

Market Consultation: Naspers and Prosus Capping Informative Notice (FTSE/JSE Africa Index Series)

10 December 2019

FTSE/JSE published a request for comments and submissions on 5 November 2019 regarding the capping methodology applied to Naspers and Prosus in the FTSE/JSE Africa Index Series. It was proposed during this consultation process that one of the Ground Rules of the indices should be amended to jointly cap Naspers and Prosus at a level of 10% in the capped indices. Comments, submissions and responses were requested to be submitted to the JSE on or before 22 November 2019. FTSE/JSE is appreciative of all the responses and input received during this consultative process.

The responses to the consultation confirmed the general support of the local asset management industry for the proposal, with some notable exceptions. However, there were many divergent views, with around half of the respondents not supporting the proposal, including a representation of sell-side participants, investors, issuers and local managers.

In these circumstances and after careful and detailed consideration of all the facts and information at its disposal, the JSE has decided to not pursue the implementation of the proposed amendment to the Ground Rules of the index to jointly cap Naspers and Prosus at a level of 10%.

The FTSE/JSE Index Advisory Committee acknowledges the concern around the combined weight of the two instruments in the capped indices following the Prosus listing, and further highlights the scenario that the combined weights increase significantly as a result of market movements or future corporate actions. This is particularly relevant given the primary purpose for which the FTSE/JSE Capped SWIX All Share Index was created.

FTSE/JSE initiated a benchmark design project in the fourth quarter of 2018 in order to test whether the current SWIX and ALSI methodologies provide the most appropriate benchmark construction principles for local investors. The Index Advisory Committee has requested that this project resume early in the new year, and incorporate a broad range of stakeholder involvement.

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