

IHS Markit Benchmark Administration Limited Consultation on the iBoxx USD Treasuries (AUD Hedged) Index

LONDON, OCTOBER 18, 2023: IHS Markit Benchmark Administration Limited (IMBA UK) is conducting a consultation with market participants on potential changes to the iBoxx USD Treasuries (AUD Hedged) Index.

BACKGROUND

The iBoxx USD Treasuries (AUD Hedged) Index reflects the performance of US Treasuries, hedged in AUD. As of August 31, 2023, the index is made up of 287 bonds.

| Index Name | ISIN (TRi) | BBG Ticker (TRi) |
|----------------------------------|--------------|------------------|
| iBoxx \$ Treasuries (AUD Hedged) | GB00BPMVRK41 | IBXXTRA2 |

PROPOSAL

In order to reduce tracking errors in underlying funds to the benchmark, IMBA UK proposes to change the FX hedging methodology from the standard hedging methodology to the daily hedging methodology when converting from USD to AUD.

| Current formula for FX Hedging | Proposed formula for FX Hedging |
|--|---|
| $\frac{FX_{t-s,t}^{LCY/CCY} - FX_t^{LCY/CCY}}{FX_{t-s}^{LCY/CCY}}$ | $\frac{FX_{t-s,1M}^{LCY/CCY} - FX_{t,t+s}^{LCY/CCY}}{FX_{t-s}^{LCY/CCY}}$ |

| | |
|-------------------------|---|
| $FX_t^{LCY/CCY}$ | Spot exchange rate at t (rebalancing) |
| $FX_{t-s}^{LCY/CCY}$ | Spot exchange rate at $t-s$ (last rebalancing) |
| $FX_{t-s,t}^{LCY/CCY}$ | Interpolated forward rate at $t-s$ for the period $t-s, t$ (standard hedging) |
| $FX_{t,t+s}^{LCY/CCY}$ | Interpolated forward rate at t for the period $t, t+s$ (daily hedging) |
| $FX_{t-s,1M}^{LCY/CCY}$ | 1-month forward rate at $t-s$ |

IMPACT ANALYSIS

IMBA UK conducted a one-year backtest to evaluate the impact on the index data with the current standard hedging methodology and the proposed daily hedging methodology.

| | iBoxx USD Treasuries (AUD Hedged) Standard Hedging | iBoxx USD Treasuries (AUD Hedged) Daily Hedging |
|---------------|---|--|
| Aug. 31, 2022 | 100.00 | 100.00 |
| Aug. 31, 2023 | 96.06 | 96.05 |

IMPLEMENTATION TIMING

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

QUESTIONS

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

- 1. Do you agree with the proposed methodology change to the FX Hedging formula for the iBoxx USD Treasuries (AUD Hedged) Index?**
- 2. Should this proposed methodology change be adopted, do you agree with the proposed implementation date?**
- 3. Do you have any other comments or feedback regarding the proposed change 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 **November 15, 2023**. After this date, IMBA UK will no longer accept survey responses. Prior to the Index Committee's final review, IMBA UK may request clarifications from respondents as part of that review.

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

Please be advised that all comments from this consultation will be reviewed and considered before a final decision is made; however, IMBA UK makes no guarantees nor is under any obligation to comply with any of the responses. The survey may result in no changes or outcome of any kind. If IMBA UK decides to change the index methodology, an announcement will be posted on our website. IMBA UK reserves the right to make a final decision on the proposal.

Thank you for taking the time to complete this survey.

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FOR MORE INFORMATION:

indices@ihsmarkit.com

CONSULTATION