

To: Market Participants
 From: JSE Indices Department
 Date: 27 October 2015
 Subject: Notes from the JSE Fixed Income Index Series Advisory Committee Meeting held on Wednesday, 14 October 2015

1. Background

The JSE Fixed Income Index Series Advisory Committee (AC) met on Wednesday, 14 October 2015 to approve the third 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 were no constituent changes to the ALBI, and three changes were made to the CILI. There were three constituent changes in the Credit Fixed Top 30 and eight in the Credit Floating Top 30. The AC noted and approved the Reconstitution changes and the Index Reconstitution papers were distributed to the market.

Index	Additions	Deletions	Weight changes since October 2015 Reweighting
ALBI	No Change		11
CILI	ABSI2	R211	2
	FRBI23	SBSI12	
	HWAY24	WS05	
CFIX30	NBK21A	MTN04	19
	NBK20A	SBS19	
	FRX30	SBS39	
CFLO30	IV015	MBF037	10
	SBS35	MBF039	
	N5B23	NBK18B	
	NBK27B	SBS28	
	BGL03	IV022	
	NED19	GRH1A3	
	SBK20	SBK17	
	SBK22	SBS24	

3. August 2015 CILI Reconstitution Correction

The AC noted that the expiry prices for inflation linked bonds were incorrectly calculated for CILI constituents on 6 August 2015. As a result, the 12:00 reconstitution CILI index level and the 17:00 end of day level were incorrectly calculated and published.

The JSE discussed the progression of the error as well as the steps that were taken to correct it, and those taken to inform the market of the correction. The JSE has subsequently identified the root cause of the error and is implementing system improvements to prevent its recurrence.

4. Proposed Index Changes: JSE All Bond Index

The AC considered a proposal to increase the number of constituents in the existing All Bond Index from 20 to 30 or 40. It was agreed that the practical impact of such a change would have material implications for existing index users and would change both the trading and risk characteristics of the index dramatically.

The AC recommended that the proposal be considered carefully before being released for public comment and that those index users looking for a broader portfolio be referred to ALBI 95% benchmark index as an alternative.

5. CILI-IGOV Term Split Sub-Indices

The CILI composite index currently has sub-indices calculated by term split, and separately by issuer class. The AC considered a market request to price a hybrid sub-index based on the combination of an individual term split and individual issuer class.

Considering the potential structure of the indices, the AC recommended that it would be inappropriate to create sub-indices for every combination of issuer class and term split. Furthermore, one particular combination of these may not necessarily be supported by a lasting broad-market interest, and may therefore be better suited to a bespoke solution.

6. Meeting Dates: 2016

The AC agreed to move the standard meeting date from the first Wednesday to the second Wednesday of the scheduled month. The meeting dates and implied reconstitution publication dates for 2016 are thus:

Next Meeting Dates:

Wednesday, 13 January 2016

Wednesday, 13 April 2016

Wednesday, 13 July 2016

Wednesday, 12 October 2016

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