

Memorandum

To: Market Participants
From: FTSE/JSE
Date: 8 March 2013
Subject: **Notes from the FTSE/JSE Advisory Committee Meeting held on Wednesday, 6 March 2013**

1. Background

The FTSE/JSE Advisory Committee (AC) met on Wednesday 6 March 2013 to approve the quarterly review changes to the FTSE/JSE Africa Index Series which will be effective at start of business on Monday, 18 March 2013 and to discuss matters relating to the indices. The items listed below were discussed during the meeting.

2. Index Review

As approved at the September 2012 AC meeting, FTSE/JSE will be moving to an actual free float methodology for the FTSE/JSE Africa Index Series as from March 2013. The free float changes were available from October 2012, with a final explanatory note published on the FTSE/JSE website on 4 February 2013 and distributed to the market, including the Equity Derivatives Market, the Association for Savings & Investment South Africa (ASISA), the Actuarial Society of South Africa (ASSA) and listed companies. At the meeting, the AC reviewed projections of weighting changes and once-off turnover for the Top 40 and SWIX 40 indices.

3. Feedback on the FTSE/JSE Africa Index Series

- On 29 November 2012 Gold Fields Limited (GFI), a Top 40 constituent, announced the creation of a new South African gold mining company through the proposed unbundling of its 100% owned subsidiary, Sibanye Gold Limited (SGL), formerly known as GFI Mining South Africa Proprietary Limited. After close of trading on 11 February 2013, the Index constituent changes resulting from the split were determined and a second ICA was published informing the market about the changes. From start of business on 13 February 2013, SBL, the smallest company in the Top 40, was deleted from the Top 40 and added to the Mid Cap Index. The smallest company in the Mid Cap, the JSE Limited, moved from the Mid Cap to the Small Cap Index.
- Following discussions with the South African Reserve Bank (SARB), FTSE/JSE confirmed that any foreign entity with a new inward listing on the JSE of its ordinary shares will not be classified as foreign from a foreign portfolio allowance perspective. However, the SARB may classify any new listings as foreign for index purposes, wherein they would be included in the



Index Series at their SWIX weighting. In order to clarify the treatment surrounding this, the AC approved a change to the Index Ground Rules, to better define inward listings.

- Following the September 2012 AC meeting, FTSE/JSE was asked to review the methodology relating to the Dividend Plus Index (J259). FTSE is currently reviewing the methodology of the FTSE UK Dividend Plus Index. The AC decided that a change to any methodology should await outcome of the FTSE UK review, likely to be in the first half of 2013.

4. Preference Share Index

Eligibility criterion for inclusion into the FTSE/JSE Preference Share Index was detailed in the meeting. An inconsistency in the interpretation of *non-redeemable* shares including a Regulatory Redemption Option was discussed. A proposal was made to clarify the definition of redeemable such that those preference shares with a fixed redemption date as well as those redeemable at the investors, or issuer's, discretion would continue to be excluded. Preference shares to be included in the index were those explicitly classified as non-redeemable and those for which the issuer has pre-specified regulatory events that give it the right to redeem. The AC approved the proposal to clarify the criterion for non-redeemable preference shares.

5. Real Estate Investment Trusts

In light of recent amendments to the South African Taxation Laws, the JSE was requested to facilitate the introduction of Real Estate Investment Trust (REIT) regulation in South Africa. Impacts on the specialist indices and property sector indices were brought forward. No immediate changes were decided upon by the AC, with the decision to observe the number of REIT's in coming months and to review possible changes at the June and September 2013 Quarterly Reviews.

Next AC meeting will be held on Wednesday, 12 June 2013

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