

# **iBoxx Contingent Convertible Liquid Developed Europe AT1 Index Consultation**

**LONDON, APRIL 29, 2024:** IHS Markit Benchmark Administration Limited (IMBA UK) is conducting a consultation with market participants on potential changes to the iBoxx Contingent Convertible Liquid Developed Europe AT1 index.

## **BACKGROUND**

The weights of the five largest issuers in the index are capped at 7.5% of the index market value at the rebalancing date. The other issuers' weights are capped at 4.5%. The size of individual bonds from an issuer is capped in relation to the issuer's market value. The capping is applied during the month-end rebalancing after close of business on the last trading day of the month.

## **PROPOSAL**

IMBA UK proposes implementing a 1% buffer rule to mitigate index turnover. Under this proposal, an issuer would only become subject to the top 7.5% capping if the issuer's constituent weight in the index exceeds the constituent weight of an issuer within the top 7.5% capping group by 1.0%. This adjustment aims to minimize the frequent switching between the fifth and sixth largest issuers, thereby reducing the instances where the issuers alternate between the 7.5% and 4.5% capping.

## **IMPACT**

IMBA UK has conducted an analysis to assess the effects of the proposed implementation of the 1% buffer rule on historical index performance, beginning in March 2018. The proposed buffer rule would decrease the frequency of individual switches between the 7.5% capping and 4.5% capping for a specific issuer from 21 switches to two switches. Subsequently, the proposal minimizes unnecessary turnover that does not correspond to significant changes in the issuance of bonds by the issuers.

Additional data and analysis may be made available in the Client Resource Center [www.spglobal.com/spdji/en/client-services/](http://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**.

## **QUESTIONS**

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

- 1. Do you agree with the proposed 1% buffer rule for the iBoxx Contingent Convertible Liquid Developed Europe AT1 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?**

Participation in this consultation is important as IMBA UK gathers information from various market participants in order to properly evaluate market participants' 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](#).

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 UK makes no guarantees nor is under any obligation to comply with any of the responses. The consultation 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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## CONSULTATION