

# **IHS Markit Benchmark Administration Limited Consultation for Markit iBoxx ALBI Government Investible Universe ex-High Yield (50%) & CNH Deposit Rate (50%) Custom Index (2022-07)**

## **1. Administration**

IHS Markit Benchmark Administration Limited (**IMBA UK**) is the Index Administrator of the following index:

- Markit iBoxx ALBI Government Investible Universe ex-High Yield (50%) & CNH Deposit Rate (50%) Custom Index

IMBA UK administers this index in accordance with the International Organisation of Securities Commissions Principles for Financial Benchmarks (**IOSCO Principles**) and the UK Benchmarks Regulation (**UK BMR**).

## **2. Background**

The Markit iBoxx ALBI Government Investible Universe ex-High Yield (50%) & CNH Deposit Rate (50%) Custom Index is designed to measure the combined performance of the CNH Deposit Rate and government bonds from the following markets:

- Hong Kong
- Malaysia
- Singapore
- South Korea
- Thailand

This index is a customized index and a sub-set of the iBoxx Asian Local Bond Index (ALBI) designed to capture the largest and most active bond markets in the region.

Index	Market Value (Local currency, bn) 31 Dec 2012	Market Value (Local currency, bn) 31 Dec 2021	CAGR
Markit iBoxx ALBI Hong Kong Government	98	94	-0.4%
Markit iBoxx ALBI Malaysia Government	363	863	10.1%
Markit iBoxx ALBI Singapore Government	79	142	6.7%
Markit iBoxx ALBI South Korea*	397,602	840,971	8.7%
Markit iBoxx ALBI Thailand*	3,164	6,049	7.5%
Markit iBoxx ALBI Indonesia*	706,595	3,184,110	18.2%

\*Index only contains government bonds

Following the growth in size (see above table) of Indonesian local government bonds over the past 9 years, IMBA UK is looking to expand coverage to include Indonesian Government bonds into the index and to consequently reduce the weight of the CNH Deposit Rate, reflecting the updated considerations from the end-client.

### 3. Proposal

IMBA UK proposes that Indonesian government bonds be included in the custom index at the 30 April 2022 index rebalance. Upon inclusion, government bonds from Hong Kong, Indonesia, Malaysia, Singapore, South Korea and Thailand will make up 10% of the index each (60% in aggregate) while the CNH Deposit Rate will make up the remaining 40%.

After the change, the index name will be Markit iBoxx ALBI Government Investible Universe ex-High Yield (60%) & CNH Deposit Rate (40%) Custom Index. There are no further changes to the index identifiers.

### 4. Impact Analysis

In this section, we evaluate the impact on the custom index after the inclusion of Indonesian Government Bonds.

Before change	After change
Markit iBoxx ALBI Government Investible Universe (50%) <ul style="list-style-type: none"> <li>• Hong Kong</li> <li>• Malaysia</li> <li>• Singapore</li> <li>• South Korea</li> <li>• Thailand</li> </ul>	Markit iBoxx ALBI Government Investible Universe (60%) <ul style="list-style-type: none"> <li>• Hong Kong</li> <li>• Indonesia</li> <li>• Malaysia</li> <li>• Singapore</li> <li>• South Korea</li> <li>• Thailand</li> </ul>

CNH Deposit Rate (50%)	CNH Deposit Rate (40%)
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Impact on the Markit iBoxx ALBI Investible Universe ex-High Yield index yield and duration:

<b>As of 28 February 2022</b>	<b>Annual Yield</b>	<b>Annual Modified Duration</b>
Markit iBoxx ALBI Investible Universe ex-High Yield (existing)	2.58	7.25
Markit iBoxx ALBI Investible Universe ex-High Yield (new)	3.16	7.03

## 5. Consultation timetable

The timetable IMBA UK is suggesting is as follows:

- 25 Mar 2022 Consultation opens
- 21 Apr 2022 Consultation closes
- 25 Apr 2022 IMBA UK reviews stakeholder feedback and a final decision is communicated
- 30 Apr 2022 Implementation of the rule change in the indices

## 6. Consultation process

The participation of stakeholders in this consultation is important as IMBA UK seeks to gather views on the proposals herein and the suggested timetable for implementation of those proposals. IMBA UK may publish summaries of stakeholders' comments along with IMBA UK's responses to those comments unless the stakeholder in question expressly requests confidentiality.

To participate in this consultation please respond to IMBA UK Administration Services at [MK-IndexAdminConsultation@ihsmarkit.com](mailto:MK-IndexAdminConsultation@ihsmarkit.com).

Please be advised that all comments will be reviewed and considered before a final decision is made; however, IMBA UK makes no guarantee and is under no obligation to comply with any of the responses. The consultation may result in no changes or outcome of any kind. An announcement will be posted on our website accordingly. IMBA UK reserves the right to make a final decision on the proposal.

## 7. Key question

Do you have any concerns regarding IMBA UK's proposal to update the methodology of the described custom indices and/or the implementation timeline?