20120410 Notes from the March 2012 Advisory

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| Memorandum |  |
| **To:** | Market Participants |
| **From:** | FTSE/JSE |
| **Date:** | 10 April 2012 |
| **Subject:** | **Notes from the FTSE/JSE Advisory Committee Meeting held on Wednesday, 7 March 2012** |
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## Background

The FTSE/JSE Advisory Committee (AC) met on Wednesday 7 March 2012 to approve the quarterly changes to the FTSE/JSE Africa Index Series and discuss matters relating to the indices. The items listed below were discussed during the meeting.

## Previous Down-weighted Stocks in SWIX

Four companies which were previously down-weighted in the SWIX index, which are not dual listed, will be corrected this quarter. The affected companies include AEG, AIP, JSE and SBK.

## Feedback on the FTSE/JSE Africa Index Series

* The All Share Index reached an all time high of 34460.57 on 2 February 2012.
* The J272 index level is approaching 100 000 and will be rebased on 2 May 2012.
* The AC requested that the review date of the Dividend + Index be investigated. It is suggested that moving the review dates to March and September, as oppose to June and December, may be more preferable from a liquidity perspective.

## Dividend Withholding Tax

After a lengthy discussion, the AC decided that given the size of the institutional and pension fund market, it is more practical to provide a gross index in the immediate term.  Based on this, all FTSE/JSE TRI indices will be calculated using a gross (declared) rate from 1 April 2012 and NOT a net rate as previously agreed. The AC acknowledged the need for TRI indices calculated on a net basis in the South African market.  It was agreed that FTSE/JSE will investigate the launch of the net TRI indices and inform the market once timelines have been finalized.

## Lonmin Free Float

## The free float for Lonmin was previously restricted to 15% by the AC due to liquidity constraints. The AC is working towards removing this exception. The AC agreed on increasing LON free float to 50% at the March 2012 review and reviewing further increases at the June 2012 meeting.

## SWIX Free Float Methodology

At the December AC meeting it was requested to look at down-weighting all SWIX constituents using the STRATE Register and not only the SA portion of the Register. After investigation, the AC approved the following two changes to the index methodology:

* Applying the total SA Share Register instead of the SA portion of the Register,
* Applying the change to all SWIX constituents and not only dual listed stocks.

FTSE/JSE will put the proposal to the market for comment and report on the results at the June 2012 meeting. No changes will be applied without giving a notice period to the market.

## Introduction of the SWIX Capped 4% Series

A request had been received from the market for a SWIX 4% capped index series to be part of the FTSE/JSE suite of indices. The AC approved the creation of the indices, and FTSE/JSE is further investigating the commercial and practical aspects of the indices.

**Next AC meeting will be held on Wednesday, 6 June 2012**

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