



## FTSE/JSE Africa Index Series Ground Rule Change

19 January 2015

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Following the meeting of the FTSE/JSE Advisory Committee on 3 December 2014, and in order to align with other FTSE Partnership indices, FTSE/JSE announces a change to the "Free Float" and "Suspension of Dealing" rules as set out in the notice below. The associated rule changes will take immediate effect.

The changes include an additional point in the free float rules regarding shares not accounted for on the Strate Register and clarification on the treatment of free float changes following the expiry of Lock-ins.

The changes also include the treatment of long term suspensions and of suspended constituents that are restored to listing after they have been removed from the index.

### 6.3.1 Free float restrictions include:

#### Existing Rule:

- Shares directly owned by State, Regional, Municipal and Local governments (excluding shares held by independently managed pension schemes for governments).
- Shares held by Sovereign Wealth Funds where each holding is 10% or greater. If the holding subsequently decreases below 10%, the shares will remain restricted until the holding falls below 7%.
- Shares held by directors, senior executives and managers of the company, and by their family and direct relations, and by companies with which they are affiliated.
- Shares held within employee share plans.
- Shares held by public companies or by non-listed subsidiaries of public companies.
- Shares held by founders, promoters, former directors, founding venture capital and private equity firms, private companies and individuals (including employees) where the holding is 10% or greater. If the holding subsequently decreases below 10%, the shares will remain restricted until the holding falls below 7%.
- All shares where the holder is subject to a lock-in clause (for the duration of that clause)\*.

- Shares held for publicly announced strategic reasons, including shares held by several holders acting in concert.
- Shares that are subject to on-going contractual agreements (such as swaps) where they would ordinarily be treated as restricted.

\* Free Float changes resulting from the expiry of a lock-in will be implemented at the next quarterly review subsequent to there being a minimum of 20 business days between the lock-in expiry date and the Tuesday before the first Friday of the review month.

### **New Rule:**

- Shares directly owned by State, Regional, Municipal and Local governments (excluding shares held by independently managed pension schemes for governments).
- Shares held by Sovereign Wealth Funds where each holding is 10% or greater. If the holding subsequently decreases below 10%, the shares will remain restricted until the holding falls below 7%.
- Shares held by directors, senior executives and managers of the company, and by their family and direct relations, and by companies with which they are affiliated.
- Shares held within employee share plans.
- Shares held by public companies or by non-listed subsidiaries of public companies.
- Shares held by founders, promoters, former directors, founding venture capital and private equity firms, private companies and individuals (including employees) where the holding is 10% or greater. If the holding subsequently decreases below 10%, the shares will remain restricted until the holding falls below 7%.
- All shares where the holder is subject to a lock-in clause (for the duration of that clause)\*.
- Shares held for publicly announced strategic reasons, including shares held by several holders acting in concert.
- Shares that are subject to on-going contractual agreements (such as swaps) where they would ordinarily be treated as restricted.
- Shares that are not accounted for on the Strate Register, only for instruments classified as foreign for index purposes by the South African Reserve Bank.

\* Free Float changes resulting from the expiry of a lock-in will be implemented at the next quarterly review subsequent to there being a minimum of 20 business days

between the lock-in expiry date and the Tuesday before the first Friday of the review month. If the previously locked-in shares are sold by way of a corporate event (such as a secondary offering), any change to the free float will be applied T+5 following completion and therefore will not be subject to the minimum 20 business day rule.

## **8.4 Suspension of Dealing**

### **Existing Rule:**

8.4.1 In the event that a constituent of a FTSE/JSE Africa Index, other than the FTSE/JSE Top 40 Index, is suspended, the constituent may remain in the FTSE/JSE Africa Index, at the price at which it is suspended, for up to 20 business days, whilst a suspended constituent of the FTSE/JSE Top 40 Index may remain in the Index for up to five business days. During this time FTSE/JSE may delete the constituent immediately at zero value in cases it is expected that the constituent will not recommence trading.

- If the constituent is declared bankrupt, placed under curatorship, business rescue or placed in provisional liquidation, the last traded price will be adjusted down to zero value and the constituent will be removed from the index.
- If the constituent is temporarily suspended, but expected to recommence trading pending a restructure or corporate event, it may remain in the index at its last traded price until trading recommences post event.
- If there is no accompanying news when a constituent is suspended, FTSE/JSE will normally allow it to remain in the index for up to 20 business days (5 business days in the Top 40) at its last price before determining whether to delete it or allow it to remain in the index.

## **8.5 Relisting of Suspended Constituents**

8.5.1 If a constituent recommences trading within 3 months of being suspended, it will be re-added to the index at the same value (normally zero) at which it was deleted. It will then be determined whether it may remain in the index at its new value.

8.5.2 If a company relists after a continuous period of suspension lasting more than 3 months, the company will be treated as a new issue for the purposes of index eligibility.

### **New Rule:**

8.4.1 In the event that a constituent of a FTSE/JSE Africa Index, other than the FTSE/JSE Top 40 Index, is suspended, the constituent may remain in the FTSE/JSE Africa Index, at the price at which it is suspended, for up to 20 business days, whilst a suspended constituent of the FTSE/JSE Top 40 Index may remain in the Index for up to five business days. During this time FTSE/JSE may delete the constituent immediately at zero value in cases it is expected that the constituent will not recommence trading.

- If a constituent is declared bankrupt, placed under curatorship, business rescue or placed in provisional liquidation, the last traded price will be adjusted down to zero value and it will subsequently be removed from the index.

- If there is no accompanying news when a constituent is suspended, FTSE/JSE will normally allow it to remain in the index for up to 20 business days (5 business days in the Top 40) at its last traded price before determining whether to delete it at zero value or allow it to remain in the index.
- If a constituent is temporarily suspended but expected to recommence trading pending a restructuring or a corporate event, for example a merger or acquisition, it may remain in the index at its last traded price for up to 20 business days.
- If it continues to be suspended at the end of that period, it will be subject to review and a decision will be taken to either allow the constituent to remain in the index for a further period of up to 20 business days or to remove it at zero value. This procedure will be repeated at successive 20 business day intervals thereafter until either trading recommences or a decision is taken to remove it from the index.
- If a constituent has been removed from the index and trading is subsequently restored, it will be treated as a new issue for the purposes of index eligibility.

An updated version of the Ground Rules document is now available on the FTSE/JSE website.

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