



IHS Markit™

# IHS Markit Consultation on the Adoption of the IHS Markit Industry Classification (IMIC) for the EMIX Index Family

19 February 2021

## 1. IHS Markit's Administration

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IHS Markit Benchmark Administration Limited (**IMBA UK**) is the Index Administrator of the EMIX Index family. 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 EMIX Index Family has, for many years, relied on the EMIX Industry Classification Schema (EMICS) for creating industry- and sector-level indices. Two auxiliary classification schemas, the EMIX Natural Resources (EMICNATR) and EMIX Mining (EMICMIN) schemas, are used to support the EMIX Global Mining and Energy and the EMIX Global Mining index suites.

In addition to EMICS and its auxiliary classification schemas, IHS Markit owns and operates the IHS Markit Industry Classification (IMIC) schema. IMIC is currently being used to support other index families and asset classes within IHS Markit. IMBA UK intends to discontinue the use of EMICS and its auxiliary classification schemas for calculating the EMIX Index family and migrate all equity indices to the IMIC schema. Key reasons for this change include:

- Consistency of approach for all index families and asset classes at IHS Markit
- Greater simplicity (e.g. a single Schema for EMIX indices in place of the current three)
- More accurate representation of the global marketplace
- A dynamic classification structure that can evolve with and adapt to a changing marketplace going forward

In addition, IMIC seeks to create homogeneous groups of entities with comparable business activities in a representative structure. It is detailed enough to allow accurate identification of peers, grouping together correlated companies that offer products and services in similar end markets. For full information on IMIC including the approach, classification structure and the methodology please refer to the "[IHS Markit Industry Classification \(IMIC\)](#)" document.

## 3. Proposal

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IMBA UK intends to replace the existing EMICS with IMIC for the IHS Markit EMIX index family effective on 22 March 2021. As part of this change, all index constituents will be classified based on IMIC. IMIC will likewise replace the existing classification schemas for custom indices that are based on EMIX.

To reduce potential impact on existing customers, the industry- and sector-level indices currently calculated as part of the EMIX Index Family will continue to be calculated in their current form. By mapping the IMIC schema to the corresponding legacy EMICS schemas at the most granular (e.g. Subsector and/ or Activity) level, IMBA UK will be able to support uninterrupted provision of existing indices despite

this migration. The attached mapping matrices provide clarity on how IMIC is mapped to the legacy EMICS schemas.

Because of unavoidable differences in the classification of individual entities between the schemas, this approach will lead to limited turnover in the existing indices. Turnover at the industry/ group index level is consistently below 10%. Turnover for most of the sector indices is also minor. The relevant mapping matrices provide an indication of the turnover that can be expected for each index. This turnover analysis is based on the respective EMIX indices after the December 2020 rebalancing.

For the EMIX Global Mining and the EMIX Global Mining and Energy Indices the mapping at the IMIC “Activity” level ensures that there is no turnover resulting from this change. The mapping for these indices is likewise available in the attached matrices.

IMBA UK is focused on minimizing the impact of this change on current clients. At the same time, IMBA UK recognizes that some existing EMIX clients will be keen to have access to, analyze and eventually migrate to industry and sector indices based on IMIC. IMBA UK will calculate IMIC-based and sector indices in parallel with the existing EMIX indices. This will allow clients to evaluate migrating to the fully IMIC-based indices at their leisure. IMBA UK will support clients in making this transition.

These new indices will provide greater sector granularity. Instead of the current 49 indices encompassing the first two levels of EMICS (8 group/ industry indices and 41 sector indices), there will be 60 indices encompassing the first three levels of IMIC (12 industry, 14 supersector and 34 sector indices). Furthermore, industry and sector indices will be available for more of the headline indices than what is currently available. A separate notice on the launch of the new IMIC-based indices will be provided closer to their launch date.

There is some similarity in naming conventions between EMICS and IMIC. To avoid confusion, the names of the existing EMIX indices will be appended with “(EMICS)”. For example, the existing “EMIX Smaller Europe Health USD Price Return” Index (ESE55UP) will be renamed to “EMIX Smaller Europe Health (EMICS) USD Price Return”. This will distinguish it from the IMIC-based “EMIX Smaller Europe Health Care USD Price Return” Index. The index tickers for the existing indices will not change.

## 4. Consultation timetable

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The timetable IMBA UK is suggesting is as follows:

- 19 February 2021 Consultation opens
- 12 March 2021 Consultation closes
- 15 March 2021 IMBA UK reviews stakeholder feedback and a final decision is communicated
- 22 March 2021 Implementation of the proposed changes

## 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 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 adopt IMIC for the EMIX Index Family and relevant implementation timeline?**