



IHS Markit™

# IHS Markit Consultation on the Methodology Update for 6 iBoxx USD Custom Indices

12 February 2021

## 1. IHS Markit's Administration

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

- iBoxx ADBI High Grade Custom index
- iBoxx USD Australia Investment Grade Custom index
- iBoxx USD Japan Investment Grade Custom index
- iBoxx USD Emerging Markets Non-Sovereigns Investment Grade Custom index
- iBoxx USD Liquid Emerging Markets Sovereigns Investment Grade Custom index
- iBoxx USD Custom Aggregate Index

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

## 2. Background

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The above-mentioned custom indices currently only consider credit ratings from Moody's and Standard & Poor's. For bonds rated by both Moody's and Standard & Poor, the lower rating is attached to the bond.

IHS Markit proposes to broaden the range of credit ratings used in the indices to include credit ratings published by Fitch Ratings. This will bring the custom indices in line with the range of rating agencies considered for the standard iBoxx indices.

## 3. Proposal

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Credit ratings published by Moody's, Standard & Poor's and Fitch Ratings are to be considered by the custom indices.

The following rule will be applied:

- If the bond is rated by one rating agency, this rating will be used
- If the bond is rated by two rating agencies, the lower rating will be used
- If the bond is rated by all three rating agencies, the better of the lower two ratings will be used

## 4. Consultation timetable

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The timetable IMBA UK is suggesting is as follows:

- 12 February 2021 Consultation opens
- 25 February 2021 Consultation closes
- 26 February 2021 IMBA UK reviews stakeholder feedback and a final decision is communicated
- 28 February 2021 Implementation of rule the change in the custom indices

## 5. Consultation process

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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.

## 6. Key question

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