



IHS Markit™

Markit iBoxx USD Annual Index Review 2017 Results

August 2017

- 1. Eligibility of senior fixed-to-float bank bonds.....3
- 2. Additional senior bank debt classification based on Total Loss Absorbing Capacity (“TLAC”) regulation.....3
- 3. Rule Clarification: Rebalancing cut-off for bonds within the existing iBoxx USD universe.....3

IHS Markit announces results of the 2017 Markit iBoxx USD Annual Index Review

Following the iBoxx USD Annual Index Review, IHS Markit is pleased to announce the following changes to and clarifications of the iBoxx USD rules. All amendments were discussed with the iBoxx USD Advisory Committee prior to IHS Markit's decision on implementation.

1. Eligibility of senior fixed-to-float bank bonds

Senior fixed-to-float bonds issued by banks with a call option up to 25 months prior to maturity will become eligible for the Markit iBoxx USD Benchmark Index and the Markit iBoxx USD Liquid High Yield Index. Currently, these instruments are not eligible for these indices. Only subordinated fixed-to-float bonds are included in the Markit iBoxx USD benchmark Index. Since early 2017, the market has seen an increase in issuances of senior fixed-to-float debt from banks featuring a call option one year prior to maturity. For senior fixed-to-float bank bonds the first call date will be regarded as the workout date. This is in line with the treatment of subordinated fixed-to-float bonds which are part of the iBoxx USD indices.

This change will be effective as of 31 August 2017 rebalance for the iBoxx USD Investment Grade indices and the iBoxx USD High Yield indices.

The list below includes all eligible fixed-to-float bonds for Markit iBoxx USD Benchmark Index as of 31 July 2017:

Issuer	ISIN	Amount Outstanding	First Settlement Date
Citigroup Inc	US172967LD18	2,750,000,000	10-Jan-2017
Bank of America Corp	US06051GGE35	1,500,000,000	20-Jan-2017
Bank of America Corp	US06051GGF00	2,500,000,000	20-Jan-2017
Bank of America Corp	US06051GGG82	2,000,000,000	20-Jan-2017
JPMorgan Chase & Co	US46625HRY89	2,750,000,000	01-Feb-2017
JPMorgan Chase & Co	US46647PAA49	2,000,000,000	22-Feb-2017
HSBC Holdings PLC	US404280BJ78	2,500,000,000	13-Mar-2017
HSBC Holdings PLC	US404280BK42	2,500,000,000	13-Mar-2017
JPMorgan Chase & Co	US46647PAE60	1,500,000,000	25-Apr-2017
JPMorgan Chase & Co	US46647PAF36	2,500,000,000	25-Apr-2017
Citigroup Inc	US172967LJ87	1,000,000,000	25-Apr-2017
Bank of America Corp	US06051GGK94	1,250,000,000	24-Apr-2017
Bank of America Corp	US06051GGL77	2,000,000,000	24-Apr-2017
Bank of America Corp	US06051GGM50	2,000,000,000	24-Apr-2017

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The Bank of New York Mellon Corp	US06406RAC16	1,000,000,000	16-May-2017
Royal Bank of Scotland Group PLC	US780097BE04	1,500,000,000	15-May-2017
Wells Fargo & Co	US95000U2A01	3,000,000,000	22-May-2017
JPMorgan Chase & Co	US46647PAH91	2,000,000,000	01-Jun-2017
Goldman Sachs Group Inc	US38141GWJ92	1,750,000,000	05-Jun-2017
Goldman Sachs Group Inc	US38141GWL49	2,500,000,000	05-Jun-2017
Bank Of America Corp	US06051GGP81	2,500,000,000	21-Jul-2017
Bank Of America Corp	US06051GGQ64	1,500,000,000	21-Jul-2017
Bank Of America Corp	US06051GGR48	2,000,000,000	21-Jul-2017
Goldman Sachs Group Inc	US38141GWM22	2,250,000,000	24-Jul-2017
Citigroup Inc	US172967LM17	2,500,000,000	24-Jul-2017
Morgan Stanley	US61744YAK47	3,000,000,000	24-Jul-2017
Citigroup Inc	US172967LP48	2,500,000,000	24-Jul-2017
Morgan Stanley	US61744YAL20	2,000,000,000	24-Jul-2017
JPMorgan Chase & Co	US46647PAJ57	2,500,000,000	24-Jul-2017
JPMorgan Chase & Co	US46647PAK21	1,500,000,000	24-Jul-2017

There are no eligible fixed-to-float bonds for the Markit iBoxx USD Liquid High Yield Index as of 31 July 2017.

2. Additional senior bank debt classification based on Total Loss Absorbing Capacity (“TLAC”) regulation

To differentiate between TLAC eligible bank debt (senior bail-in) and non-TLAC eligible debt (senior preferred), IHS Markit will introduce a new seniority level called “Bail-in” to the iBoxx USD Benchmark indices. This additional hierarchy level will be applied to a new type of senior note issued by banks which are subject to write-down or conversion into a subordinated instrument on the occurrence of a resolution event.

In addition to the implementation of the new “Bail-in” seniority level, IHS Markit will populate Seniority Level 2 for the remaining senior bonds issued by banks with the value “Preferred”. In terms of ranking, “Bail-in” bonds will sit below the “Preferred” notes and above the subordinated lower tier 2 notes (“LT2”). The “Bail-in” bonds would only be bailed-in during a resolution event after other more subordinated capital instruments, but before other senior liabilities (“Preferred”).

Current Structure:

Market Sector	Seniority Level 1	Seniority Level 2
Banks	SEN	*
	SUB	LT2

New Structure:

Market Sector	Seniority Level 1	Seniority Level 2
Banks	SEN	Preferred
	SEN	Bail-In
	SUB	LT2

The new senior rank “Bail-in” will accommodate all statutory, structurally and contractually subordinated senior unsecured notes. Currently the following types of bonds will be assigned to the Seniority Level “Bail-in”:

- Senior bank debt issued by holding companies;
- Senior bank debt with a contractual bail-in clause; and
- Senior bank debt by German issuers that can be bailed-in based on the ‘Single Resolution Mechanism’ legislation.

Any future statutory changes will be reviewed and considered as they become known.

No file format changes will be required since the additional senior level will be defined by using the existing field “Seniority Level 2”.

These changes will be introduced at the 31 October 2017 rebalance and will impact the iBoxx USD indices. The details of the reclassified bonds will be available in the iBoxx USD indices previews starting October 2017.

3. Rule Clarification: Rebalancing cut-off for bonds within the existing iBoxx USD universe

The standard cut-off for new insertions into the iBoxx USD universe is three business days prior to rebalancing. However for bonds that are already within the iBoxx USD universe, IHS Markit applies a cut-off that is two business days prior to rebalancing. For example if a bond which is part of Markit iBoxx USD Emerging Market Corporates Index is upgraded from BB to BBB two business days prior to rebalancing, it becomes eligible for the Markit iBoxx USD Benchmark Index at the same time.

This practice is already followed for iBoxx USD indices, including:

- Markit iBoxx USD Benchmark Index
- Markit iBoxx Asian USD Bond Index
- Markit iBoxx Asian USD High Yield Bond Index
- Markit iBoxx USD Asia ex-Japan Index
- Markit iBoxx USD Emerging Markets Sovereigns Index
- Markit iBoxx USD Emerging Markets Corporates Index
- Markit iBoxx USD Liquid High Yield Index
- Markit iBoxx USD Infrastructure Index
- Markit iBoxx USD FRN Investment Grade Corporate Index
- Markit iBoxx USD Liquid Investment Grade Ultrashort Index
- Emirates NBD Markit iBoxx USD Sukuk Index