

Memorandum

To: Market Participants
From: FTSE/JSE
Date: 28 December 2012
Subject: **Notes from the FTSE/JSE Advisory Committee Meeting held on Wednesday, 12 December 2012**

1. Background

The FTSE/JSE Advisory Committee (AC) met on Wednesday 12 December 2012 to approve the quarterly review changes to the FTSE/JSE Africa Index Series which were effective at start of business on Monday, 24 December and to discuss matters relating to the indices. The items listed below were discussed during the meeting.

2. Feedback on the FTSE/JSE Africa Index Series

- Lonmin Plc (LON) announced a rights issue, effective on 20 November 2012, which was subject to shareholder approval at a special meeting held on 19 November. FTSE/JSE received final confirmation after 16:00 on the 19th of November and was therefore only able to confirm the treatment in the FTSE/JSE Index Series at that time.
- 1Time Holdings Ltd (1TM) applied for liquidation on 2 November 2012 and it was announced that there were no reasonable prospects of survival. An ICA notice was published on Monday, 5 November notifying market participants of the deletion of 1TM from all indices with effect from close of business on 7 November 2012.
- The AC approved the introduction of three new Net TRI indices for the All Share Index (J203), SWIX All Share Index (J403) and Preference Share Index (J251).

3. Free Float Methodology Change

As announced in September 2012, FTSE/JSE will be moving to an actual free float methodology in the FTSE/JSE Africa Index Series as from March 2013. To further facilitate the change and gauge market sentiment, the JSE Indices Team visited various market participants, shared information, and received comment first hand in the beginning of November 2012. The JSE met with around 20 asset managers and product providers in Cape Town and Johannesburg. While some concern was raised regarding the large once off churn, market participants felt that the trade-off between the once-off churn and the expected increase in accuracy and decrease in volatility would prove worthwhile in the long run.



4. SWIX Index Methodology

The AC approved a change to the SWIX index methodology, effective at the March 2013 review. Previous proposals to change the SWIX index methodology were not implemented due to the large once-off turnover and the associated cost for index users. With the upcoming change to Actual Free Float in the FTSE/JSE Index Series in March 2013, which would bring about a large turnover, it seemed to be an opportune time to simultaneously improve the SWIX index methodology. Taking into account the valuable feedback received from market participants the AC approved that the SWIX index methodology be changed to represent all constituents down-weighted according to the Total State Register holding. In addition all securities deemed not available for local trade, but included on the State register will be subtracted from the free float number. This will initially include holdings confirmed to back a listed, sponsored Depository Receipt (DR) program.

The Ground Rules will be updated in due course to reflect this amendment.

5. SWIX Sector Indices

The AC approved the introduction of SWIX indices at a sector level.

6. Index Review vs. Futures Close-out Dates

The quarterly FTSE/JSE Africa Index Series review is scheduled to be effective after close of business on the third Friday of March, June, September and December. Standard equity derivative contracts expire after close of business on the third Thursday of the same month, known as Futures Closeout (FCO). This usually results in the index rebalance being effective on the day following FCO; however this is not the case when the first day of the respective month is a Friday. The AC confirmed that the FTSE/JSE Review date for March 2013 will not be amended and the changes will be effective at start of business on Monday, 18 March 2013.

Next AC meeting will be held on Wednesday, 6 March 2013

For further information please contact the FTSE/JSE Indices Department

Email: indices@jse.co.za

Tel: +27 (0)11 520 7137