

Markit iBoxx USD Emerging Markets Sovereigns Quality Weighted Index Consultation

LONDON, APRIL 19, 2024: IHS Markit Benchmark Administration Limited (IMBA UK) is conducting a consultation with market participants on potential changes to the Markit iBoxx USD Emerging Markets Sovereigns Quality Weighted Index.

BACKGROUND

The index measures the performance of USD-denominated sovereign bonds issued by emerging market countries, adjusted using fundamental factors such as GDP growth, inflation, global competitiveness, and more. Country weights are determined by the specific country's relative fundamental scores. As of February 29, 2024, the index includes 412 bonds from 36 countries.

PROPOSAL

To align the index with the previously [announced](#) changes to the iBoxx USD Emerging Markets Sovereigns Index, IMBA UK proposes the following changes to the index's eligibility rules:

1. **Bond Type** – In addition to the existing rules, callable bonds will be eligible.
2. **Bond Rating** – Rated bonds or bonds with issuer ratings will be eligible.
3. **International Clearability** – Bonds must be clearable via one of the following three clearing venues:
 - Clearstream
 - Euroclear
 - Hong Kong CMU
4. **Time to Maturity** – Reduce the minimum remaining time to maturity at rebalancing from one year to six months.

IMPACT ANALYSIS

Using data from February 29, 2024, the following changes were observed if the proposed methodology changes had been adopted at the February rebalancing.

Proposal	Impact Per Proposal
Minimum Time to Maturity	16 newly eligible bonds with USD 28 billion notional
International Clearability	No impact
Bond Rating	5 newly eligible bonds with USD 5.1 billion notional
Callable Bonds	114 newly eligible bonds with USD 189.3 billion notional
Total Impact	135 total newly eligible bonds with USD 222.4 billion notional. (constitutes 31.8% of the current index composition's uncapped notional)

Additional data and analysis may be made available in the Client Resource Center www.spglobal.com/spdji/en/client-services/, which may be updated from time to time throughout the consultation without notice. Additional data and analysis may also be made available upon request.

IMPLEMENTATION TIMING

IMBA UK is proposing to implement the previously described methodology changes, if adopted, in conjunction with the May 2024 month-end rebalancing, which takes effect prior to the market open on **June 03, 2024**. If adopted, the changes will first be visible to clients in preliminary membership files beginning on **May 22, 2024**.

QUESTIONS

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

- 1. Do you agree with the proposal to allow callable bonds to be eligible?**
- 2. Do you agree with the proposal for rated bonds or bonds with issuer ratings to be eligible?**
- 3. Do you agree with the proposal to only include internationally clearable bonds?**
- 4. Do you agree with the proposal to reduce the minimum time to maturity at rebalancing from one year to six months?**
- 5. Should these proposed methodology changes be adopted, do you agree with the proposed implementation date?**
- 6. 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 **May 17, 2024**. 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 and is under no 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.

CONSULTATION

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