
MARKET NOTICEJohannesburg
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Number: 16/2018
Relates to: Equity Market
 Equity Derivatives
 Commodity Derivatives
 Interest Rate and Currency Derivatives
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SUBJECT: TREATMENT OF ESKOM BONDS IN THE JSE FIXED INCOME INDEX SERIES

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Dear JSE Stakeholder

As per the SENS announcements published on 15 and 18 January 2018, the JSE may suspend debt securities issued by Eskom Holdings SOC Limited, if the issuer fails to submit its financial report on or before 31 January 2018. The aim of this notice is to advise market participants of the potential impact to the JSE Fixed Income Indices containing these debt securities.

The JSE Fixed Income Index Advisory Committee (AC) met on 19 January 2018 to discuss the possible suspension of Eskom issued bonds and the resultant impact on the indices. Currently the treatment of suspended bonds is not explicitly set out in the Ground Rules of the Index Series.

In the event that the Eskom bonds are suspended, the JSE will follow the approach set out below for the daily valuations of the Composite All Bond Index (ALBI) and the ALBI sub-indices, including the GOVI index.

- The Eskom bonds will remain in the ALBI and ALBI sub-indices
- The indices will be priced daily using the JSE published settlement price for each bond
- There will be no amendments made to the February 2018 Reconstitution of the JSE Fixed Income Index Series that was published on 15 January 2018.
- The AC will convene monthly to monitor the situation and any additional information published in the market, to determine whether any extra-ordinary action is required, as set out in Section 6 of the [Ground Rules](#), which refers to Special Events.

Should the Eskom bonds not be reinstated for trading, no traded volumes will be reported on the JSE. It is therefore expected that the suspended bonds will be deleted from the Index Series at the relevant Reconstitution as a result of the dual ranking methodology, which incorporates a one year value traded metric for index selection purposes.

Should the deletion of the suspended Eskom bonds become necessary, the AC recommends that it would not be appropriate to delete the bonds from the indices at a zero price.

Should you have any queries regarding this notice, please contact indices@jse.co.za

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