

## IHS Markit Benchmark Administration Limited Consultation on Capital Controls of International and National Debt

**LONDON, MARCH 7, 2023:** IHS Markit Benchmark Administration Limited (IMBA) is conducting a consultation with market participants on potential methodology changes to certain iBoxx Emerging Market indices.

### BACKGROUND

IMBA is suggesting to update the treatment of non-domestic debt with regards to capital controls. Governments use capital controls to pool scarce foreign currency to make them available for government purposes at the expense of other actors within the affected country.

This proposed framework is intended to address the iBoxx Emerging Markets indices denominated in hard currency. Other iBoxx families covering domestic debt (sovereign, sub-sovereign, and corporate debt in local currency) with existing rules on capital controls are not affected. Their specific capital controls treatment resulting in an exclusion of a country's debt from an index is defined in the index rules for the relevant index family. For reference, the below lists the iBoxx index families that already have defined rules on capital controls:

- iBoxx GEMX (Global Emerging Market Index)
- iBoxx Global Government Bond Index
- iBoxx ABF
- iBoxx ALBI
- iBoxx Asia ex-Japan

### PROPOSAL

#### **Non-domestic sovereign, sub-sovereign, and corporate debt in hard currency:**

Capital controls affecting foreign currency sovereign, sub-sovereign, and corporate debt denominated in USD and EUR will be evaluated on a case-by-case basis if they impede payments of interest or repayments of principal of external debt. If no such impediment exists, bonds are eligible for the iBoxx indices.

### IMPACT ANALYSIS

Following a review on a case-by-case basis, the bonds listed below would enter the iBoxx indices as the current capital controls do not impede payments of interest or repayments of principal of external debt.

Based on the December 2022 month-end rebalance, 6 bonds would have been eligible for the iBoxx USD Emerging Markets Sovereigns index, with a total bond weight of 2.36%. Please find further information in the table on the following page.

ISIN	Issuer	Maturity	Bond Weight
US040114HV54	Argentine Republic Government International Bond	09-Jan-38	0.42%
US040114HX11	Argentine Republic Government International Bond	09-Jul-41	0.09%
US040114HU71	Argentine Republic Government International Bond	09-Jul-30	0.51%
US040114HS26	Argentine Republic Government International Bond	09-Jul-35	0.56%
US040114HW38	Argentine Republic Government International Bond	09-Jul-46	0.07%
US040114HT09	Argentine Republic Government International Bond	09-Jul-29	0.71%

There would have been no impact based on the December 2022 month-end rebalance for the iBoxx USD Liquid Emerging Markets Sovereigns indices since all 6 bonds are callable and ineligible for the liquid index in consequence.

Based on the December 2022 month-end rebalance, 15 bonds would have been eligible for the iBoxx USD Emerging Markets Non-Sovereigns index, with a total bond weight of 0.61%. Please find further information in the table below.

ISIN	Issuer	Maturity	Bond Weight
USP0092MAJ29	Aeropuertos Argentina 2000 SA	01-Aug-31	0.02%
XS2571927768	Agua y Saneamientos Argentinos SA	01-May-26	0.02%
USP04559AW36	Arcor SAIC	09-Oct-27	0.02%
USP46214AC95	Generacion Mediterranea SA / Generacion Frias SA / Central Termica Roca SA	01-Dec-27	0.02%
USP46756BA25	Genneia SA	02-Sep-27	0.03%
USP7464EAH91	Pampa Energia SA	08-Dec-26	0.02%
USE7S78BAB82	Pan American Energy LLC/Argentina	30-Apr-27	0.03%
XS2385150334	Provincia de Buenos Aires	01-Sep-37	0.20%
XS2385151738	Provincia de Buenos Aires	01-Sep-37	0.02%
USP9028NAZ44	Telecom Argentina SA	06-Aug-25	0.03%
USP6480JAH07	The Province of Mendoza	19-Nov-29	0.04%
USP989MJBS99	YPF SA	30-Jun-29	0.05%
USP989MJBR17	YPF SA	12-Feb-26	0.06%
USP989MJBQ34	YPF SA	23-Mar-25	0.02%
USP989MJBT72	YPF SA	30-Sep-33	0.03%

## IMPLEMENTATION TIMING

IMBA is proposing to implement the previously described methodology changes, if adopted, in conjunction with the April 2023 month-end rebalancing, which takes effect prior to the market open on May 1, 2023.

## QUESTIONS

Please answer the following questions and provide IMBA with the reasoning behind your answers:

1. Do you agree with the proposed methodology changes regarding capital controls?
2. Should these proposed methodology changes be adopted, do you agree with the proposed implementation date?
3. Do you have any other comments or feedback regarding the proposed changes outlined above?

Your participation in this consultation is important as we gather information from various market participants in order to properly evaluate your views and preferences on the proposal herein and the suggested timetable for its implementation. Please respond to this survey by **April 4, 2023**. After this

## CONSULTATION

date, IMBA will no longer accept survey responses. Prior to the Index Committee's final review, IMBA may request clarifications from respondents as part of that review.

To participate in this consultation, please visit the online survey available [here](#).

IMBA may publish summaries of stakeholders' comments along with IMBA's responses to those comments unless the stakeholder in question expressly requests confidentiality.

*Please be advised that all comments will be reviewed and considered before a final decision is made; however, IMBA makes no guarantees or is under no obligation to comply with any of the responses. The consultation may result in no changes or outcome of any kind. If IMBA decides to change the index methodology, an announcement will be posted on our website. IMBA reserves the right to make a final decision on the proposal.*

Thank you for taking the time to complete this survey.

For further information about this consultation, please contact IMBA at [SPDJI\\_Index\\_Governance@spglobal.com](mailto:SPDJI_Index_Governance@spglobal.com).

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