

To: Market Participants
 From: JSE Indices Department
 Date: 23 April 2015
 Subject: Notes from the JSE Fixed Income Index Series Advisory Committee Meeting held on Wednesday, 15 April 2015

1. Background

The JSE Fixed Income Index Series Advisory Committee (AC) met on Wednesday, 15 April 2015 to approve the second quarter Reconstitution changes to the JSE Fixed Income Index Series and to discuss matters relating to the indices. The items listed below were discussed during the meeting.

2. Index Reconstitution

There was one constituent change in both the ALBI and CILI indices. In the Credit Fixed Top 30 there were two constituent changes and in the Credit Floating Top 30 index there were six inclusions. The AC noted and approved the Reconstitution changes and the Index Reconstitution papers were distributed to the market.

Index	Additions	Deletions	Weight changes since April 2015 Reweighting
ALBI	ES42	DV23	16
CILI	EL29	EL30	5
CFIX30	FRX24	AB013	17
	SBS20	SBS9	
CFLO30	SBS28	LBK03	8
	MBF039	NBK16B	
	SBS30	SBK13	
	IDCG01	SBK15	
	IV032	TNF16	
	TH10A2		

3. Reweighting on Non-Trading Days

The AC discussed the treatment of Reweightings effective on non-trading days following the treatment of the April 2015 Reweighting. The current Ground Rule regarding non-trading days for the JSE Fixed Income Series is provided below:

5.2.3 Non-trading Days

Where the effective date of the Reconstitution or Reweighting falls on a non-trading day, this will be moved to the same calendar day in the following week. Where the new effective date in the following week is itself a non-trading day, the previous trading day in that week will be used.

This rule works for the purpose of Reconstitutions, because the yields used for Reconstitutions are obtained on the same day as the effective date, i.e. the first Thursday of a reconstitution month. If this Thursday were to be a non-trading day then index users would be unable to replicate the index changes.

However, for Reweightings, where the effective date is the Friday *following* the first Thursday, the rule does not appropriately manage the scenario where the first Thursday of the month is a non-trading day. This scenario is a concern, since index users are required to trade their portfolio for Reweightings at the closing yields on the day immediately before the effective date. Thus, if the Reweighting effective date (i.e. Friday) is a non-trading day, then index trackers are still able to trade on the Thursday and moving the Reweighting out by a week is unnecessary.

The JSE proposed the following wording change to rule 5.2.3:

5.2.3 Non-trading Days

Where the first Thursday of the Reconstitution or the Reweighting month falls on a non-trading day, then the second Thursday of that month will be used to determine the effective date. Where the second Thursday is itself a non-trading day, the previous trading day in that week will be used.

This means that if the first Thursday is a trading day and the Friday is a non-trading day, the reweighting will still take place on the first Thursday, effective from the Friday.

This Ground Rule change was accepted by the AC and will be effective immediately.

Next Meeting Dates:

Wednesday, 8 July 2015

Wednesday, 7 October 2015

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