

## Index Announcement

# Recovery Bonds Classification Consultation: Corp vs ABS

The Bloomberg Index team is opening a formal review of the classification of recovery bonds and their treatment with regards to their membership in the corporate vs ABS index.

Since February 2021, a number of deals containing recovery bonds have been issued. These bonds are currently classified as Corporate on the Bloomberg terminal and in the fixed income indices. These deals were brought to the market by the underwriters as corporate deals. There is language in some of the deal documentation along the lines of

*'Neither the issuing entity nor the depositor is an asset-backed issuer and the recovery bonds are not asset-backed securities as such terms are defined by the SEC in governing regulations Item 1101 of Regulation AB.'*

The structure of these deals allows that investors have no recourse to the Corp parent in the event of default. They are not guaranteed by the Corp parent (eg:PG&E) but are backed by the recovery property.

In light of the above, the Bloomberg index team is formally opening it's index governance review of the Classification of these bonds as corporate vs ABS.

Please forward your feedback on the above along with any additional suggestions or thoughts to your regional index team or email [indexhelp@bloomberg.net](mailto:indexhelp@bloomberg.net). This feedback will be considered by Bloomberg's internal index governance committee, and Bloomberg will decide unilaterally whether, and how, to respond to any feedback, comment, or recommendation that results from the review process. A formal announcement regarding the outcome of the governance review will be made at the conclusion of the process.

Figure 1 below provides the list of the 26 recovery bonds on the Bloomberg terminal issued between Feb 2021 and May 2022 currently classified as Corporate. 8 of these bonds are in the Corp IG Index, 2 in the 144a Corp index. The bonds which are not eligible for the Corp indices is due to their size being less than \$300mm. The total amount outstanding of these bonds included in the Corporate IG index is around \$4.7 Bn.

If you have any questions, please contact the Bloomberg Help Desk (<Help><Help>), or [indexhelp@bloomberg.net](mailto:indexhelp@bloomberg.net).

Figure 1  
**Recovery Bonds on the Bloomberg terminal**

ID	Ticker	Issuer	Issue Date	Amount	In Corp Index?
78443LAB	EIX	SCE Recovery Funding LLC	2/24/2021	100,000,000	No
78443LAC	EIX	SCE Recovery Funding LLC	2/24/2021	100,000,000	No
78443LAA	EIX	SCE Recovery Funding LLC	2/24/2021	125,983,498	No
71710TAC	PCG	PG&E Energy Recovery Fund	11/12/2021	433,963,000	Yes
71710TAA	PCG	PG&E Energy Recovery Fund	11/12/2021	266,127,000	No
71710TAB	PCG	PG&E Energy Recovery Fund	11/12/2021	160,309,000	No
26443KAB	DUK	DUKE Energy Carolinas NC	11/24/2021	137,210,000	No
26443KAA	DUK	DUKE Energy Carolinas NC	11/24/2021	100,000,000	No
26444BAA	DUK	DUKE Energy Progress NC	11/24/2021	221,000,000	No
26444BAB	DUK	DUKE Energy Progress NC	11/24/2021	352,000,000	Yes
26444BAC	DUK	DUKE Energy Progress NC	11/24/2021	196,627,000	No
75458JAC	RAYCSC	RAYBURN CTRY SEC LLC	2/10/2022	345,947,000	Yes (144a)
75458JAB	RAYCSC	RAYBURN CTRY SEC LLC	2/10/2022	353,984,000	Yes (144a)

75458JAA	RAYCSC	RAYBURN CTRY SEC LLC	2/10/2022	208,220,000	No
78443LAE	EIX	SCE Recovery Funding LLC	2/15/2022	305,000,000	Yes
78443LAF	EIX	SCE Recovery Funding LLC	2/15/2022	128,265,000	No
78443LAD	EIX	SCE Recovery Funding LLC	2/15/2022	100,000,000	No
23345GAA	DTE	DTE Electric Secure Fund	3/17/2022	183,593,000	No
23345GAB	DTE	DTE Electric Secure Fund	3/17/2022	52,207,000	No
29366NAB	ETR	ENTERGY Texas Restoration	4/1/2022	190,850,000	No
29366NAA	ETR	ENTERGY Texas Restoration	4/1/2022	100,000,000	No
693342AE	PCG	PG&E Wildlife Recovery	5/10/2022	900,000,000	Yes
693342AB	PCG	PG&E Wildlife Recovery	5/10/2022	540,000,000	Yes
693342AA	PCG	PG&E Wildlife Recovery	5/10/2022	540,000,000	Yes
693342AD	PCG	PG&E Wildlife Recovery	5/10/2022	1,260,000,000	Yes
693342AC	PCG	PG&E Wildlife Recovery	5/10/2022	360,000,000	Yes

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**Index Technical Note**

# Recovery Bonds Classification Consultation Update

On June 8, Bloomberg Index Services Limited (BISL) opened a formal review of the classification of recovery bonds (otherwise known as “stranded cost” or “rate reduction” bonds) and their classification with respect to BISL’s corporate and ABS indices.

This consultation will not affect the initial classification of new recovery bonds that come to market while the consultation period is ongoing; such as the PG&E Wildfire Recovery deal issued on July 6, which will be classified as Corporate. The classification of recovery bonds within the fixed income indices remains under review and is subject to future changes as BISL completes the consultation.

## Index Announcement

# Recovery Bonds Classification Consultation Update

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Following the end of the consultation period, BISL has decided these securities are better aligned with an ABS classification and will reclassify them to the ABS -> Stranded Cost category of the BCLASS classification scheme. This result was supported by a significant majority of respondents to the consultation.

To give appropriate time for index users to prepare for this change and to provide sufficient time for our index production systems to make adjustments, the securities listed in Figure 1 below currently classified as Corporate in the Bloomberg Fixed Income Indices will be reclassified to the ABS->Stranded Cost classification at the end of October 2022.

Beginning in August, all newly issued securities with the same structure and profile will be classified as ABS.

If you have any questions, please contact the Bloomberg Help Desk (<Help><Help>), or [indexhelp@bloomberg.net](mailto:indexhelp@bloomberg.net).

Figure 1

## Recovery Bonds in Bloomberg Indices

ID	Description	Issue Date	Amount	In Corporate Index or 144A Index?
26444GAC	DUK 2.538 09/01/29	6/22/2016	436,000,000	Corporate Index
71710TAC	PCG 2.822 07/15/46	11/12/2021	433,963,000	Corporate Index
26444BAB	DUK 2.387 07/01/37	11/24/2021	352,000,000	Corporate Index
78433LAE	EIX 2.943 11/15/42	2/15/2022	305,000,000	Corporate Index
693342AA	PCG 3.594 06/01/30	5/10/2022	540,000,000	Corporate Index
693342AB	PCG 4.263 06/01/36	5/10/2022	540,000,000	Corporate Index
693342AC	PCG 4.377 06/01/39	5/10/2022	360,000,000	Corporate Index
693342AD	PCG 4.451 12/01/47	5/10/2022	1,260,000,000	Corporate Index
693342AE	PCG 4.674 12/01/51	5/10/2022	900,000,000	Corporate Index
185512AB	CNL 4.646 09/01/42	6/22/2022	300,000,000	Corporate Index
693342AF	PCG 4.022 06/01/31	7/20/2022	613,080,000	Corporate Index
693342AG	PCG 4.722 06/01/37	7/20/2022	600,000,000	Corporate Index
693342AH	PCG 5.081 06/01/41	7/20/2022	500,040,000	Corporate Index
693342AK	PCG 5.099 06/01/52	7/20/2022	1,036,920,000	Corporate Index
693342AJ	PCG 5.212 12/01/47	7/20/2022	1,149,960,000	Corporate Index
75458JAB	RAYCSC 3.025 12/01/41	2/10/2022	353,984,000	144A Index
75458JAC	RAYCSC 3.354 12/01/49	2/10/2022	345,947,000	144A Index
88240TAA	ERCOTT 4.265 08/01/34	6/15/2022	600,000,000	144A Index
88240TAB	ERCOTT 4.966 02/01/42	6/15/2022	600,000,000	144A Index
88240TAD	ERCOTT 5.167 02/01/50	6/15/2022	457,800,000	144A Index
88240TAC	ERCOTT 5.057 08/01/46	6/15/2022	457,900,000	144A Index

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