

Reminder: IHS Markit Benchmark Administration Limited Classification Updates for European, North American, and Global iBoxx Indices

LONDON, MARCH 14, 2024: As previously [announced](#) on January 5, 2024, IHS Markit Benchmark Administration Limited ("IMBA UK") is implementing the following classification changes:

A. Granular Bank Classification

IMBA UK is updating the bank classification at the most granular level to provide greater clarity and precision in assessing the performance of banks in the index. The update includes the creation of a bank sub-sector definition as detailed below:

- **Global Systemically Important Banks** - Determined based on four main criteria: size, interconnectedness, complexity, and substitutability. They have stricter prudential regulations such as higher capital requirements and extra surcharges, and are subject to more stringent stress tests. The list of banks is maintained by the Financial Stability Board.
- **Domestic Systemically Important Banks** - Large, geographically diverse banks having been identified as systemically important by a national regulator or other centralized body. These banks are subject to specific laws, stress tests and stricter capital ratio requirements.¹
- **Other Non-Systemically Important Banks** - Small to mid-sized banks that are not considered systemically important by regulators are defined as non-systemic banks.

Under this change, stand-alone subsidiaries of Global Systemically Important Banks sharing the same issuer ticker will be collectively classified as Global Systemically Important Banks, providing a comprehensive representation of their financial impact. However, IMBA UK will recognize the uniqueness of stand-alone subsidiaries that bear different issuer tickers from their parent companies, and these entities will be individually classified. Furthermore, bank branches will be classified in alignment with their respective parent issuer, streamlining the classification process and enhancing the accuracy and relevance of the indices.

	Industry	Classification*		
		Supersector	Sector	Subsector
Previous	Core Financials	Banks	Banks	Banks
Updated	Core Financials	Banks	Banks	Global Systemically Important Banks Domestic Systemically Important Banks Other Non-Systemically Important Banks

*This table is for illustrative purposes and will not be reflected in the index guides.

¹ Where information on D-SIBs' status is not publicly available, classification is provided on a best efforts basis.

IMPACT

The index families impacted:

- All iBoxx index families

B. Update to Agencies' Classification Definition

IMBA UK is refining the existing 'Agencies' definition in the index methodology to enhance precision regarding the financial activities in which these entities are engaged. The table below details the definition change.

Methodology		
Change	Previous	Updated
Sub-Sovereign Sectors: Agencies	Bonds issued by entities whose major business is to fulfil a government-sponsored role to provide public, non-competitive services (e.g. Fannie Mae). Often, such business scope is defined by a specific law, or the issuer is explicitly backed by the government.	Bonds issued by entities whose major business is to fulfil a government-sponsored role to provide public, non-competitive services. These entities are financial in nature and carry out government policies through special development programs. Often, such business scope is defined by a specific law, or the issuer is explicitly backed by the government.
Sub-Sovereign Sectors: Other Sub-Sovereigns: Non-Financials	An issuer from a non-financial sector with explicit or strong implicit debt guarantee from the state, whose credit rating is closely correlated with the sovereign rating and expresses a strong credit uplift based on a high level of support from the government. iBoxx by S&P DJI would expect the issuer credit rating reflected as no worse than on par or two notches below the sovereign rating. A 'strong implicit guarantee' is defined as an issuer being 100% owned by the state or public-sector, and their debt being consolidated into state public debt, or the issuer has preexisting access to government financing, or funding derived from tax revenues. The local regulatory and political framework will be considered when assessing the classification of state-owned companies.	An issuer from a non-financial sector with explicit or strong implicit debt guarantee from the state, whose credit rating is closely correlated with the sovereign rating and expresses a strong credit uplift based on a high level of support from the government. iBoxx by S&P DJI would expect the issuer credit rating reflected as no worse than on par or two notches below the sovereign rating. A 'strong implicit guarantee' is defined as an issuer being 100% owned by the state or public-sector, and their debt being consolidated into state public debt, or the issuer has preexisting access to government financing, or funding derived from tax revenues. State-owned issuers that provide competitive services, are profit oriented, and operate under a regulatory framework are considered as Corporates.

IMPACT

The below table summarizes the impact of the 'Agencies' definition refinement.

Ticker	Issuer Name	Previous Classification	Updated Classification
KOMRMR	Korea Mine Rehabilitation & Mineral Resources Corp	Sub-Sovereigns/Agencies/Non-US Agencies	Sub-Sovereigns/Other Sub-Sovereigns/Non-Financials
KOMRMR	Minera y Metalurgica del Boleo SAPI de CV	Sub-Sovereigns/Agencies/Non-US Agencies	Sub-Sovereigns/Other Sub-Sovereigns/Non-Financials
KORAIR	Incheon International Airport Corp	Sub-Sovereigns/Agencies/Non-US Agencies	Sub-Sovereigns/Other Sub-Sovereigns/Non-Financials
SGCAZE	Southern Gas Corridor CJSC	Sub-Sovereigns/Agencies/Non-US Agencies	Sub-Sovereigns/Other Sub-Sovereigns/Non-Financials

The list of indices impacted by the financial/non-financial 'Agencies' classification update can be found [here](#).

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IMPLEMENTATION TIMING

IMBA UK is implementing all classification changes in conjunction with the April 2024 rebalancing, impacting the pro-forma files in the first week of April, and effective prior to the market open on **Wednesday, May 1, 2024**.

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indices@ihsmarkit.com

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