

To: Market Participants
 From: JSE Indices Department
 Date: 25 April 2016
 Subject: Notes from the JSE Fixed Income Index Series Advisory Committee Meeting held on Wednesday, 13 April 2016

1. Background

The JSE Fixed Income Index Series Advisory Committee (AC) met on Wednesday, 13 April 2016 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 made to the ALBI and no changes to the CILI. There were three constituent changes in the Credit Fixed Top 30 and four 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 April 2016 Reweighting
ALBI	TN17	ES23	10
CILI	No Change		3
CFIX30	SBK9	NBK3A	17
	SBS19	DV24	
	SBS27	SBS39	
CFLO30	MBF045	BCJ06	14
	FRB12	IBL42	
	SBK17	SBS23	
	SBS40	SBK22	

3. CILI Calculation Error

The AC noted the index values for the CILI, as well as its IGOV and 12+ sub-indices, were incorrectly calculated and disseminated for the period 4 to 15 February 2016.

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. Fixed Income Indices Data Product Development

The JSE has initiated a project to review and redevelop the current index data products in order to make the lay-out more consistent across the various indices. This development will enhance the index products by introducing a uniform format, allowing for the publication of the same information for the various indices and will offer new index metrics. The JSE is proposing to implement three daily data products, namely a Valuation, Constituent and Tracker product for the JSE Fixed Income indices. The valuation product will contain the index values at close of business, as well as the current and next day K-Factors. The constituent product will set out the constituents of the various indices and the Tracker product will contain any known upcoming constituent changes such as additions and deletions, or weight changes. This tracker product is a valuable enhancement to the existing offering since it will allow users to systematically identify and process any upcoming index changes, including reconstitutions.

The JSE is currently finalising the product design and development phases of this project. Once complete, a parallel phase will commence whereby the new products will be available alongside the old. Following an appropriate notice period to allow clients to adapt to the new files, the existing data products will be discontinued. The parallel phase is expected to commence in Quarter 3, 2016.

This proposal was presented to the AC and they supported its implementation.

5. Index Constituent Contribution Analysis

The JSE has developed a methodology to calculate the contribution of individual bond returns to the overall total return index performance for indices in the JSE Fixed Income Index Series and is in the process of implementation. Once thorough testing has been done over a number of historic scenarios and indices, the JSE will finalise and publish the contribution calculation guide, as an addition to the Ground Rules document. The individual constituent contribution values will be published on a daily basis in the new constituent products.

The AC accepted the proposal.

Next Meeting Dates:

Wednesday, 13 July 2016

Wednesday, 12 October 2016

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