

## FTSE/JSE Africa Index Series

### Ground Rule Update: Shares Maintenance

26 May 2017

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FTSE/JSE would like to inform clients of the following updates to the FTSE/JSE Africa Index Series Ground Rules effective from the June 2017 review:

The Ground Rules have been updated to reflect the new methodology for the maintenance of shares and float numbers.

An illustrative rule update for the FTSE/JSE Africa Index Series is provided for convenience below.

#### **8.0 Changes to Constituent Companies**

##### **8.1 Corporate Actions and Events**

Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide using the following link:

[Corporate\\_Actions\\_and\\_Events\\_Guide.pdf](#)

A Corporate 'Action' is an action on shareholders with a prescribed Ex Date. The share price will be subject to an adjustment on the Ex Date. These include the following:

- Capital Repayments
- Rights Issues/Entitlement Offers
- Stock Conversion
- Splits (sub-division) / Reverse splits (consolidation)
- Scrip issues (Capitalisation or Bonus Issue)

A Corporate 'Event' is a reaction to company news (event) that may impact the index depending on the index rules. For example, a company announces a strategic shareholder is offering to sell their shares (secondary share offer) - this could result in a free float weighting change in the index. Where an index adjustment is required FTSE Russell will provide notice advising of the timing of the change.

#### **8.6 Changes to Constituent Weightings**

8.6.1 For the purposes of computing the FTSE/JSE Africa Index Series and to prevent a large number of insignificant weighting changes only shares and float changes occasioned by primary or secondary offerings will be updated outside of the quarterly update cycle WHERE:

- There is a USD 1bn investable market cap change related to a primary/secondary offering;

OR

- There is a resultant 5% change in index shares related to a primary or secondary offerings AND a USD 250m investable market cap change.

These changes will be implemented after the close on the day that the subscription period closes, assuming two days' notice can be provided; if two days' notice cannot be provided prior to the end of the subscription period, the change will still proceed with two days' notice and will be implemented at the earliest opportunity.

For example: Subscription close is Monday 4 April and discovery of the event is Friday 1 April. Therefore, implementation will occur with two days' notice, effective on Wednesday 6 April (i.e. close of business Tuesday 5 April).

If discovery of the event occurs more than two days after the close of the subscription period, the changes will be deferred until the quarterly review cycle.

For example: Subscription close is Monday 4 April and discovery of the event is Wednesday 6 April. Therefore, implementation will occur with two days' notice, effective on Monday 11 April (i.e. close of business Friday 8 April). However, if discovery occurred after Wednesday 6 April, the update will be deferred until the next quarterly review.

Please note:

- Index shares is defined as the number of shares in issue x free float.
- The market close price on the day prior to discovery (converted, if necessary, using the WM/Reuters 4pm spot rates from the day prior to discovery) will be used to calculate whether the intra-quarter thresholds have been triggered. Any change to the market price between this date and index implementation will not result in a cancellation of the change. Similarly, if discovery occurs at the beginning of the subscription period and it does not achieve the triggers for intra-quarter implementation; but during the subscription period, the market price moves upwards and the thresholds are consequently triggered, the event will not be implemented and it will be deferred until the quarterly index review.
- The share and free float change triggers are calculated from an international investor stance. In the event that an index constituent is represented both in a global and domestic index (e.g. FTSE/JSE Top 40 and FTSE Global Equity Index Series), the update will only be implemented if the parameters are breached at global level. Such a situation may arise where a constituent is subject to a foreign ownership restriction in the global index.

8.6.2 Adjustments to reflect a major change in the amount or structure of a constituent company's issued capital must be made before the start of the index calculation on the day on which the change takes effect (e.g. the Ex Date for a rights or capitalisation issue). Announcements of corporate events, which are made after the close of the index calculation, are normally deemed to be made on the following day.

#### 8.6.3 Quarterly Updates

In June, a constituent's shares will be updated regardless of size. No buffers are applied.

In March, September and December share changes greater than 1% will be updated.

Quarterly updates to shares will be applied after the close of business on the third Friday of March, June, September and December. The data cut-off for these quarterly changes will be the close of business on the third Wednesday of February, May, August and November.

8.6.4 Free float and share changes resulting from corporate events will not be subject to the buffers as detailed in 8.6.1 and 8.6.3 and will be implemented in line with the event.

An updated copy of the FTSE/JSE Africa Index Series (v5.1) Ground Rules document is now available on the FTSE Russell and JSE websites :

[www.ftserussell.com](http://www.ftserussell.com)

<https://www.jse.co.za/>

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