMENTATION TIMING

IMBA will implement the previously described methodology change following the May 2023 month-end rebalancing, which takes effect prior to the market open on Thursday, June 1, 2023.

### D) Index Eligibility of Bonds with Extended Workout Dates.

Bonds whose workout date has been extended according to the procedure described in section B) and C) above are re-eligible for inclusion in the iBoxx indices, subject to fulfilling all the other index eligibility criteria. In addition, the iBoxx indices currently consider callable bonds with a coupon reset as non-callable if there is no call date prior to the first coupon reset date. If such bonds are not called and their workout date is consequently extended, henceforth they will be considered as callable. For clarity, where we have hold-to-maturity indices, such bonds remain in the index subject to their extended maturity. IMBA will exclude such bonds from iBoxx index families that are not hold-to-maturity, i.e. where bonds with a time-to-maturity of one year or more at rebalance are eligible.

Additionally, bonds will stay in liquid indices that belong to hold-to-maturity index families. Bonds will not become re-eligible for other index families.

The list below shows the index families with their respective time-to-maturity eligibility criteria.

Index License	Region	Maturity
iBoxx Asia Bond Fund (ABF)	APAC	1+
iBoxx ADBI	APAC	0+
iBoxx ALBI	APAC	1+
iBoxx Asia ex-Japan	APAC	1+
iBoxx AUD Large Cap	APAC	1+
iBoxx Hang Seng iBoxx Offshore RMB	APAC	0+
iBoxx ChinaBond	APAC	1+
iBoxx JPY	APAC	1+
iBoxx Tadawul SAR	APAC	0+
iBoxx SGD	APAC	1+
iBoxx USD Asia-Pacific	APAC	0+
iBoxx USD Asia ex-Japan	APAC	0+
iBoxx EUR IG	Europe	1+
iBoxx EUR FRN	Europe	0+
iBoxx EUR HY	Europe	1+ und 0+
iBoxx GBP IG	Europe	1+

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Index License	Region	Maturity
iBoxx GBP HY	Europe	0+
iBoxx Contingent Convertible	Global	0+
iBoxx USD Emerging Markets Sovereigns Indices	Global	1+
iBoxx USD Emerging Markets Corporates Indices	Global	0+
iBoxx Global Emerging Markets (GEMX)	Global	1+
iBoxx Global Government (GGI)	Global	1+
iBoxx Global Developed Markets HY	Global	1+
iBoxx Global Green Bonds Select	Global	0+
iBoxx Global Green, Social & Sustainability Bonds	Global	0+
iBoxx Infrastructure	Global	1+
iBoxx Inflation-Linked (ILB)	Global	1+
iBoxx USD IG	North America	1+
iBoxx USD FRN	North America	0+
iBoxx USD HY	North America	1+

## IMPLEMENTATION TIMING

IMBA will implement the previously described methodology change following the May 2023 month-end rebalancing, which takes effect prior to the market open on Thursday, June 1, 2023.

### E) Distressed Debt Exchanges – Rule Update.

Bonds with a rating downgrade to RD/SD will remain eligible for index families that include high yield bonds until the second rebalancing after the downgrade. If the bonds have not been upgraded by T-3 of the second rebalance following the initial downgrade, they will be removed from the indices. This means RD/SD rated bonds remain eligible in the iBoxx indices for the first rebalancing after their downgrade to allow for sufficient time to complete a distressed debt exchange or change of terms (assuming they meet all other criteria). For index families limited to investment grade bonds, the current approach of excluding bonds with an RD/SD rating remains in place.

## IMPLEMENTATION TIMING

IMBA will implement the previously described methodology change following the May 2023 month-end rebalancing, which takes effect prior to the market open on Thursday, June 1, 2023.

### F) Expansion of the Definition of Infrastructure for the iBoxx Infrastructure Indices.

IMBA will expand the current definition of infrastructure to include social infrastructure and additional types of digital infrastructure assets into the methodology. The changes to the infrastructure definition are summarized in the table on the following page.

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Infrastructure Supersector*	Infrastructure Sector*	Infrastructure Subsector*
Core Infrastructure	Basic Utilities	Electricity
		Gas Distribution
		Multiutilities
		Pipelines & Terminals
		Refining & Marketing
		Water Disposal & Services
	Digital Infrastructure	Water
		<b>Cable &amp; Satellite</b>
		<b>Data &amp; Internet Infrastructure</b>
		Wireless Communications
Transportation	Railroads	
	Transportation Services	
Social Infrastructure	Social Infrastructure	<b>Correctional Facilities</b>
		<b>Education</b>
		<b>Health Care Facilities</b>

\*Names in **bold** indicate proposed additions to the infrastructure definition.

IMBA also reviewed the scope of iBoxx corporate sectors from which issuers are considered for the infrastructure definition. Several sectors will be added to the scope, reflecting the changes to the infrastructure definition.

iBoxx Sector (Non-Financials)*	Sector Type
Alternative Electricity	Infrastructure sector
Conventional Electricity	
Gas Distribution	
<b>Health Care Facilities</b>	
Pipelines & Terminals	
<b>Cable &amp; Satellite</b>	
<b>Internet Infrastructure Services</b>	Dual sector
Multiutilities	
<b>Other Educational Services</b>	
Railroads	
Refining & Marketing	
<b>Specialized Consumer Services</b>	
Specialty REITs	
<b>Travel &amp; Tourism</b>	
Transportation Services	
<b>Universities / Institutes &amp; Colleges</b>	
Waste & Disposal Services	
Wireless Telecommunications	
iBoxx Sector (Financials)*	
Specialty REITs	Dual sector
<b>Local Government Financing Vehicles</b>	

\*Names in **bold** indicate proposed sector additions to the infrastructure definition.

## IMPLEMENTATION TIMING

IMBA will implement the previously described methodology change following the April 2023 month-end rebalancing, which takes effect prior to the market open on Monday, May 1, 2023.

## G) Creation of iBoxx Sub-sovereign Infrastructure Indices.

In addition to the above changes to the iBoxx infrastructure indices for corporate bonds, IMBA will create an infrastructure classification for sub-sovereign issuers that leverages the corporates infrastructure framework above and is applied to sub-sovereign issuers from a non-financial sector, as

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well as issuers owned by local governments. The following new sub-sovereign infrastructure indices will be created with the aim of tracking the infrastructure universe for sub-sovereign bonds:

Index Families
iBoxx EUR Investment Grade Sub-Sovereigns Infrastructure
iBoxx GBP Investment Grade Sub-Sovereigns Infrastructure
iBoxx USD Investment Grade Sub-Sovereigns Infrastructure

**IMPLEMENTATION TIMING**

IMBA will implement the previously described methodology change following the April 2023 month-end rebalancing, which takes effect prior to the market open on Monday, May 1, 2023.

**H) Creation of Renewable Energy Sector.**

IMBA will move the sector ‘Alternative Energy’ under a newly created supersector category, called ‘Renewable Energy’. In addition, the industry classification ‘Oil & Gas’ will be renamed to ‘Energy’. This will better represent the two constituent supersectors ‘Oil & Gas’ and ‘Renewable Energy’. The below tables summarize the changes.

Previous Classification			
Industry	Supersector	Sector	Subsector
Oil & Gas	Oil & Gas	Oil & Gas Producers	Exploration & Production
			Refining & Marketing
		Oil Equipment/ Services & Distribution	Integrated Oil & Gas
			Oil Equipment & Services
			Pipelines
		Alternative Energy	Renewable Energy Equipment
Alternative Fuels			

Updated Classification*			
Industry	Supersector	Sector	Subsector
<i>Energy</i>	Oil & Gas	Oil & Gas Producers	Exploration & Production
			Refining & Marketing
		Oil Equipment/ Services & Distribution	Integrated Oil & Gas
			Oil Equipment & Services
			Pipelines
		<b>Renewable Energy*</b>	<i>Alternative Energy</i>
			Alternative Fuels

\* Names in **bold** indicates newly created category. Names in *italics* indicates renamed category.

**IMPLEMENTATION TIMING**

IMBA will implement the previously described methodology change following the April 2023 month-end rebalancing, which takes effect prior to the market open on Monday, May 1, 2023.

**I) Inclusion of Taxable Municipals (Taxable Munis) for iBoxx USD Overall Index.**

IMBA will include Taxable Munis into the iBoxx USD indices, subject to the bonds fulfilling all other iBoxx eligibility rules. The newly added bonds will be classified under Level 2 of the iBoxx classification as ‘Sub-Sovereigns’ and under Level 3 as ‘Local Government’.

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## **IMPLEMENTATION TIMING**

IMBA will implement the previously described methodology change following the June 2023 month-end rebalancing, which takes effect prior to the market open on Monday, July 3, 2023.

### **J) iBoxx Inflation-Linked Bond Index Review.**

IMBA will implement following two changes to the iBoxx Inflation-Linked Bond indices:

#### **1. Inclusion of Israeli inflation-linked bonds**

- Israeli Shekel denominated inflation-linked bonds are eligible for the indices. The minimum outstanding amount for the bonds is ILS 5 billion.
- The following new sub-indices are created: iBoxx Israel Inflation-Linked Index and iBoxx Israel Inflation-Linked Maturity indices (1-5, 5-10, 5+, 10+).

#### **2. Exclusion of South Korean Inflation-linked bonds**

- South Korean inflation-linked bonds are excluded from the iBoxx inflation-linked indices.
- The iBoxx Korea Inflation-Linked Index and its maturity indices (1-5, 5-10, 5+, 10+) will be maintained as standalone indices.

## **IMPLEMENTATION TIMING**

IMBA will implement the previously described methodology change following the March 2023 month-end rebalancing, which takes effect prior to the market open on Monday, April 3, 2023.

### **FOR MORE INFORMATION:**

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## Appendix I – Eligibility of 144A Bonds in iBoxx USD Indices

Bonds Eligible for Inclusion (analysis as of Jul. 31, 2022):

Ticker	Issuer	Classification	Bonds Identifier (ISIN)
ALVGR	Allianz SE	Financials	US018820AB64
ANTHOL	Antares Holdings LP	Non-Financials	US03666HAC51, US03666HAD35, US03666HAE18
AXASA	AXA SA	Financials	US054536AC14
BALN	BAE Systems Finance Inc	Non-Financials	US11041RAL24
BNP	BNP Paribas SA	Financials	US05565ASK06, US05565AB286
ACAFP	Credit Agricole SA	Financials	US225313AL91, US225313AP06
EQNR	Equinor ASA	Non-Financials	US24820RAG39
HSBC	HSBC Capital Funding Dollar 1 LP	Financials	US40427LAB09
ICLIT	ICL Group Ltd	Non-Financials	IL0028103310
ISRELE	Israel Electric Corp Ltd	Non-Financials	IL0060002446, IL0060004004
CITNAT	Kookmin Bank	Financials	US50049MAD11
KHC	Kraft Heinz Foods Co	Non-Financials	US42307TAH14
MASSMU	Massachusetts Mutual Life Insurance Co	Financials	US575767AM08
MET	MetLife Inc	Financials	US59156RBS67
NTBKKK	NBK Tier 1 Ltd	Financials	US62879NAA54
OGLETH	Oglethorpe Power Corp	Non-Financials	US677050AC00
ORCINC	Owl Rock Core Income Corp	Non-Financials	US69120VAE11, US69120VAJ08
ORTFIN	Owl Rock Technology Finance Corp	Non-Financials	US691205AC21
QBEAU	QBE Insurance Group Ltd	Financials	US74728GAE08
SECBEN	Security Benefit Global Funding	Financials	US81412DAA19
TRISTA	Tri-State Generation and Transmission Association Inc	Non-Financials	US89566EAD04
TTXCO	TTX Co	Non-Financials	US87305QCH20
USAACA	USAA Capital Corp	Financials	US90327QD719, US90327QD891

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