

# IHS Markit Benchmark Administration Limited Consultation on Transaction Costs Adjustment Inclusion for Certain iBoxx MSCI ESG Custom Indices

**LONDON, AUGUST 2, 2022:** IHS Markit Benchmark Administration Limited (**IMBA UK**) is conducting a consultation with market participants on potential changes to the custom iBoxx MSCI ESG indices listed below.

## BACKGROUND

IMBA UK proposes to include Transaction Costs Adjustment (TCA) to the below three customized indices.

The calculation of all these indices is based on bid prices. New securities are included in the index at their respective ask prices when they enter the index. In the event that no price can be established for a particular security, the index continues to be calculated based on the last available price.

Indices	ISIN (TRi)	Ticker (TRi)
iBoxx MSCI EUR High Yield Paris Aligned Capped Index	GB00BL0BJ354	IBXXEPAT
iBoxx MSCI USD High Yield Paris Aligned Capped Index	GB00BL0BJ792	IBXXUPAT
iBoxx MSCI ESG USD Asia ex-Japan High Yield Capped Index Guide	GB00BL0B0R64	IBXXUXJT

The index methodology guides are published here: [EUR HY](#), [USD HY](#) and [USD Asia ex-Japan High Yield](#).

## PROPOSAL

IMBA UK proposes that a TCA is performed for new bond additions, reflecting the updated considerations from the end client. This change will help account for the bid-ask spread not just of new bond insertions but also weight increases of the existing bonds. Full details of TCA calculations can be found in the iBoxx Bond Index Calculus (section: *Rebalancing cost*) [here](#).

## IMPACT ANALYSIS

IMBA UK has analyzed the impact of the proposed changes on the three iBoxx custom indices by backtesting the indices between December 31, 2020 and July 18, 2022. The proposed changes had no impact on the constituents of the indices. Total Index Return (TRI) and monthly returns saw the following impact for the indices:

iBoxx MSCI EUR High Yield Paris Aligned Capped				
Date	Levels Before Incorporating TCA		Levels Incorporating TCA	
	Month-to-Date Return	TRI Index Level	Month-to-Date Return TCA	TRI Index Level TCA
31/12/2020		100		100
31/01/2021	-0.004775547	99.52244531	-0.004775547	99.52244531
28/02/2021	0.005528935	100.0726985	0.005385692	100.0584425
31/03/2021	0.003979181	100.4709059	0.003887142	100.4473839
30/04/2021	0.006742877	101.1483688	0.006621827	101.1125291
31/05/2021	0.001082936	101.2579061	0.000889065	101.2024247
30/06/2021	0.005396117	101.8043057	0.005250198	101.7337575
31/07/2021	0.004257953	102.2377836	0.003981755	102.1388364
31/08/2021	0.003013241	102.5458507	0.002865877	102.4315537
30/09/2021	-0.00190528	102.3504722	-0.002033587	102.2232502
31/10/2021	-0.006674498	101.6673341	-0.006805153	101.5276053
30/11/2021	-0.005875407	101.0699972	-0.006131861	100.9050522
31/12/2021	0.007603927	101.838526	0.007529283	101.6647948
31/01/2022	-0.012420165	100.5736747	-0.012769046	100.3666324
28/02/2022	-0.028628917	97.6943593	-0.028720618	97.48404068
31/03/2022	-0.000124323	97.68221368	-0.000504219	97.4348874
30/04/2022	-0.026758893	95.06834581	-0.027250186	94.77976858
31/05/2022	-0.011504059	93.97467391	-0.011841035	93.65747801
30/06/2022	-0.066725677	87.70415017	-0.066926591	87.38930224
18/07/2022	0.016467206	89.14839245	0.015788593	88.7690564

iBoxx MSCI USD High Yield Paris Aligned Capped				
Date	Levels Before Incorporating TCA		Levels Incorporating TCA	
	Month-to-Date Return	TRI Index Level	Month-to-Date Return TCA	TRI Index Level TCA
31/12/2020		100		100
31/01/2021	-0.001658304	99.83416965	-0.001658304	99.83416965
28/02/2021	-0.0021693	99.61759935	-0.002229112	99.61162814
31/03/2021	0.00195316	99.81216848	0.001912862	99.80217141
30/04/2021	0.008593135	100.6698679	0.008530752	100.653559
31/05/2021	0.001782218	100.8492836	0.001740223	100.8287187
30/06/2021	0.011548988	102.0139907	0.011431688	101.9813611
31/07/2021	0.004664666	102.489852	0.004587185	102.4491685
31/08/2021	0.005517437	103.0553333	0.005466056	103.0091614
30/09/2021	-0.002696547	102.7774398	-0.002820629	102.7186108
31/10/2021	-0.003107987	102.4580088	-0.003190185	102.3909195
30/11/2021	-0.008694437	101.5671941	-0.008766046	101.493356
31/12/2021	0.018491791	103.4453535	0.018361408	103.3569169
31/01/2022	-0.031054359	100.2329243	-0.031167391	100.1355515
28/02/2022	-0.009477443	99.28297253	-0.009527882	99.18147181
31/03/2022	-0.01034939	98.25545437	-0.010397966	98.15018622

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iBoxx MSCI USD High Yield Paris Aligned Capped				
Date	Levels Before Incorporating TCA		Levels Incorporating TCA	
	Month-to-Date Return	TRI Index Level	Month-to-Date Return TCA	TRI Index Level TCA
30/04/2022	-0.041058295	94.2212529	-0.041256868	94.10081694
31/05/2022	0.005030398	94.69522331	0.00492747	94.56449593
30/06/2022	-0.069836459	88.08204427	-0.070063842	87.93894405
18/07/2022	0.030206	90.74265045	0.029936134	90.57149605

iBoxx MSCI ESG USD Asia ex-Japan High Yield Capped				
Date	Levels Before Incorporating TCA		Levels Incorporating TCA	
	Month-to-Date Return	TRI Index Level	Month-to-Date Return TCA	TRI Index Level TCA
31/12/2018		100		100
31/01/2019	0.031562545	103.1562545	0.031562545	103.1562545
28/02/2019	0.01653492	104.8619349	0.016523554	104.8607624
31/03/2019	0.02852028	107.8526267	0.028422331	107.8411497
30/04/2019	0.004689731	108.3584265	0.004538955	108.3306358
31/05/2019	0.00144654	108.5151713	0.001428936	108.4854334
30/06/2019	0.016155941	110.268336	0.016135714	110.2359233
31/07/2019	0.009619785	111.3290936	0.009579171	111.291892
31/08/2019	-0.008031594	110.4349435	-0.008086367	110.3919449
30/09/2019	0.008561346	111.3804153	0.008506893	111.3310374
31/10/2019	0.014302975	112.9734866	0.01397306	112.8866727
30/11/2019	0.005832455	113.6323993	0.005771764	113.538228
31/12/2019	0.006519788	114.3732585	0.006271797	114.2503167
31/01/2020	0.008380768	115.3317942	0.008306457	115.199332
29/02/2020	0.001847347	115.5448521	0.001802939	115.4070294
31/03/2020	-0.15977564	97.08359933	-0.159844855	96.95980952
30/04/2020	0.059880671	102.8970304	0.057965717	102.5801544
31/05/2020	0.066294528	109.7185405	0.065876096	109.3377345
30/06/2020	0.044386765	114.5885915	0.043882501	114.1357477
31/07/2020	0.025917258	117.5584137	0.025837389	117.0847174
31/08/2020	0.018337353	119.7141238	0.017020435	119.0775502
30/09/2020	-0.011732983	118.30952	-0.011886393	117.6621477
31/10/2020	0.00561496	118.9738232	0.005252743	118.2801967
30/11/2020	0.019900881	121.3415071	0.019626368	120.6016074
31/12/2020	0.021829457	123.9903264	0.02165108	123.2127624
31/01/2021	-0.000355069	123.9463013	-0.000606362	123.1380509
28/02/2021	0.006624604	124.7673964	0.00639737	123.9258106
31/03/2021	-0.006861379	123.91132	-0.006983729	123.0603463
30/04/2021	0.010943029	125.2672852	0.010848461	124.3953618
31/05/2021	0.008170998	126.2908439	0.008098291	125.4027517
30/06/2021	-0.010959579	124.9067495	-0.011016958	124.0211948

Date	iBoxx MSCI USD High Yield Paris Aligned Capped		Levels Before Incorporating TCA		Levels Incorporating TCA	
	Month-to-Date Return	TRI Index Level	Month-to-Date Return TCA	TRI Index Level TCA		
	31/07/2021	-0.046096728	119.148957	-0.046138694	118.2990188	
31/08/2021	0.028477784	122.5420553	0.028145469	121.6286002		
30/09/2021	-0.054202157	115.9000115	-0.05438827	115.013431		
31/10/2021	-0.080075067	106.6193104	-0.080446477	105.7610056		
30/11/2021	-0.022326336	104.2388918	-0.022900618	103.3390133		
31/12/2021	-0.001576594	104.0745494	-0.001709159	103.1623905		
31/01/2022	-0.063889972	97.4252293	-0.064176107	96.54182986		
28/02/2022	-0.075355741	90.08367892	-0.07576227	89.22760168		
31/03/2022	-0.026646722	87.68324421	-0.027278552	86.79360188		
30/04/2022	-0.004215719	87.31359627	-0.004404183	86.41134697		
31/05/2022	-0.032452168	84.48008079	-0.032711878	83.58466954		
30/06/2022	-0.081434163	77.60051609	-0.081691726	76.75649361		
18/07/2022	-0.075306238	71.75671313	-0.075628407	70.95152224		

## IMPLEMENTATION TIMING

IMBA UK is proposing to implement the previously described methodology change, if adopted, following the August 2022 month-end rebalancing, which takes effect prior to the market open on **Wednesday, August 31, 2022**.

## QUESTIONS

Please answer the following questions and provide IMBA UK with the reasoning behind your answers:

1. Do you agree with the proposal to perform a TCA for new bond additions?
2. Should this proposed methodology change be adopted, do you agree with the proposed implementation date?
3. Do you have any other comments or feedback regarding the proposed changes outlined above?

Your participation in this consultation is important as we gather information from various market participants in order to properly evaluate your views and preferences on the proposal herein and the suggested timetable for its implementation. Please respond to this survey by **August 26, 2022**. After this date, IMBA UK will no longer accept survey responses. Prior to the Index Committee's final review, IMBA UK may request clarifications from respondents as part of that review.

To participate in this consultation, please visit the online survey available [here](#).

## CONSULTATION

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.

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

Thank you for taking the time to complete this survey.

For further information about this consultation, please contact IMBA UK at [SPDJI\\_Index\\_Governance@spglobal.com](mailto:SPDJI_Index_Governance@spglobal.com).

**FOR MORE INFORMATION:**

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