



# Benchmark Statement pursuant to Art 27 Benchmark Regulation (BMR) Hungarian Indices

Published on: 17.12.2019

Last updated: 19.10.2021

## Hungarian Indices

Name	ISIN	Currency	Value updates	Type of index	Type of weighting
BUX	HU0005060210	HUF	Real-time	Total return	Free float cap.
BUMIX	HU0005060228	HUF	Real-time	Total return	Free float cap.

## Qualification of the benchmark family

Hungarian Indices are classified as non-significant, regulated (transaction based) data benchmarks.

None of the Hungarian Indices fulfils the conditions laid down in Articles 20(1) (critical benchmarks) and 24(1) (significant benchmarks).

The Hungarian Indices are benchmarks based on regulated data pursuant to Article 3 (24) a) (i) BMR: the Vienna Stock Exchange as a supervised entity and contracted calculator of the Hungarian Indices uses the Vienna Stock Exchange Direct Feed as price source. The index values are determined on the basis of transaction data which are originated in the T7 trading system of the Vienna Stock Exchange that serves the trading on the regulated market of the Budapest Stock Exchange (BSE) and where the transactions concerned concluded according to the rules of the BSE. The quality, surveillance and traceability of the input data is therefore ensured by the regulated market trading and the regulatory system.

## Key terms

- Hungarian Indices: The benchmark family consists of BUX and BUMIX indices
- Manual of Hungarian Indices (Manual): publicly available document about the methodology, calculation and review rules of the Hungarian Indices (<https://bse.hu/Products-and-Services/Rules-and-Regulations/BSE-Rules>)
- Calculation parameters: number of shares, free float (factor), weighting factor and price
- Value update: only changes to prices trigger a change in the index level
- Free float (factor):
- 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
- Weighting factor: ensures that the weight of the particular share series reflects degression 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 Hungarian Indices

### Economic reality measured

BUX and BUMIX indices reflect the performance of the equities introduced to the regulated market of the BSE, thus reflect the performance of the entire Hungarian equity market. The BUX index basket represents the price movement of the shares with the biggest capitalization and turnover (blue chip) meanwhile BUMIX index basket represents shares with medium and low capitalization. The exact composition of the indices is defined and kept up to date in accordance with the publicly available rules and regulations for the Hungarian Indices of BSE. All index-related decisions are reached exclusively in accordance with the publicly available rules and regulations for the Hungarian Indices 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 indices is based exclusively on traded prices, as well as on an automated mechanism that excludes any human discretion or judgement. In certain cases, in the equity selection (Section 3.10 of the Manual) or at changes in the index due to company events (Section 4.2.4). discretion can be applied.

### External factors and their influence on the benchmarks

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 indices may have a direct impact on financial products that reference the development of the underlying indices.

### Methodology

The methodology is proposed by the CEO based 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' weights are cut back in order to make the indices more balanced and diversified (degression).
- Calculation based on the trading prices concluded on the regulated market of BSE excludes the exercise of discretion and minimizes the probability of manipulation.
- Detailed methodology and rules (Manual) are publicly available on BSE's website.

EXPLANATION OF HOW ESG FACTORS ARE REFLECTED IN THE KEY ELEMENTS OF THE BENCHMARK METHODOLOGY	
Name of the benchmark administrator: Budapest Stock Exchange Ltd.	
Asset class underlying of the family of benchmarks: Equity	
Name of the family of benchmarks: Hungarian Indices	
Does the benchmark methodology for the family of benchmarks take into account ESG factors?	<b>NO</b>
Last updated: 19.10.2021 Reason for update: Annual review	



## Criteria for determining the benchmark

- Only the prices of an index member equity traded exclusively on the regulated market of BSE can trigger a new index level.
- New index levels are calculated based on a publicly available formula (in the Manual).
- As only traded prices may trigger a new index level and the largest and most liquid stocks have already been selected for an 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 an 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 an index:
  - Last traded prices of the index member equity series – changes the weighting in real time
  - 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 degression and certain company events
  - Additions to an index: when new companies meet the inclusion criteria of an 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 an 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 benchmarks in periods of stress and potential restrictions in illiquid and fragmented markets

- The values of the Hungarian Indices are based exclusively on the traded prices of BSE's regulated market.
- 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 Hungarian Indices 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 BSE.
- Should a situation arise in which it is no longer possible to compute an 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 a benchmark

It can become necessary to discontinue an 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 of Hungarian Indices. 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 benchmark

Should a situation arise in which the Board of Directors decides on the cessation of an 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 Hungarian Indices and their last valid composition.

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

EXPLANATION OF HOW ESG FACTORS ARE REFLECTED IN THE BENCHMARK STATEMENT	
CONSIDERATION OF ESG FACTORS	
Name of the benchmark administrator: Budapest Stock Exchange Ltd.	
Asset class underlying of the family of benchmarks: Equity	
Name of the family of benchmarks: Hungarian Indices	
Are there in the portfolio of the benchmark administrator any EU Climate Transition Benchmarks, EU Paris-aligned Benchmarks, benchmarks that pursue ESG objectives or benchmarks that take into account ESG factors?	<b>NO</b>
Does the family of benchmarks pursue ESG objectives?	<b>NO</b>
DISCLOSURE OF THE ALIGNMENT WITH THE OBJECTIVES OF THE PARIS AGREEMENT	
Does the family of benchmarks align with the target of reducing carbon emissions or the attainment of the objectives of the Paris Agreement?	<b>NO</b>
Last updated: 19.10.2021 Reason for update: Annual review	



- At the same time, the BSE is examining the possibility of including ESG factors in the methodology of the Hungarian Indices and, if circumstances allow, plans to change this in the future.