



Memorandum

To: Members of the Index Community
From: Indices Team
Date: 20 March 2009
Subject: **Notes from the FTSE/JSE Advisory Committee Meeting held on Wednesday, 12 March 2009**

Background

The FTSE/JSE Advisory Committee (AC) meets quarterly on the Wednesday after the first Friday of March, June, September and December.

The purpose of the AC is to consider and advise on matters relating to the indices and to propose amendments to the Ground Rules governing the management of the FTSE/JSE Africa Index Series. The AC also ensures that best practice is used in the construction and ongoing management of the indices.

The items listed below were discussed at the FTSE/JSE AC meeting held on the 11th of March 2009.

Feedback on the FTSE/JSE Africa Index Series

FTSE/JSE reported on the following events that occurred during the quarter:

- The proposed launch of the Shariah Top40 ETF;
- The introduction of the Africa Board on the exchange. The launch of an index on this Board will be considered once 10 eligible companies have been listed;
- The visit by the JSE delegation to National Treasury to discuss the status of inward foreign listings and the proposed dividend tax. Subsequent to the meeting the JSE has forwarded written comments to the National Treasury. National Treasury is currently reviewing the submission by the JSE;
- The concern raised by index trackers regarding the tracking error caused by the application of fully underwritten, discounted rights offers in the indices on ex-date was discussed. The treatment will remain unchanged in the indices for now;



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- FTSE is working on enhancing the current free float methodology. More information will be provided in due course.

The South African Property Index (SAPY)

A few concerns have been raised regarding the current construction of SAPY:

- The illiquidity of the constituents at the bottom of this index may make it difficult for index trackers to replicate the index timeously;
- The large weight of Growthpoint;
- The number of constituents in the index;
- Following an extensive discussion by the AC, it transpired that this index is not only used by index trackers, but also as a benchmark by other market players;
- Fund Managers using this index as a benchmark still require coverage, hence reducing the number of constituents might not be a viable solution;
- The AC decided that an extensive market consultation be conducted before making any changes to the current construction;
- A final decision is likely to be made at the June 2009 meeting.

Proposed Buffers for Tradable indices

- The AC approved the introduction of buffers to a number of tradable indices that currently do not have buffers. This change will ensure consistency across all tradable indices;
- The Resi 20, Indi25 and Findi 30 will have a buffer of 3 and the Fini 15 will have a buffer of 2;
- These changes are likely to be implemented at the June review. An index change advice with final details will be published in due course;
- Furthermore, FTSE/JSE will consult the market on the current construction of the Resi20, Indi25, Findi 30 and Fini 15.

Treatment of Treasury Shares

- In order to ensure that the indices are transparent, the AC agreed that the treatment of treasury shares in the indices should only be changed once it is clear that the data is possible to source and will be accessible to all index users;
- During this quarter, FTSE/JSE will investigate the feasibility of obtaining and publishing treasury share data.

Quarterly Review Changes



The AC approved the March 2009 quarterly review changes. More information on the review changes is available on the FTSE/JSE website: www.ftsejse.co.za

General

- FTSE proposed that the cut off date for quarterly index reviews be changed;
- The AC approved changing the cut off date for the data used to perform the quarterly index review, from the first Wednesday after the first Friday of the review month, to the last trading day of the month before the review month.
- The AC requested that FTSE/JSE ensures that this change gets published widely and the Ground Rules updated accordingly.

Next meeting will be held on Wednesday, 10 June 2009

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