**Acceptable indices and index calculators**

19.68 Applicant issuers wishing to list instruments with an index as its underlying basis must comply with paragraph 19.69 to 19.77.

19.69 The JSE will publish a list of acceptable index calculators on its website.

19.70 Applicant issuers must submit an application to the JSE illustrating full compliance with paragraphs 19.71 to 19.77 prior to the listing of any instrument with an index as underlying.

Experience

19.71 The index calculator must satisfy the JSE that it has adequate experience in calculating indices. The JSE will have regard to the following principles in considering whether an index calculator has the required experience:

1. the index calculator will be expected to have sufficient staff with considerable relevant experience. Experience could include the calculation of in-house benchmarks, custom indices or having worked with or been employed by an acceptable index calculator for a considerable period; and
2. the index calculator must prove that it has enough knowledge and experience in dealing with the impact of corporate actions on indices. This will be achieved by displaying a track record of handling corporate actions that it has dealt with.

Transparency

19.72 The construction of the index, including the treatment of various corporate actions, must be clearly documented in a Ground Rule Document and this document must be publicly available (website) to ensure full transparency. The JSE will have regard to the following principles in considering whether the Ground Rule Document is acceptable:

1. it must contain the basic constitution of the index and the treatment of all known corporate actions must be clearly documented to ensure that it is dealt with timeously, objectively and consistently;
2. details of index reviews and its intervals must be clearly disclosed;
3. the Ground Rules must ensure that the index is free of any type of manipulation by the index calculator or the issuer;
4. it must include details of the process involved when there are changes to the index (including but not limited to any corporate action) and how these changes will be communicated to investors;
5. index methodology must be clear and give details of the calculation method, constitution, index rules, index review and changes to the index. This must be in plain English so that it is easily understandable to the target investor;
6. there must be extremely limited room for the index calculator to use its sole discretion, in other words the market must never be surprised by any changes. Consultation and communication with the market is imperative;
7. the mathematics applied in the index must match the written description of the index;
8. the index must be replicable as far as practically possible, i.e. investors must achieve the same returns as the index in the open market;
9. any changes pertaining to the index must be published publicly (website) and in a timely manner, via an index notice, for index users to be able to replicate the index as far as practically possible, as must corrected index data in the event of erroneous distribution of data;
10. a clear policy should exist in terms of corrections e.g. how will it be published and how will it be corrected;
11. all instruments in the index must have a reliable and discoverable price that is published; and
12. material changes to the index methodology must be communicated to the JSE and the market before implementation.

Independence

19.73 An index calculator must not act as an index calculator to any organization or fund of which it is not independent except with the specific approval of the JSE. The index calculator must be able to demonstrate to the JSE that it can act in a neutral and objective manner without any undue influence from the applicant issuer or its associates. The JSE will have regard to the following principles in considering whether to allow an index calculator to act for an organization or fund from which it is not deemed to be independent:

1. the department or area that is responsible for calculating the index must operate separately from the issuer of the instrument;
2. the department responsible for calculating the index must not have any reporting lines into the department responsible for issuing the instrument;
3. the compliance officer of the organization must confirm in writing that the two areas are sufficiently independent and separated to ensure that the one is not influenced at all by the other;
4. a policy must be in place stipulating how matters will be dealt with that are not covered in the Ground Rules and this policy must ensure that decisions are taken without any consideration to the issuer of the instrument and at all times in the best interest of investors; and
5. disclosure about the relationship must be disclosed in the listing documentation together with details on the index calculator’s ability to act independently.

Continuity

19.74 Arrangements must be in place to ensure that a sufficient number of experienced staff are available to ensure that the index calculator’s responsibilities are properly discharged at all times.

Technology

19.75 The index calculator must demonstrate to the JSE that it has a robust system in place. The JSE will have regard to the following principles in considering whether the system is acceptable:

1. a process must be in place to prevent manipulation of the index system. Confirmation of this must be provided to the JSE and the issuer of the instrument must confirm that it is satisfied with this;
2. the system must have regularly tested back-up’s; and
3. the technology being used must ensure continuity with proper automation and data feeds. Daily input of data or Excel spreadsheets will not be acceptable.

Continuing Obligations

19.76 The index calculator is approved based on the information presented to the JSE with the initial application and in order to maintain standards on a continuing basis the index calculator must notify the JSE immediately of any significant changes including:

1. any changes to its staff responsible for calculating the index;
2. any changes to its technology; and
3. any changes to its relationship with the issuer and any of its associates.

19.77 The index calculators must annually submit documentation illustrating its continuous compliance with the guidelines. The index calculator must also warrant its continuous compliance with the guidelines. In the event of a material change to the index methodology or index calculator, it might be necessary to reassess the initial application for approval.