



IHS Markit™

IHS Markit Consultation on the configuration update for the iBoxx GBP Corporates Maturing Custom Indices

03 June 2020

1. IHS Markit's Administration

IHS Markit Benchmark Administration Limited (**IMBA**) is the Index Administrator of the iBoxx GBP Corporates Maturing Custom Indices ("the **Indices**")

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

IMBA has received user feedback requesting a change to configuration of the custom indices. The feedback focused on broadening the universe by including collateralized bonds. This helps to make the indices more diversified and representative of the investable universe, especially for the longer dated indices of this series. The introduction of an equal weighting by year of maturity leads to a more uniform distribution of the cash-flows. This is relevant for the use of the indices in liability-driven investments.

3. Proposal

IMBA will be broadening the indices to include collateralized bonds and adopting an alternative weighting methodology, where the indices' constituent maturity buckets (bucketed by individual years) will be equally-weighted. For example, the iBoxx GBP Corporates 2021-2025 the new weighting will create this weight distribution:

- Bonds maturing in 2021 **20%**
- Bonds maturing in 2022 **20%**
- Bonds maturing in 2023 **20%**
- Bonds maturing in 2024 **20%**
- Bonds maturing in 2025 **20%**

As a part of the indices begins to mature, the weights are scaled and the partial years are pro-rated.

4. Analysis

The change in configuration will result in the name change of the indices:

Existing Index Name	Updated Index Name
iBoxx GBP Corporates 2016-2020 Custom	iBoxx GBP Collateralized & Corporates 2016-2020 Custom
iBoxx GBP Corporates 2021-2025 Custom	iBoxx GBP Collateralized & Corporates 2021-2025 Custom
iBoxx GBP Corporates 2026-2030 Custom	iBoxx GBP Collateralized & Corporates 2026-2030 Custom
iBoxx GBP Corporates 2031-2035 Custom	iBoxx GBP Collateralized & Corporates 2031-2035 Custom
iBoxx GBP Corporates 2036-2040 Custom	iBoxx GBP Collateralized & Corporates 2036-2040 Custom
iBoxx GBP Corporates 2041-2045 Custom	iBoxx GBP Collateralized & Corporates 2041-2045 Custom
iBoxx GBP Corporates 2046-2050 Custom	iBoxx GBP Collateralized & Corporates 2046-2050 Custom

The below provides an indication of the impact of the updated configuration on the index's profile, based on the March end of month rebalance:

	Bonds (#)	Corp. (%*)	Collat. (%*)	Duration
iBoxx GBP Corporates 2016-2020 Custom	32	100.0%	0.0%	0.419
iBoxx GBP Collateralized & Corporates 2016-2020 Custom	39	85.5%	14.5%	0.421
iBoxx GBP Corporates 2021-2025 Custom	331	100.0%	0.0%	3.063
iBoxx GBP Collateralized & Corporates 2021-2025 Custom	365	89.2%	10.8%	3.002
iBoxx GBP Corporates 2026-2030 Custom	214	100.0%	0.0%	6.793
iBoxx GBP Collateralized & Corporates 2026-2030 Custom	240	89.7%	10.3%	6.984
iBoxx GBP Corporates 2031-2035 Custom	93	100.0%	0.0%	10.143
iBoxx GBP Collateralized & Corporates 2031-2035 Custom	104	91.5%	8.5%	10.312
iBoxx GBP Corporates 2036-2040 Custom	65	100.0%	0.0%	13.085
iBoxx GBP Collateralized & Corporates 2036-2040 Custom	80	87.8%	12.2%	13.027
iBoxx GBP Corporates 2041-2045 Custom	28	100.0%	0.0%	15.329
iBoxx GBP Collateralized & Corporates 2041-2045 Custom	46	73.2%	26.8%	15.893
iBoxx GBP Corporates 2046-2050 Custom	17	100.0%	0.0%	18.147
iBoxx GBP Collateralized & Corporates 2046-2050 Custom	35	60.3%	39.7%	18.797

The analysis is based on available information as of 28th May 2020

*Weight of total index market value

5. Consultation timetable

The timetable IMBA is suggesting is as follows:

- 3 June 2020 Consultation opens
- 15 June 2020 Consultation closes
- 16 June May 2020 IMBA reviews stakeholder feedback and a final decision is communicated
- 30 June 2020 Implementation of updated family configuration (changes will be reflected in the forward files accordingly)

6. Consultation process

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

To participate in this consultation please respond to IMBA Administration Services at MK-IndexAdminConsultation@ihsmarkit.com.

Please be advised that all comments will be reviewed and considered before a final decision is made; however, IMBA 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 reserves the right to make a final decision on the proposal.

7. Key questions

Do you have any concerns regarding IMBA's proposal to update the iBoxx configuration of the GBP Corporates Maturing Custom indices?