

September 30th 2015

Markit announces results of the 2015 iBoxx Asian Annual Index Review

Following the Markit iBoxx Annual Index Review for the Asian indices in August and September 2015, Markit is pleased to announce the 2015 market weights for the Markit iBoxx ABF and Asia ex-Japan indices as well as the below changes and clarifications to the index rules for the Asian iBoxx indices. All changes, including the 2015 market weights have been reviewed by the Markit iBoxx Asian Oversight Committee.

1. 2015 market weights – Markit iBoxx ABF Pan-Asia Indices

As part of the 2015 Asian Annual Index Review, Markit has calculated the 2015 weights of the eight markets covered by the Markit iBoxx ABF indices. The new weights are effective from October 31st 2015.

Market	2015 weights	2014 weights	Total change
China	21.05%	20.11%	0.94%
Hong Kong	14.60%	14.90%	-0.30%
Indonesia	6.80%	6.74%	0.06%
South Korea	16.95%	16.90%	0.05%
Malaysia	10.82%	11.41%	-0.59%
Philippines	5.44%	5.56%	-0.12%
Singapore	15.20%	15.45%	-0.25%
Thailand	9.14%	8.93%	0.21%

The values for each of the factors used in the current review of market weights are:

Market	Size (USD bn)	Rating	GEMLOC Investability Indicator
China	5590	AA-	45
Hong Kong	196	AAA	84
Indonesia	125	BBB-	60
Malaysia	285	A	76
Philippines	103	BBB	48
Singapore	242	AAA	89
South Korea	1756	AA	84
Thailand	284	A-	67

2. 2015 market weights – Markit iBoxx Asia ex-Japan Indices

As part of the 2015 Asian Annual Index Review, Markit has calculated the 2015 weights of the ten markets covered by the Markit iBoxx Asia ex-Japan indices. The new weights are effective from October 31st 2015.

Market	2015 weights	2014 weights	Total change
China	9.12%	8.65%	0.47%
Hong Kong	15.43%	15.64%	-0.21%
India	3.49%	3.56%	-0.07%
Indonesia	7.11%	7.00%	0.11%
South Korea	18.05%	17.84%	0.21%
Malaysia	11.38%	11.93%	-0.55%
Philippines	5.69%	5.77%	-0.08%
Singapore	16.07%	16.22%	-0.15%
Taiwan	4.05%	4.06%	-0.01%
Thailand	9.61%	9.33%	0.28%

The values for each of the factors used in the current review of market weights are:

Market	Size (USD bn)	Rating	GEMLOC Investability Indicator	Securities Market Access Score
China	5590	AA-	45	50.0
Hong Kong	196	AAA	84	100.0
India	893	BBB-	57	50.0
Indonesia	125	BBB-	60	87.5
Malaysia	285	A	76	87.5
Philippines	103	BBB	48	75.0
Singapore	242	AAA	89	100.0
South Korea	1756	AA	84	100.0
Taiwan	280	AA-	53	12.5
Thailand	284	A-	67	75.0

3. Methodology change for the calculation of the liquidity ranking factor for sub-sovereigns bonds – Markit iBoxx ABF and Markit iBoxx Asia ex-Japan Indices

The liquidity ranking factor is currently calculated for all sub-sovereign issuers with more than 5 qualifying bonds (per currency). The 5 bonds with the highest liquidity ranking factor are included in the index. On a number of occasions, the methodology has led to an exchange of bonds in the index membership with the new bond having only a marginally higher liquidity ranking factor.

Markit has reviewed the current calculation methodology for the liquidity ranking factor with a view to reducing the turnover for frequent issuers. The updated methodology includes an incumbency premium of 0.1 for existing index constituents to ensure that new inclusions have a significantly better underlying liquidity ranking factor than current constituents; the weight of the age factor has been reduced from 30% to 20%.

The new combined z-score for the liquidity ranking attaches the following weight to the individual factors:

- 0.5 to the amount outstanding
- **-0.2** to the age (as younger is more liquid)
- 0.2 to the time to maturity of individual bonds
- **0.1 for existing index constituents**

The new calculation methodology is effective from October 31st 2015.

4. Eligibility of covered bonds for the Markit iBoxx SGD and Markit iBoxx USD Asia ex-Japan indices

Markit plans to permit the inclusion of covered bonds in the Markit iBoxx SGD and Markit iBoxx USD Asia ex-Japan indices. Covered bonds have become more popular in Asia over the last few years with several jurisdictions having passed/in the process of passing covered bond legislation.

Currently covered bonds from Korea and Singapore have been issued. The following bonds will become eligible for the Markit iBoxx USD Asia ex-Japan indices:

- Korea Housing Finance Corp 3.5 15-Dec-2016 US\$ 500m
- Korea Housing Finance Corp 1.625 15-Sep-2018 US\$ 500m
- DBS Bank 1.625 06-Aug-2018 US\$ 1bn

There are no qualifying covered bonds for Markit iBoxx SGD index at this point.

Covered bonds will be classified as a new separate category under Non-Sovereigns:

- Markit iBoxx SGD: Non-Sovereigns → Collateralized → Covered → (Country of issuer, e.g. Singapore Covered, South Korea Covered etc.)
- Markit iBoxx USD Asia ex-Japan: Non-Treasuries → Collateralized → Covered → (Country of issuer)

The following new indices will be created:

- Markit iBoxx SGD Covered
- Markit iBoxx USD Asia ex-Japan Covered

The inclusion of covered bonds will become effective after the close of business on February 29th 2016.

5. Amendment of the corporate sector classification scheme

As part of the 2015 Asian Annual Index Review, Markit plans to add an additional sector to its corporate sector classification scheme within Financials. The new sector “Guaranteed & Wrapped” will contain bonds that are issued by a corporate issuer where the principal and coupon payments are guaranteed by an unaffiliated second corporate issuer. The guarantee is usually issued by a bank or insurance company to secure a better rating for the bond than would be achieved on a standalone basis. Over the last few years, a number of such securities have become eligible for the Hang Seng Markit iBoxx Offshore RMB Bond and the Markit iBoxx USD Asia ex-Japan Indices. Currently, these bonds are assigned to the corporate sector according to the business scope of the issuer. Going forward, Markit will assign these bonds to a separate corporate sector to better reflect the hybrid nature of these securities.

The change in the classification scheme will be effective for the Hang Seng Markit iBoxx Offshore RMB Bond, iBoxx SGD and iBoxx USD Asia ex-Japan Indices.

Current classification		New classification	
Industry	Super Sector	Industry	Super Sector
Financials	— Banks	Financials	— Banks
	— Financials Services		— Financials Services
	— Insurance		— Insurance
	— (in iBoxx USD Asia ex-Japan: Real Estate)		— (in iBoxx USD Asia ex-Japan: Real Estate)
			— Guaranteed & Wrapped

The new sector classification is effective after the close of business on February 29th 2016.

The following new sub-indices are launched as part of this change:

Index family	Index name
Hang Seng Markit iBoxx Offshore RMB Bond	— Hang Seng Markit iBoxx Offshore RMB Guaranteed & Wrapped Bond Index
	— Hang Seng Markit iBoxx Offshore RMB Guaranteed & Wrapped High Yield Bond Index
	— Hang Seng Markit iBoxx Offshore RMB Guaranteed & Wrapped Investment Grade Bond Index
	— Hang Seng Markit iBoxx Offshore RMB Guaranteed & Wrapped Large Cap Bond Index
	— Hang Seng Markit iBoxx Offshore RMB Guaranteed & Wrapped Large Cap High Yield Bond Index
	— Hang Seng Markit iBoxx Offshore RMB Guaranteed & Wrapped Large Cap Investment Grade Bond Index
	— Hang Seng Markit iBoxx Offshore RMB Guaranteed & Wrapped Rated Bond Index
	— Hang Seng Markit iBoxx Offshore RMB Guaranteed & Wrapped Rated High Yield Bond Index
	— Hang Seng Markit iBoxx Offshore RMB Guaranteed & Wrapped Rated Investment Grade Bond Index
Markit iBoxx USD Asia ex-Japan	— Markit iBoxx USD Asia ex-Japan Guaranteed & Wrapped
	— Markit iBoxx USD Asia ex-Japan Guaranteed & Wrapped High Yield
	— Markit iBoxx USD Asia ex-Japan Guaranteed & Wrapped Investment Grade

For More Information

For more information on Markit indices please contact us at iboxx@markit.com visit our website at www.markit.com/indices or call one of our regional offices:

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