



# Benchmark Statement pursuant to Art 27 Benchmark Regulation (BMR) CETOP Index

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## Index

Name	ISIN	Currency	Price updates	Type of index	Type of weighting
CETOP	HU0005060236	EUR	Once a day	Price	Free float cap.

## Qualification of the benchmark

CETOP index is classified as non-significant, (transaction based) regulated-data benchmark.

CETOP fulfils the conditions laid down in Articles 20(1) (critical benchmarks) and 24(1) (significant benchmarks).

CETOP is a benchmark based on regulated data pursuant to Article 3 (24) a (i) BMR: the Vienna Stock Exchange (VSE) as a supervised entity and contracted calculator of the CETOP index uses CEE Markets Direct Feed or Refinitiv as price source, i.e., the traded prices generated in the respective trading systems of the exchanges. (Exchange prices not sourced from CEE Markets Direct Feed are obtained from the data vendor Refinitiv. Refinitiv is exclusively responsible for the technical task of transmitting traded prices to VSE in accordance with Article 10 BMR for the purpose of index calculation.) In this context, Budapest Stock Exchange (BSE) remains responsible for compliance with this Benchmark Statement. The quality, surveillance and traceability of the input data is therefore ensured by the regulated market trading and the regulatory system of the exchanges.

## Key terms

- CETOP Manual (Manual): publicly available document about the methodology, calculation and review rules of the CETOP index (<https://bse.hu/Products-and-Services/Rules-and-Regulations/BSE-Rules>)
- CETOP countries: Hungary, Czech Republic, Poland, Slovakia, Slovenia, Croatia, Romania
- Calculation parameters: number of shares, free float factor, representations factor and price expressed in euro
- Price update: only changes to prices trigger a change in the index level
- Free float (factor): reflects the sum of actually tradable positions in shares in a company according to the free float rules as set out in the Manual
- Degression: at semi-annual index reviews when determining the weights of the share series the process to cut back weights of larger share series as set out in the Manual
- Country limits: number of equity series to be included in the basket from a single country shall be no more than 7 and the total weight of the equity series of a CETOP country shall not exceed 40% (at review)
- Weighting factor: ensures that the weight of the particular share series reflects degression, country limits and the effect of certain company events



- Adjustment factor: ensures the continuity of the index values at semi-annual reviews and certain company events
- Review criteria: share series are selected based on their turnover and free float capitalization according to review rules as set out in the Manual
- Chief Executive Officer of the Budapest Stock Exchange (CEO): all decisions concerning the provision of indices that do not affect the Manual may be made by the CEO
- Board of Directors of the Budapest Stock Exchange (Board of Directors): all amendments to the Manual is approved by the Board of Directors
- Index Committee: professional committee with an advisory function in relation with managing and developing the CETOP

### Economic reality measured

CETOP index reflects the performance of the equities with the biggest capitalization and turnover introduced to the regulated markets of Central-Europe region (Hungary, Czech Republic, Poland, Slovakia, Slovenia, Croatia, Romania). The exact composition of the index is defined and kept up to date in accordance with the publicly available rules and regulations for the CETOP index of BSE. All index-related decisions are reached exclusively in accordance with the publicly available rules and regulations for the CETOP index issued by BSE.

### Controls and rules that govern any exercise of judgement or discretion

Index values are calculated by Vienna Stock Exchange based on contractual agreement between BSE and Vienna Stock Exchange. The calculation of the index is based exclusively on traded prices, as well as on an automated mechanism that excludes any human discretion or judgement.

In certain cases, discretion can be applied in the equity selection (Section 3.9 of the Manual) or at changes in the index due to company events (Section 4.2.4).

### External factors and their influence on the indices

Despite all precautions taken, an index may still be impacted by exogenous factors that can result in changes to the methodology or even the cessation of the index. Changes to the methodology or the cessation of the index may have a direct impact on financial products that reference the development of the underlying index.

### Methodology

The methodology is proposed by the CEO on the suggestions of the Index Committee and signed off by the Board of Directors.

- The main criteria for selection are tradability and size, i.e. optimal replication of the index by the index users and reflection of the economic reality represented.
- The weighting in the index is based on free-float capitalization where the biggest equities' and countries' weights are cut back in order to make the index more balanced and diversified (degression and country limit).
- Calculation based on the trading prices concluded on the regulated markets of the CETOP countries excludes the exercise of discretion and minimizes the probability of manipulation.
- Detailed methodology and rules (Manual) are publicly available on BSE's website.

### Criteria for determining the benchmark

- Only the prices of an index member equity traded exclusively on the regulated market of the CETOP countries can trigger a new index level.
- New index levels are calculated based on a publicly available formula (in the Manual).



- As only traded prices expressed in euro may trigger a new index level and the largest and most liquid stocks have already been selected for the index by the methodology, there is no need for defining minimum volume for the required data, the last index level always represents the most current picture of the economic reality to be measured.
- Weightings of the index – besides changes in index member equity prices – can be amended in accordance with the rules set out in the Manual
  - regularly at the semiannual reviews by adjusting the calculation parameters to the actual situation,
  - due to certain company events as set out in the Manual.
- The following factors have an influence on the weighting of the index:
  - Last traded prices of the equity series expressed in euro changes the weighting day by day
  - Number of equities listed on the BSE of the index member equity series
  - Free float (factor): effectively tradable quantity of equity series (ratio) that is taken into account when calculating free float capitalization
  - Weighting factor: can adjust the free float capitalization derived weightings due to depression, county limits and certain company events
  - Additions to the index: when new companies meet the inclusion criteria of the index in the review months of March and September, they are added to the index after the third Friday of the month in which the review takes place
  - Removals from the index: when index member companies no longer meet the inclusion criteria of an index in the review months of March and September as defined in the Manual, they are removed from the index after the third Friday of the month in which the review takes place

### Determination of the benchmark in periods of stress and potential restrictions in illiquid and fragmented markets

- The CETOP index values are based exclusively on the traded prices on the regulated market of the CETOP countries.
- The selection of index members is based on the principle of including the largest and most liquid companies in an index. Therefore, in all phases – irrespective of whether many or few updates – the most current economic reality is always optimally represented.
- The calculation of the index may be suspended by the publication of the resolution concerned as soon as possible if there is no transaction concluded for the equity series embody at least 75% of the index basket weight within 10 trading days on the exchanges of the CETOP countries.
- Should a situation arise in which it is no longer possible to compute the index, the following procedure shall apply:
  - BSE informs the market participants about the situation
  - The CEO – when appropriate, after consulting with the relevant stakeholders – decides on the actions that should be taken
  - Communication and implementation of the actions to be taken

### Dealing with errors in the input data

- Should wrong input data flow into the index calculation, the first and primary step is to inform all market participants of problems in the index calculation.
- In order to stop the dissemination of false index data, the affected index is suspended.
- Afterwards an error diagnosis is made, and the relevant corrections are made to the false values.
- After the corrections are completed, the market participants are notified of this.



## Changes to or cessation of the benchmark

It can become necessary to discontinue the index when the underlying parameters for the calculation of the index are no longer given and cannot be replaced. Changes to the index can be implemented as a result of index development or if the market circumstances have changed significantly.

- **Changes to the methodology**

When changing the methodology, after the prior approval of the Index Committee a proposal by the CEO for the Board of Directors is prepared about the modification of the Manual. After the approval of the Board of Directors, changes to the Manual are published by the BSE on its website at least 10 calendar days before its entry into force.

- **Cessation of the index**

Should a situation arise in which the Board of Directors decides on the cessation of the index, the details of the procedure should be determined and published based upon the consultation of market participants also taken the index related contracts in place into account. Detailed information about the cessation is published as soon as possible that the market participants can prepare for the event.

- **Force Majeure**

The index calculation is discontinued due to force majeure, when due to a natural disaster or similar event the calculation is temporarily or permanently rendered impossible. In this case BSE publishes the last official values of the CETOP Index and its last valid composition.

## Environmental, social and governance factors (“ESG” factors)

- None of BSE’s benchmarks qualify as an EU Climate Transition Benchmark or an EU Paris-aligned Benchmark and BSE currently does not have any indices that aim to fulfil or consider environmental, social policy and governance objectives.
- At the same time, the BSE is examining the possibility of including ESG factors in the methodology of CETOP and, if circumstances allow, plans to change this in the future.