



IHS Markit™

IHS Markit Notification of upcoming correction to iBoxx USD Liquid Investment Grade Top 30 Index

8 May 2020

1. IHS Markit's Administration

IHS Markit Benchmark Administration Limited (**IMBA**) is the Index Administrator of the iBoxx USD Liquid Investment Grade Top 30 Index ("the **Index**").

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

2. Background

The existing index methodology states that after a bond completes the 12 months minimum run in the index, it is excluded from the index if its expected remaining life (ERL) is below two (2) years (Chapter 2.3 and 2.7, Index Guide).

Due to a configuration error uncovered by IMBA, the composition of the iBoxx USD Liquid Investment Grade Top 30 index has led to the retention of several bonds which have completed the minimum run and have an expected remaining life below two (2) years.

Given number of securities affected in the current index composition, the impact on fully rectifying the components in the upcoming quarterly rebalancing at the end May 2020 would lead to a significant turnover in the index constituents. IHSM will therefore remedy the discrepancy on a going forward basis and temporarily deviate from the existing iBoxx methodology for the upcoming rebalancing at the end of May to manage the turnover in relation to these specific securities only. Further details are provided below.

IHSM has separately conducted a review since the discovery of the configuration issue and this has been addressed internally to prevent similar discrepancies from arising in the future.

3. Details

Based on an analysis of the number of affected bonds, IMBA will conduct a staged approach to exclude non-eligible bonds with an expected remaining life below 2 years in order to shift the index towards rule conformity. The staggered approach

aims to bring the index in line with the index rules while limiting single month turnover.

This process shall be staggered over the next two quarterly rebalancing dates that will take place 31st May and 31st August 2020. The non-eligible bonds will be ranked by their expected remaining life. The first rebalancing will exclude bonds of the shortest expected remaining life and the second rebalancing will exclude the residual non-eligible bonds, as well as bonds whose minimum runs have lapsed and expected remaining life is below two (2) years on 31st August 2020.

4. Analysis

IMBA has reviewed the impact of a staged bond exclusion on the iBoxx USD Liquid Investment Grade Top 30 Index that are impacted. Additional changes to the index composition might occur based on the index rules.

The table below provides an outline of bonds affected by the dual-phased exclusion (excluding other potential changes during the rebalancing based on the index rules).

Phase 1 (31st May 2020 rebalancing)

ISIN	Ticker	Issuer	Coupon	Workout	ERL*	Added
US931142EJ83	WMT	Walmart Inc	3.13%	6/23/2021	1.06	8/31/2018
US37045XCP96	GM	General Motors Financial Co Inc	4.20%	11/06/2021	1.43	2/28/2019
US00287YBE86	ABBV	ABBVIE INC	3.38%	11/14/2021	1.46	11/30/2018
US38141GGS75	GS	The Goldman Sachs Group Inc	5.75%	1/24/2022	1.65	2/29/2012

The above, expected to be excluded in the first phase, are bonds whose minimum run has lapsed and have an expected remaining life of below two (2) years. Of the bonds due to be excluded, these have the shortest maturities.

Phase 2 (31st August 2020 rebalancing)

ISIN	Ticker	Issuer	Coupon	Workout	ERL*	Added
US06738EBE41	BACR	Barclays PLC	4.61%	2/15/2022	1.71	5/31/2019
US10373QAJ94	BPLN	BP Capital Markets America Inc	3.25%	5/06/2022	1.93	2/28/2019

The above is the second portion of non-eligible bonds with a longer expected remaining life. These are planned to be excluded at the August end of month rebalancing.

For reference, the quarterly rebalancing in August is expected to also see the following two bonds naturally (according to standard methodology) drop out of the index as these will have completed their respective minimum runs and have an expected remaining life below two (2) years:

ISIN	Ticker	Issuer	Coupon	Workout	ERL*	Added
US125523AE07	CI	Cigna Corp	3.40%	9/17/2021	1.30	8/31/2019
US606822BL79	MUFG	Mitsubishi UFJ Financial Group Inc	2.62%	7/18/2022	2.13	8/31/2019

*Expected Remaining Life (measured from 5/31/2020 rebalancing)

5. Further information

For further information please contact indices@ihsmarkit.com