

## Memorandum

**To:** Market Participants  
**From:** FTSE/JSE  
**Date:** 11 December 2013  
**Subject:** **Notes from the FTSE/JSE Advisory Committee Meeting held on Wednesday, 11 December 2013**

### 1. Background

The FTSE/JSE Advisory Committee (AC) met on Wednesday, 11 December 2013 to approve the quarterly review changes to the FTSE/JSE Africa Index Series which will be effective at the start of business on Monday, 23 December 2013, and to discuss matters relating to the Index Series. The items listed below were discussed during the meeting.

### 2. Feedback on the FTSE/JSE Africa Index Series

The two tables below provide a summary of the largest changes in ranking and the changes made to the key indices at the December 2013 review.

#### Changes to Key Indices

Index	Additions	Deletions	SII Changes	FF Changes	Largest Up*	Largest Down*	Projected Max Weight	1 Way Churn
Top 40	CCO, LHC	GFI, MSM	4	2	LHC (0.75%)	GFI (0.56%)	BIL (13.53%)	1.31%
SWIX 40	CCO, LHC	GFI, MSM	4	4	LHC (1.06%)	GFI (0.52%)	NPN (11.84%)	2.07%
Mid Cap	4	4	6	8	GFI (3.65%)	LHC (4.67%)	MPC (4.57%)	7.96%
All Share	10	8	19	24	BTI (0.17%)	BIL (0.08%)	BIL (11.31%)	0.88%
Resi 10			2	0	ANG (0.17%)	BIL (0.12%)	BIL (46.06%)	0.25%
Fini 15			1	2	GRT (0.13%)	RMH (0.37%)	SBK (17.47%)	0.56%
Indi 25	TSH	TFG	2	1	BTI (0.38%)	TFG (0.63%)	SAB (18.04%)	0.70%
SAPY	ATT	OCT	11	7	ATT (3.35%)	RDF (0.92%)	GRT (22.94%)	5.30%
Eq Wgt 40	CCO, LHC	GFI, MSM	4	2	CCO/MSM	MSM (2.09%)	N/A (2.5%)	7.64%

\* Shows the projected increase/decrease in percentage weight within the index



## Largest Changes in Ranking

All Share constituents compared at December and September 2013 Quarterly Reviews

Noteworthy new entrants at December Review					
Alpha	Instrument	Dec Rank	Previous Eligibility Failure	Index Change	
TSH	Tsogo Sun Holdings Ltd	47	Free Float < 15%	Added to Mid Cap	
PSG	PSG Group Ltd	71	Failed Dec 2012 liquidity	Added to Mid Cap	
ATT	Attacq Ltd	92	New Listing	Added to Small Cap	
COH	Curro Holdings Ltd	111	Free Float < 15%	Added to Small Cap	
NT1	Net 1 UEPS Technology Inc	126	Free Float < 15%	Added to Small Cap	
CLI	Cientele Ltd	127	Failed Dec 2012 liquidity	Added to Small Cap	
NIV	Niveus Investments Ltd	149	Failed Dec 2012 liquidity	Added to Small Cap	
Noteworthy Top 40 Instruments					
Alpha	Instrument	Dec Rank	Sep Rank	Move	Comment
GFI	Gold Fields Ltd	49	38	-11	Largest Top 40 Down
SHF	Steinhoff International Holdings Ltd	24	30	6	Largest Top 40 Up
TRU	Truworths International Ltd	44	42	-2	Lowest Rank Top 40
MMI	MMI Holdings Ltd	39	47	8	Reserve List #1
Largest Increase in Ranking on Main Board					
Alpha	Instrument	Dec Rank	Sep Rank	Move	Comment
MMG	Micromega Holdings	185	202	17	Remains in Fledgling
ACT	Afrocentric Investment Corporation Ltd	163	176	13	Remains in Fledgling
Largest Decrease in Ranking on Main Board					
Alpha	Instrument	Dec Rank	Sep Rank	Move	Comment
ZCI	ZCI Ltd	225	200	-25	Remains in Fledgling
DRD	DRD Gold Ltd	167	144	-23	Moves to Fledgling

- 4 new Net TRI indices were launched during the quarter, namely the All Share Net TRI (JN23), Shareholder Weighted All Share Net TRI (JN43) and Preference Share net TRI (JN51). The indices are calculated on a net of tax basis.
- There were 6 newly listed companies this quarter. Of these new listings, 2 were on the AltX and 4 on the Main Board.

### Glencore Xstrata

Glencore Xstrata plc (GLN) listed on the JSE on 13 November 2013. GLN is a new inward listing and as such uses a SWIX free float for all index free float purposes. Companies with a very large market capitalisation need a free float of at least 5% in order to be considered for inclusion into the FTSE/JSE Africa Index Series. At the close of business on 13 November Strate confirmed that they were not reflecting any shares in their systems and as such GLN was not eligible for Fast Entry.

Due to concerns from the market and the large amount of uncertainty regarding the Fast Entry of GLN to the indices, FTSE/JSE presented a number of proposed treatments to the AC. The AC proposed that the Fast Entry rule should not be applied for new listings of foreign companies.

### Definition of South African Resources

Following from the September AC meeting wherein the SA Resources sector definition was queried, FTSE/JSE has since published a market consultation regarding improving the consistency of the definition. FTSE/JSE will undertake further consultations and report to the AC at a future meeting.

### 3. Extended Implementation Notice Period

FTSE is extending the implementation notice period for the FTSE UK Index Series to provide index users with a longer notice period between the date of publishing and the effective date. The FTSE/JSE Africa Index Series quarterly review currently takes place in March, June, September and December changes being made effective on the first trading day following the third Friday of review month. Notice of these changes is published after close of business on the Wednesday following the first Friday of review month; this is also the date on which the AC meets.

Extending the notice period will give index users an added 5 days to prepare for trades. Under the new timeline the cut date for reference data will be the Monday one week before the meeting date the AC meeting date will be on the Wednesday before the first Friday of review month. Effective date for review changes will be unchanged. The AC approved the proposal to keep in line with FTSE indices.

### 4. Reserve Lists for Indices with a Fixed Number of Constituents

The FTSE/JSE Africa Index Series Ground Rules currently provides reserve lists for Top 40, Mid Cap and Dividend Plus indices the AC approved the introduction of reserve lists for all indices with a fixed number of constituents consisting of three companies. The reserve list aims to provide a list of high ranking non-constituents that could potentially replace a constituent that is removed intra-quarter.

The following list of indices was proposed:

Code	Index Name	Index Size	Suggested Reserve List
J210	Resource 10	10	3
J211	Industrial 25	25	3
J212	Financial 15	15	3
J213	Financial and Industrial 30	30	3
J233	Alternative Exchange 15	15	3
J253	SA Listed Property Index	20	3
J254	Capped Property Index	20	3

### 5. IOSCO Principles for Financial Benchmarks

The International Organisation of Securities Commission (IOSCO) published a report titled Principles for Financial Benchmarks. The principles set out in the report were compiled in order to improve the regulatory framework for financial benchmarks. The principles were formulated to provide guidance for benchmarks in order to address conflicts of interest, transparency and openness among others. The paper provides 19 principles of which FTSE/JSE fully complies with 10. Of the remaining 9, 8 principles are currently mostly complied with but require some procedural changes. Index providers are required to publish details of their compliance by July 2014, and FTSE/JSE will continue to work on increasing compliance.

### Next AC meeting will be held on Wednesday, 05 March 2014

For further information please contact the FTSE/JSE Indices Department

Email: [indices@jse.co.za](mailto:indices@jse.co.za)

Tel: +27 (0)11 520 7137