Memorandum

To:	Market Participants
From:	JSE Indices Team
Date:	13 September 2013
Subject:	**Treatment of new inward listed securities in the Index Series**

Prior to October 2011 any share classified as an Inward Foreign Listing (IFL) by the South African Reserve Bank (SARB), was deemed ineligible for index inclusion, due to Exchange Control Regulation. IFLs were classified as foreign assets and consequently counted towards institutional investors' foreign exposure limits.

Following the SARB's reclassification of some existing IFLs as domestic assets on 25 October 2011, a change to the FTSE/JSE Ground Rules was announced and applied at the December 2011 Quarterly Review. In order to accommodate the condition set by National Treasury the free float of these shares is adjusted to reflect only those dematerialised shares listed on the SA register, maintained by Strate (SWIX Free Float). This adjusted free float number is used for all index related purposes, including liquidity screening, minimum free float tests and weighting in market capitalisation weighted indices. Any share listed after October 2011 that is classified as foreign, for index purposes, by the SARB, will have a SWIX Free Float.

It can be said that in index terms there is no fundamental difference between a company such as British American Tobacco (previously inward listed) and BHP Billiton (not previously inward listed). However, one difference between the two shares is that British American Tobacco was classified as an IFL by National Treasury, and BHP Billiton was not. FTSE/JSE is of the opinion that National Treasury continues to consider a broad range of factors in its decision-making process and the role that they play in domestic regulation is respected.

The attached flowchart and steps set out below explains the index treatment of newly listed companies and the process to determine the free float.

1. It needs to be determined whether the new listing would count toward investors' foreign portfolio investment allowance. This classification is done by SARB. Should this be the case the share would not be eligible for inclusion in the Index Series (Ground Rule 4.1.1).

2. The free float for the new listing needs to be determined
    a. Should the new listing be classified as domestic for all purposes by SARB, no additional restrictions will apply on their inclusion in the Index Series, other than the standard eligibility criteria as set out in the Ground Rules. These domestic companies will be included in the

JSE Limited Registration Number: 2005/022939/06
One Exchange Square, Gwen Lane, Sandown, South Africa. Private Bag X991174, Sandton, 2146, South Africa. Telephone: +27 11 520 7000, Facsimile: +27 11 520 8584, www.jse.co.za

Member of the World Federation of Exchanges

Index Series at the net market cap determined after the application of investability weightings.

b. Should the new listing be inward listed and classified as domestic, but foreign for index purposes, by SARB, the company can be included in the Index Series, but at a reduced weight (Ground Rule 4.3.7). The free float of these shares is adjusted to reflect only those dematerialised shares listed on the SA register, maintained by Strate i.e. the SWIX Free Float. Usually an average of the total holdings on the SA register, in the 3 months prior to the review month, is used to calculate the SWIX Free Float. As this history would not be available for a new inward listing, the SWIX Free Float can only be determined once the number of shares listed on the SA register is obtained from Strate.

3. Both the Company Free Float and SWIX Free Float are rounded up to the next whole number. A 3% buffer applies for future amendments to the free float number (Ground Rule 4.3.5). Free floats are usually reviewed annually, but corporate actions could also bring about a free float change.

4. Additional free float eligibility criteria:
   a. If the calculated free float is smaller than 5%, the new listing would not be eligible for index inclusion (Ground Rule 4.3.3).
   b. If the calculated free float is between 5% - 15%, the new listing will qualify for free float eligibility only if the net market cap of the new listing is larger than the average net market cap of the All Share Index at that time (Ground Rule 4.3.4).
   c. If the calculated free float is larger than 15%, the new listing passes free float eligibility.

5. Fast entry: should the full market cap of the new listing amount to 1% or more of the full market cap of the All Share Index, before the application of individual constituent investability weightings, the FTSE/JSE Advisory Committee could decide to include the new issue as a constituent of the index that it qualifies for after close of business on the first day of official trading (Ground Rule 6.3.1). In this scenario, an ICA notice advising the change would be published providing two days' notice.

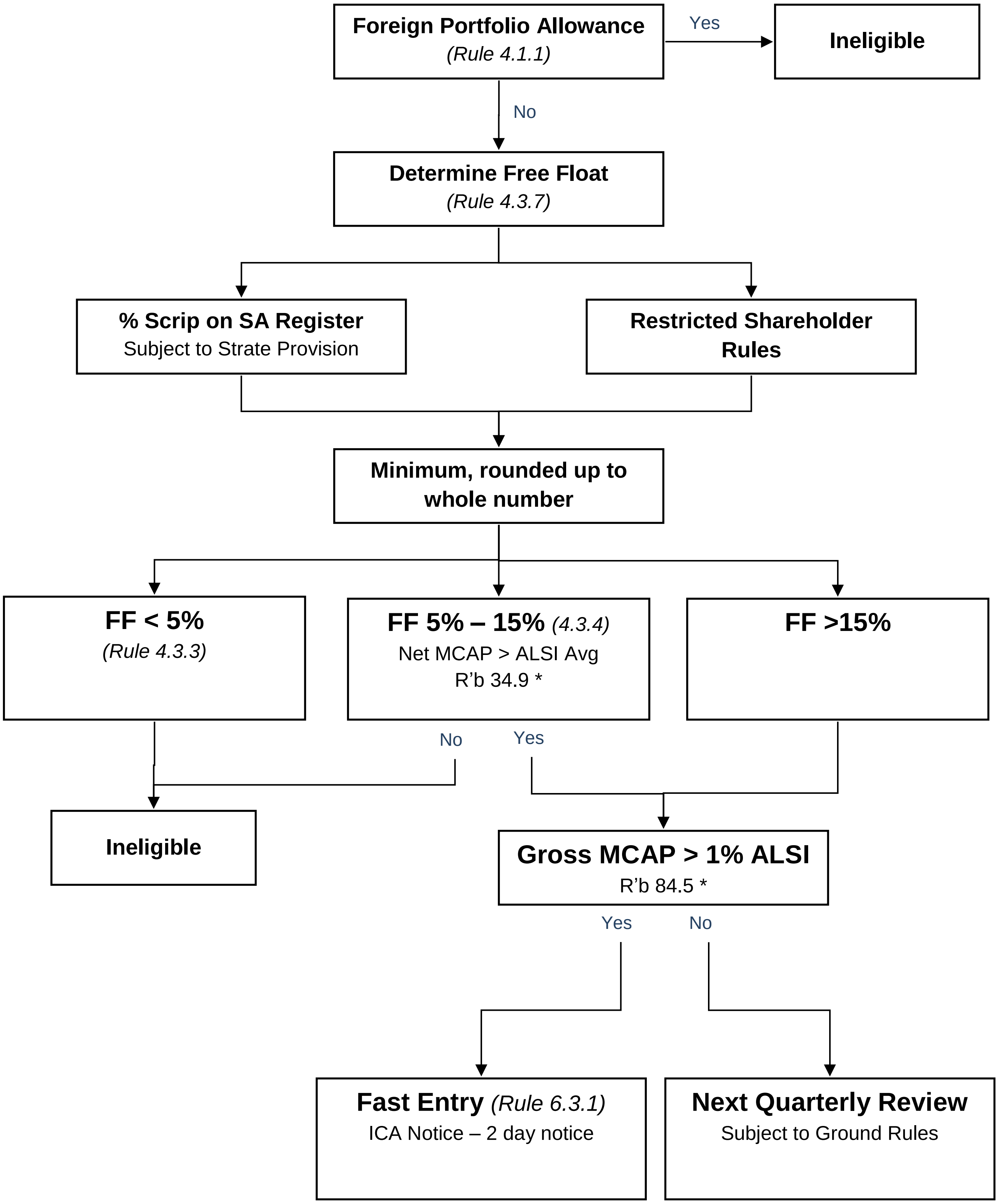
6. If the new listing does not qualify as a fast entry to the index series, it will only be considered for index inclusion at the next quarterly review of the Index Series. The new listing must have traded for at least 20 trading days and needs to pass pro rata liquidity of a turnover of 0.5% of their free float shares in issue per month.

All additional index eligibility criteria, as set out in the FTSE/JSE Ground Rules and published on the JSE website, need to be complied with to be considered for index inclusion. For example, a company ranked at position 35 or above, at the quarterly review, will be considered for inclusion to the Top 40 index.

Furthermore, any subsequent changes to the instrument including SARB classification, Strate register size or compliance with other index eligibility criteria will be monitored by FTSE/JSE and processed in accordance with the index Ground Rules, available on the JSE website.

Please contact Mark Randall on 011 520 7137 or indices@jse.co.za for further information.

Yours sincerely,
Indices Department



*** Data as at:** 2013/09/12