



Markit iBoxx NZD Sovereigns Index Guide

March 2019

1	Markit iBoxx NZD Sovereigns Index	3
1.1	Index governance	3
1.1.1	Technical Committee	3
1.1.2	Oversight Committee	3
1.2	Publication of the index	3
2	Bonds selection rules	5
2.1	Bond type	5
2.2	Issuer type	6
2.3	Credit rating	6
2.4	Time to maturity	6
2.5	Amount outstanding	6
3	Bond classification	7
3.1	Sovereigns	7
4	Index calculation	8
4.1	Static data	8
4.2	Bond prices	8
4.3	Rebalancing process	8
4.4	Index data	9
4.4.1	Index on the last calendar day	9
4.4.2	Mid-prices index version	9
4.5	Index calculus	9
4.6	Treatment of the special intra-month events	9
4.7	FX rates	10
4.8	Index history	10
4.9	Settlement conventions	10
4.10	Data publication and access	10
4.11	Index restatement	11
4.12	Index review	11
5	Markit iBoxx NZD Sovereigns Index	12
6	Further information	13

1 Markit iBoxx NZD Sovereigns Index

The index is designed to reflect the performance of NZD denominated New Zealand Sovereign bonds. The index is rebalanced on the last business day of each month (the “rebalancing date”) and is market-value weighted. The index is an integral part of the global Markit iBoxx index families, which provide the marketplace with accurate and objective benchmarks by which to assess the performance of bond markets and investments.

All iBoxx indices are priced based on multiple data inputs. The Markit iBoxx NZD Sovereigns Index uses multi-source prices as described in the document “Markit iBoxx Pricing Rules” publically available on www.markit.com/indices.

This document covers the index selection rules and calculation methodology

1.1 Index governance

In order to ensure the independence and the objectivity of the Markit iBoxx NZD Sovereigns Index, the index rules and their enforcement will be governed by two distinct Index Advisory Committees, in line with the governance structure for the main iBoxx index families.

1.1.1 Technical Committee

The Technical Committee is composed of representatives from market makers/banks. The main purpose of this group is to provide assistance in the identification of eligible constituents, especially in the instance where the eligibility or the classification of a bond is unclear or contentious. Additionally, the Technical Committee discusses any market developments which may warrant index rule changes, and provide recommendations on changes to the rules or additional indices. It also reviews the impact of financial sanctions on the eligibility of countries or specific index constituents. The Technical Committee meets once a month.

1.1.2 Oversight Committee

The Oversight Committee is comprised of representatives from a broad range of asset managers, consultants and industry bodies. The purpose of this committee is to review the recommendations made by the Technical Committee and also to provide consultation on any market developments which may warrant rule changes.

1.2 Publication of the index

The indices are calculated once a day at the end of the trading day. The index is calculated every day except on non-business days. In addition, the indices are calculated with the previous trading day’s close on the last calendar day of each month if that day is not a trading day. IHS Markit publishes an index calculation calendar which is available in the indices section on www.markit.com/indices under

Calendar for registered users. Index data and bond price information is also available from the main information vendors.

Bond and index analytical values are calculated each trading day using the daily closing prices. Closing index values and key statistics are published at the end of each business day in the indices section on www.markit.com/indices for registered users.

2 Bonds selection rules

The following selection criteria are used to determine the index constituents:

- Bond type
- Issuer type
- Time to maturity
- Outstanding amount

2.1 Bond type

Only fixed rate bonds whose cash flow can be determined in advance are eligible for the index. The index is comprised solely of sovereign bonds. Bills, other money market instruments and inflation linked bonds are not eligible.

In particular, the following bond types are eligible:

- Fixed Coupon bonds (“plain vanilla bonds”)
- Zero Coupon bonds

The following bonds are specifically excluded:

- Floating rate notes
- Fixed-to-floater bonds
- Sinking funds and amortizing bonds
- Inflation-linked bonds
- Perpetual bonds
- Callable bonds
- Retail bonds. This for example concerns New Zealand Government bonds for Individuals.

For retail bonds and private placements, publicly available information is not always conclusive and the classification of a bond as a retail bond or a private placement will be made at IHS Markit’s discretion based on the information available at the time of determination. IHS Markit may consult with the specific Index Advisory Committees to review potential retail bonds or private placements. Any bond classified as retail or private placement is added to the list of excluded private placements and retail bonds. The list is published on www.markit.com/NewsInformation/GetNews/iBoxx under *Indices News* for future reference and to ensure decision’s consistency.

In instances where a new bond type is not specifically excluded or included according to the published index rules, IHS Markit will analyse the features of such securities in line with the principles set out in 2.1 of this guide. IHS Markit may consult the specific Index Advisory Committees. Any decision as to the eligibility or ineligibility of a new bond type will be published and the index rules will be updated accordingly.

2.2 Issuer type

Only debt issued by the New Zealand in NZD is eligible.

2.3 Credit rating

Bonds in Markit iBoxx New Zealand Sovereign Index do not use individual bond ratings. The iBoxx average rating is determined using "New Zealand's local currency sovereign debt rating" from the below mentioned rating agencies.

- Fitch Ratings
- Moody's Investor Service
- S&P Global Ratings

For more information on how the average rating is determined, please refer to the iBoxx Rating Rules. The Rules can be found on <https://ihsmarkit.com/products/indices.html> under *Documentation – iBoxx* → *Methodology*.

2.4 Time to maturity

All bonds must have at least one year time to maturity at the rebalancing day.

2.5 Amount outstanding

All bonds require a minimum amount outstanding of NZD 2 billion. Amounts issued to individuals are deducted from the total issuance.

3 Bond classification

All bonds are classified based on the principal activities of the issuer and the main sources of the cash flows used to pay coupons and redemptions.

The issuer classification is reviewed regularly based on updated information received by IHS Markit, and status changes are included in the index at the next rebalancing if necessary.

Where the sector classification of a specific entity is not very clear due to the diversified business of the entity, decision will be made at IHS Markit's discretion. IHS Markit will assign the IHS Markit classification according to its evaluation of the business risk presented in the security prospectus and annual reports, if available. IHS Markit will also compare the classification to peers in the potential sectors and may consult with the Index Advisory Committees. Membership list including classification is published on the FTP server and in the *Indices* section on www.markit.com/indices for registered users.

The main sector classification within the index family is Sovereigns.

3.1 Sovereigns

Bonds issued by the New Zealand government and denominated in NZD.

4 Index calculation

4.1 Static data

Information used in the index calculation is sourced from offering circulars and checked against standard data providers.

FX spot and forward rates are sourced from WM Company. The daily index calculation uses the FX rates from 8am London time.

4.2 Bond prices

For more details please refer to the *Markit iBoxx Pricing Rules* document, available in the *Methodology* section of the Markit iBoxx Documentation page on www.markit.com/Documentation/Product/IBoxx.

4.3 Rebalancing process

The Markit iBoxx NZD Sovereigns Index is rebalanced monthly on the last business day of the month after the close of business. Changes to outstanding amounts are only taken into account if they are publicly known three business days before the end of the month. Changes in ratings are only taken into account if they are publicly known two business days before the end of the month. New bonds issued are taken into account if they are publicly known to settle until the last calendar day of the month, inclusive, and if their rating has become known at least three trading days before the end of the month.

Preview lists of eligible bonds are published ten (T-10), four (T-4), and three (T-3) trading days before end of the month. The preview membership list is published on the FTP server and in the indices section on www.markit.com/indices under *Data/Bond List Preview* for registered users.

Three business days before the end of each month, a membership list with final amount outstanding for each bond is published. This list contains the maximum number of constituents for the next month.

Two business days before the end of each month, the rating information for the constituents is updated and the list is adjusted for all rating changes which are known to have taken place two trading days before the end of the month. Bonds which are known to have been upgraded to investment grade two trading days before the end of the month are not included in the membership, but bonds which are known to have been downgraded to sub-investment grade two trading days before the end of the month do get excluded from the membership.

On the last business day of each month, IHS Markit publishes the final membership with closing prices for the bonds, and various bonds analytics based on the index prices of the bonds.

4.4 Index data

The calculation of the index is based on bid prices. New securities are included in the index at their respective ask prices when they enter the index family. In the event that no price can be established for a particular security, the index continues to be calculated based on the last available price. This might be the case in periods of market stress, or disruption as well as in illiquid or fragmented markets. If the required inputs become impossible to obtain, IHS Markit may consult the specific Index Advisory Committees at the following rebalancing date. Decisions are made publicly available on a timely basis and IHS Markit may refer back to previous cases.

On the last trading day of a month, the rebalancing takes place after close of market.

4.4.1 Index on the last calendar day

The index is also calculated on the last calendar day of each month irrespective of holidays and weekends. If the index is calculated on a day that is a non-business day, then the prices from the previous trading day will be carried forward and the index will be calculated using those prices and the current accrued interest and coupon payment data.

4.4.2 Mid-prices index version

In addition to the bid/ask price version of the index and index based on mid-prices with a cost factor will be published. The version is calculated based on mid quotes. Bonds that are not in the index for the current month, but become eligible for the index at the next re-balancing, enter the index at mid prices. Costs associated with the bid/ask spread at each re-balance date are captured by a cost factor. The cost factor can be found in the Index Calculus document that is published in the indices section of <http://www.markit.com> under Publications.

4.5 Index calculus

For specific index formulas please refer to the *Markit iBoxx Bond Index Calculus* document, available in the *Methodology* section of the iBoxx Documentation page on www.markit.com/Documentation/Product/iBoxx.

4.6 Treatment of the special intra-month events

Data for the application of corporate actions in the index may not be fully or timely available at all times, e.g. the final call prices for make-whole calls or the actual pay-in-kind percentage for PIK-payment options. In such cases, IHS Markit will estimate the approximate value based on the available data at the time of calculation.

4.7 FX rates

Unhedged and hedged versions of the index in USD are also available. FX spot rates are sourced from WM/Reuters. The index calculation uses the FX rates from 4 p.m. London time mid prices. If the rebalancing day is a non-business day, the 4 p.m. London time FX rates from the previous business day are used.

4.8 Index history

The index history starts on 31 December 2001. All indices have a base value of 100 on that date.

4.9 Settlement conventions

All iBoxx indices are calculated using the assumption of T+0 settlement days.

4.10 Data publication and access

The table below summarizes the publication of Markit iBoxx NZD Sovereigns Index in the *Indices* section of the IHS Markit website www.markit.com/indices for registered users and on the FTP server.

Frequency	File Type	Access
Daily	Underlying file – Bond level	FTP Server
	Indices files – Index level	FTP Server / IHS Markit website / Bloomberg (index levels only)
Weekly	Preview components	FTP Server / IHS Markit website
Daily from T+1	Forwards	FTP Server
Monthly	End of month components	FTP Server / IHS Markit website
	XREF files	FTP Server

The index will also be available via external publication channels. The following table provides an overview of all the relevant identifiers:

Index Name	Return Type	ISIN	SEDOL	BBG Ticker	Reuters RIC
Markit iBoxx NZD Sovereigns	TRI	GB00BYN82025	BYN8202	IBXXNZST	.IBXXNZST
Markit iBoxx NZD Sovereigns	CPI	GB00BYN88X70	BYN88X7	IBXXNZSP	.IBXXNZSP

4.11 Index restatement

Index restatement follows the policy described in the *Markit iBoxx Index Restatement Policy* document, available in the *Methodology* section of the Markit iBoxx Documentation page on www.markit.com/Documentation/Product/IBoxx.

4.12 Index review

The rules for the index are reviewed once per year during the annual index review process to ensure that the index provides a balanced representation of the local currency debt markets of the economies covered by the indices. Decisions made following the Annual Index Review will be published on www.markit.com/NewsInformation/GetNews/IBoxx under *Indices News* shortly committee has been held. The publication will contain a detailed overview and timelines for implementation of the rules changes.

5 Markit iBoxx NZD Sovereigns Index

02 Sep 2015

Introduction of Markit iBoxx NZD Sovereigns Index

6 Further information

Glossary of key terms

The Markit iBoxx Glossary document of key terms is available in the *Methodology* section of the Markit iBoxx Documentation page on www.markit.com/Documentation/Product/iBoxx.

Contractual and content issues

For contractual or content issues please contact:

Markit Indices GmbH
 Friedrich-Ebert-Anlage 35-37
 60327 Frankfurt am Main
 Germany
 E-mail: indices@ihsmarkit.com
 Web: <https://ihsmarkit.com/products/iboxx.html>

Technical issues and client support

For technical issues and client support please contact:

E-mail:	indices@ihsmarkit.com		
Phone:	Asia Pacific	Japan:	+81 3 6402 0127
		Singapore:	+65 6922 4210
	Europe	General:	+800 6275 4800
		UK:	+44 20 7260 2111
	USA	General:	+1 877 762 7548

Formal complaints

Formal complaints can be sent electronically to our dedicated e-mail address complaints_indices@markit.com.

For any general index enquiries, please contact iBoxx indices support group at indices@ihsmarkit.com.

Licences and data

iBoxx is a registered trademark of Markit Indices GmbH. Markit Indices GmbH owns all iBoxx data, database rights, indices and all intellectual property rights therein. A licence is required from Markit Indices GmbH to create and/or distribute any product that uses, is based upon or refers to any iBoxx index or iBoxx data.

Ownership

Markit Indices GmbH is a wholly-owned subsidiary of IHS Markit Limited.

Other index products

Markit Indices GmbH owns, manages, compiles and publishes the iTraxx credit derivative indices and the iBoxxFX Trade Weighted Indices.

Content modified: 2019-03-12T08:26:41.000+01:00

The information in this document is provided "as is." IHS Markit and its affiliates make no warranty, expressed or implied, including, without limitation, any warranties as of merchantability, fitness for a particular purpose, accuracy, completeness or timeliness, or as to the results to be obtained by recipients of the products and services described herein, and shall not in any way be liable for any inaccuracies, errors or omissions herein. IHS Markit products are governed by the terms and conditions of the agreements under which they are provided. Copyright © 2019, IHS Markit. All rights reserved. Any unauthorised use, disclosure, reproduction or dissemination, in full or in part, in any media or by any means, without the prior written permission of IHS Markit is strictly prohibited.