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# ICB Information Session

7 April 2020

## Presenters:

Neil Vendeiro – Market Data Product Owner (Information Services)

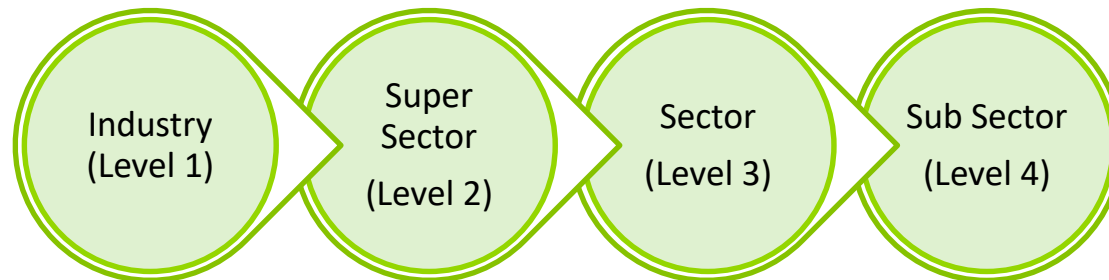
Elsa De Goede – Manager Indices (Information Services)

Barbara Teasdale – Consultant (Post Trade Services)

# Introduction

The Industry Classification Benchmark (ICB) is a globally recognized standard for categorising companies and securities operated and managed by FTSE Russell. ICB is widely used and adopted by various financial institutions such as London Stock Exchange, Johannesburg Stock Exchange, Athens Exchange, SIX Swiss Exchange, Cyprus Stock Exchanges, NYSE Euronext, NASDAQ OMX, Borsa Italiana, Boursa Kuwait, and CRSP, STOXX, and FTSE Russell indexes

ICB provides four levels of classification:



Consequently, the number of groupings increased across the four levels of classification. The new ICB framework assigns individual companies to aggregate industry groupings, and with increasing detail, to Sectors and Subsectors that represent companies' specialist areas of business.

**Changes will go-live on Monday, 21 September 2020.**

## Overview of general ICB Changes

The main changes are as follows:

- Creation of a separate Real Estate Industry
- Expansion of the Telecommunications Industry
- Adoption of a new Consumer Discretionary/Staples framework
- Renaming of ICB Oil and Gas to ICB Energy

Level Groupings	Classification Group	Current ICB number groupings	Legacy ICB number of groupings	Change
1	Industry	11	10	+1
2	Supersector	20	19	+1
3	Sector	45	41	+4
4	Subsector	173	114	+59

For more information kindly refer to the following link: <https://www.ftserussell.com/data/industry-classification-benchmark-icb>

# Market Data Products Impacts



## Market Data Products Impact - Equities

1. Key impact is field size increase to the sector and sub-sector code fields from **four to eight characters**.
2. Sector and sub-sector code fields included in a big range of data records so impact is quite wide spread but the impact per subscriber will vary based on the number of subscribed impacted data records.
3. Sector field is the first field in the leading portion of each data record (section 10 in Specs document) so the field position changes already happens from field 2 for all impacted data records.
4. Changes also impact the sector sequence number field that provides subscribers with guidance on the order to display/print the sectors. The field is part of data records DS-04 and DS-05 (sections 11.2.4 and 11.2.5).
5. The JSE is still finalising the print sequence and will advise the revised order in a subsequent service hotline with a revised specifications document.
6. JSE will provide test data files in due course.

The above information and revised specifications document (v8.1) was provided in service hotline issued on 31 Mar 2020 (ref no 072/2020).

# Market Data Products Impact - Indices

## Fixed Width data record based data files

1. Key change is size increase to the sub-sector (ICB Sub-Sector, New ICB Sub-Sector, and Closing ICB Sub-Sector) fields.
2. Because of the prevalence of this field in the fixed width data records that has varying degrees of JSE and client impact, combined with the JSE strategic intent to migrate away from fixed width data records, the JSE has decided **not to widen the sector specific fields and to rather decommission them all in the fixed width data records** by making them filler fields.
3. This will impact all impacted data records provided via the I.zip, SI.zip and AI.zip data files.
4. Instead, the JSE will provide CSV data file equivalents for all current data records that will be ICB ready i.e. contain all the ICB changes.
5. Clients that need access to the sub-sector data must instead obtain this data from existing and new CSV data files that are covered in the next section.

The above information and revised specifications document (v8.1) was provided in service hotline issued on 31 Mar 2020 (ref no 073/2020).

## Market Data Products Impact - Indices

1. Certain Indices data is already made available as CSV format data files. The list of Indices that are provided in CSV format are listed below.
2. As per the format migration intent, CSV data file equivalents for all the fixed width data records that currently don't have an equivalent CSV format, will be made available as part of this overall ICB change.
3. Test data files and specifications for all the CSV data files will be provided in due course on the JSE website.
4. **Clients that make use of sub-sector data will have to access the sector data from 21 September from the CSV format data files as they will not be available in the fixed width format data records from 21 September 2020.**

- |                            |                           |
|----------------------------|---------------------------|
| 1. Core                    | 9. SWIX All Share         |
| 2. Capped Top 40           | 10. SWIX Top 40           |
| 3. Capped All Share        | 11. Capped SWIX All Share |
| 4. Factor                  | 12. Capped SWIX Top 40    |
| 5. Preference Share        | 13. RAFI All Share        |
| 6. Equally Weighted Top 40 | 14. RACI Capped All Share |
| 7. Dividend Plus           | 15. RAFI Top 40           |
| 8. Dividend Top 40         | 16. RAFI TOP 40 Net TRI   |

The above information was provided in service hotline issued on 31 Mar 2020 (ref no 073/2020)

# Indices Impacts





## FTSE/JSE Index Series Impact - Background

- Each company in the ICB universe is allocated to the Sub-sector that most closely represents the nature of its business. This allocation is determined by the company's primary source of revenue and other publicly available information
- FTSE Russell enhanced the structure to reflect increased detail and greater flexibility
- The new ICB structure classification is envisaged to be implemented at the September 2020 Index Review
- The sub-sector code will be expanded from the current 4 digits to **8 digits**

## FTSE/JSE Index Series Impact

- The FTSE/JSE All Share Index (J203) is currently split into 10 ICB Industry indices, i.e. one for each Industry, and 40 Sector indices, according to the ICB structure
- The ICB structure is also used to define the FTSE/JSE SA Sector Indices (SA Resources, SA Industrials and SA Financials)
- The new ICB Industry and Sector indices will be launched with new names and index codes that correspond to the new ICB structure

New-ICB-(11-Industries)¤	Current-ICB-(10-Industries)¤
Technology¤	Technology¤
Telecommunications¤	Telecommunications¤
Health-Care¤	Health-Care¤
Financials¤	Financials¤
Real-Estate¤	¤
Consumer-Discretionary¤	Consumer-Services¤
Consumer-Staples¤	Consumer-Goods¤
Industrials¤	Industrials¤
Basic-Materials¤	Basic-Materials¤
Energy¤	Oil-and-Gas¤
Utilities¤	Utilities¤

## FTSE/JSE Index Series Impact

- As a result of enhancements to the FTSE Russell Industry Classification Benchmark, the following changes are envisaged for the FTSE/JSE Africa Index Series:
  - ICB Industry Indices: Replacement of existing 10 industry indices with 11 new indices, with codes and names representative of the enhanced structure
  - ICB Sector Indices: Replacement of existing 40 sector indices with 44 new indices, with codes and names representative of the enhanced structure (excl Non-equity Investment Instrument)
  - ICB Sub-Sector Indices: Decommissioning of 5 existing sub-sector indices
  - SA Sector Indices: Definition changes to SA Sector (Financials, Industrials, Resources) to maintain existing logical classification

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## FTSE/JSE Index Series Impact

The below sub-sector indices will be decommissioned when the enhanced ICB structure comes into effect:

- FTSE/JSE Gold Mining Index (J150)
- FTSE/JSE Coal Mining Index (J151)
- FTSE/JSE Diamonds & Gemstones Index (J152)
- FTSE/JSE Platinum & Precious Metals (J153)
- FTSE/JSE General Mining (J154)

# FTSE/JSE Index Series Impact

## SA SECTOR INDICES: DEFINITION CHANGES

The SA Sector classification is mapped directly to the current global ICB methodology as follows:

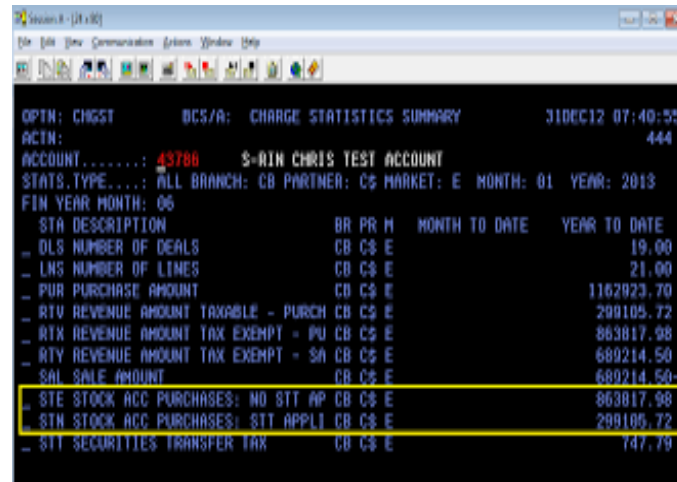
- SA Resources: ICB Industries Oil & Gas (0001) and Basic Materials (1000)
- SA Financials: ICB Industry Financials (8000)
- SA Industrials: All remaining companies

With the enhanced ICB structure, the SA sector indices will be defined as follows:

- SA Resources: ICB Industries Basic Materials (55) and Energy (60)
- SA Financials: ICB Industries Financials (30) and Real Estate (35)
- SA Industrials: All remaining companies

The SA sector indices will therefore remain with the same name and index codes and will continue to be comparable after implementation.

# BDA Impacts



STA DESCRIPTION	BR	PR	M	MONTH TO DATE	YEAR TO DATE
- DLS NUMBER OF DEALS	CB	C	E		19.00
- LNS NUMBER OF LINES	CB	C	E		21.00
- PUR PURCHASE AMOUNT	CB	C	E		1162823.70
- RTV REVENUE AMOUNT TAXABLE - PURCH	CB	C	E		298185.72
- RTX REVENUE AMOUNT TAX EXEMPT - PU	CB	C	E		863817.98
- RTY REVENUE AMOUNT TAX EXEMPT - SA	CB	C	E		689214.50
- SAL SALE AMOUNT	CB	C	E		689214.50-
- STX STOCK ACC PURCHASES: NO STT AP	CB	C	E		863817.98
- STN STOCK ACC PURCHASES: STT APPLI	CB	C	E		298185.72
- STT SECURITIES TRANSFER TAX	CB	C	E		747.79

# BDA Impacts

## Online Display

- INSTM (detail panel) changes...
  - Sector Code to cater for 8 characters

## Client Statements

- Client XML Statement changes...
  - Sector Code tag increase from 34 to 38 characters for 8 character sector code
    - Filler at end of file reduced by 4 characters

## Reports

- Report layout changes for PACDLH report ...
  - Current layout: JSE CODE (4 character incl. BOARD-IND), ' - ', SECTOR NAME.
  - New layout: ICB-CODE X(8), ' - ', BOARD X(1), ' - ' SECTOR NAME.

## BDA Impacts

### Dissemination

- Card Codes changes for **Broker** Dissemination are:
  - CC 92 (Instrument) - ICB Sector Code (8 characters) included at end of record
    - Filler reduced by 8 characters
  - CC 95 (PFV Balances) - ICB Sector Code (8 characters) included at end of record
    - Filler reduced by 8 characters
  - CC 96 (PFV Holdings) - ICB Sector Code (8 characters) included at end of record
    - Filler reduced by 8 characters

The above information was provided in a service hotline issued on 3 April (ref no 076/20). Test data will be provided at a later stage as indicated in the hotline.



## BDA Impacts

### Dissemination

- Card Codes changes for **Institutional** Dissemination are:
  - CC 92 (Instrument) - ICB Sector Code (8 characters) included at end of record
    - Filler reduced by 8 characters
  - CC 95 (PFV Balances) - ICB Sector Code (8 characters) included at end of record
    - Filler reduced by 8 characters
  - CC 96 (PFV Holdings) - ICB Sector Code (8 characters) included at end of record
    - Filler reduced by 8 characters

The above information will be provided in an upcoming service hotline and relevant test data will be provided as well

## BDA Impacts

### Dissemination

- Card Codes changes for **Institutional** Dissemination are:
  - CC 92 (Instrument) - ICB Sector Code (8 characters) included at end of record
    - Filler reduced by 8 characters
  - CC 95 (PFV Balances) - ICB Sector Code (8 characters) included at end of record
    - Filler reduced by 8 characters
  - CC 96 (PFV Holdings) - ICB Sector Code (8 characters) included at end of record
    - Filler reduced by 8 characters

The above information will be provided in an upcoming service hotline and relevant test data will be provided as well

# The End

## Final Questions and Answers

Any questions after the session can be sent to [mdproducts@jse.co.za](mailto:mdproducts@jse.co.za)

View all ICB 2020 restructure change documentation at the following link:

<https://www.jse.co.za/services/market-data/industry-classification-benchmark>

