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Connecting markets

RULES FOR CALCULATING SEELINK INDICES

Section I

GENERAL PROVISIONS

Article 1. These Rules shall define the principles and requirements for the calculation, maintenance and revision of indices covering SEELink participating exchanges (hereinto called SEELink indices).

Article 2. SEELink indices shall cover instruments, listed on one or more participating exchanges and accessible via SEELink's order-routing platform, which comply with the general and specific criteria of the respective index and accurately reflect market performance.

Article 3. The methodology of each index shall be described in a specific Appendix to these Rules.

Article 4. The initial value of each index shall be 100 points, unless otherwise provided in the respective Appendix.

Article 5. For the purpose of determination of prices, number of transactions and turnover, only the transactions executed on the participating exchanges and the last price of the respective constituents shall be taken into consideration. Over-the counter or any other reported and/or negotiated trades are disregarded.

Article 6. If there is no transaction with a certain constituent during a particular trading day, the last price of this constituent shall be taken into consideration for the purposes of the respective index.

Article 7. The interval, at which the values of the indices shall be computed throughout the trading day, shall be 1 (one) minute, unless otherwise provided in the respective Appendix.

Article 8. The index calculation shall be in Euro from 9:00 Central European Time (CET) to 16:30 CET.

Article 9. The index calculation for the current day shall be based on the last available official exchange rates of the local currencies versus the euro published by the Respective Central Banks.

Section II GENERAL SELECTION CRITERIA

Article 10. The SEELink indices shall cover only common/ordinary/ shares:

1. Which are listed on a SEELink participating exchange;
2. Which are accessible via the SEELink's order-routing platform;
3. Whose issuer is not declared bankrupt or into liquidation, nor carrying out a company recovery plan;
4. Have not been temporarily suspended from trading.

Article 11. The selection criteria applying to the constituents of SEELink indices shall be as follows:

1. Trading volumes in euro during the last 1 (one) year;
2. Number of trades during the last 1 (one) year;
3. Market capitalisation in euro prior to the respective review dates;
4. Free float prior to the respective review dates;
5. Price availability;
6. Corporate governance;
7. Investment interest.

Article 12. The criteria under Article 11 shall be applied separately to the instruments listed on each of the SEELink participating exchanges.

Article 13. The minimum number of index constituents shall be 5 (five).

Article 14. The indices may include either variable or constant number of constituents.

Section III THE INDEX COMMITTEE

Article 15. The Steering Committee of SEELink exchanges (Steering Committee) shall elect an Index Committee, in which each SEELink participating exchange shall have 1 (one) seat. Among its members the Index Committee shall appoint its Chairperson.

Article 16. The Index Committee shall be responsible for index calculation and all related procedures, including:

1. Preparing proposals to the Steering Committee for launching of new and termination of existing indices;
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2. Regular and ad-hoc revisions of the constituents of SEELink indices;
3. Regular adjustments to the free-float factors and the weighting factors of certain constituents included in the SEELink indices calculation;
4. Adjustments to the index divisors in case of occurrence of corporate events;
5. Preparing proposals to the Steering Committee for amendment and supplement of these Rules and the Appendixes thereto;
6. Preparing any other proposals to the Steering Committee related to the calculation of SEELink indices;
7. Any other actions if assigned by the Steering Committee.

Article 17. The Chairperson shall convene and chair the Index Committee's meetings. The meetings may be held remotely.

Article 18. The Index Committee shall adopt its decisions by majority of the attending and duly represented members.

Article 19. With reference to the calculation of SEELink indices, at proposal by the Index Committee, the Steering Committee shall take decisions for:

1. Amendment and supplement to these Rules and the Appendixes thereto;
2. Launching the calculation of new indices, including their methodology, initial date, initial value and interval of computing;
3. Termination of the calculation of existing indices;

Article 20. The proposals of the Index Committee as per the foregoing item shall be reported to the Steering Committee by the Chairperson of the Index Committee.

Section IV

ADJUSTMENTS RESULTING FROM CORPORATE EVENTS

Article 21. The indices, through an adjustment to the divisor, might reflect:

1. Dividend distribution;
2. Change in the issue size or in the nominal value of the instrument;
3. Change in the weighting factors;
4. Change in the free-float factors;
5. Other corporate events that may be considered relevant by the Index Committee.

Article 22. The free-float and weighting factor shall be determined at meetings of the Index Committee on the dates as specified in the respective Appendix.

Section V

CHANGES OF INDEX CONSTITUENTS

Article 23. A constituent may be removed from a SEELink index in the following cases:

1. Delisting of the instrument;
2. Violation of any of the criteria laid down in Article 10 or of the specific requirements of the respective index;
3. Temporary suspension of the instrument from trading for more than one trading day;
4. Occurrence of any other circumstances leading to non-compliance with the requirements laid down in these Rules.

Article 24. An instrument may be included in a SEELink index provided it meets the general criteria laid down in Article 10 and the specific requirements of the respective index.

SUPPLEMENTARY PROVISIONS

§ 1. Within the meaning of these Rules:

1. “SEELink participating exchanges” shall be the stock exchanges, participating in the SEELink project.
2. “Free-float” shall be the number of shares held by shareholders owning not more than 5 (five) per cent of the votes of the issuing company. Shares held by undertakings for collective investment and pension funds regardless of their stake shall always be considered free float. Treasury stock shall be excluded from the free float.
3. “Last price” shall be the price of the last transaction.
4. “Market capitalisation” shall be the product of the number of the financial instruments of the respective issue and the last price.
5. “Index constituents” shall be the constituents underlying an index.

TRANSITIONAL AND FINAL PROVISIONS

§ 1. These Rules shall be in force as from January 16, 2017.

Appendix 1

SEELinX (SeeLink IndeX) CALCULATION METHODOLOGY

1. SEELinX shall be an index based on the market capitalisation of the constituent shares, adjusted for the free-float of each of them.
2. SEELinX constituents shall include 16 (sixteen) issues of shares admitted to trading on the SEELink Exchanges, as follows:
 - a) 5 (five) issues admitted to trading on Zagreb Stock Exchange;
 - b) 4 (four) issues admitted to trading on Ljubljana Stock Exchange;
 - c) 3 (three) issues admitted to trading on Bulgarian Stock Exchange;
 - d) 2 (two) issues admitted to trading on Belgrade Stock Exchange;
 - e) 2 (two) issues admitted to trading on Macedonian Stock Exchange;
3. The number of constituents shall be selected in a way that ensures proportional representation of SEELink participating exchanges with regards to their total market capitalisation, adjusted for free-float. The index committee shall periodically analyze the necessity of changing the number of constituents from each SEELink participating exchange.
4. SEELinX constituents from each SEELink exchange shall comply with the requirements under Article 10 and their selection shall be according to the main criteria under Article 11 of these Rules.
5. The SEELinX value shall be calculated as its base value is multiplied by the ratio of the sum of the market capitalisations of the constituents adjusted by the weighting factor and by the free-float of each issue, to the index divisor for the particular trading day.
6. The SEELinX calculation formula is as follows :

$$SEELinX_t = 100 \times \left[\frac{\sum_{i=1}^{16} N_{i,t} \times P_{i,t} \times FF_{i,t} \times W_{i,t}}{D_t} \right]$$

Where:

N_{i,t} is the number of shares of the respective issue on the **(t)** day;

P_{i,t} is the last price of the **(i)**-th security on the **(t)** day converted from local currency to EUR using the official exchange rate for the **(t)** day;

FF_{i,t} is the applicable free-float of the **(i)**-th security for the **(t)** day;
W_{i,t} is the weighting factor of the **(i)**-th security on the **(t)** day (*W_i = 1 unless the weighting of the security would exceed 10 % of the index*);
i is the indicator of the specific security;
t is the day, for which the index is calculated;
D_{i,t} is the index divisor effective for the current trading day;

7. Upon the occurrence of a corporate event that requires a change in the divisor, the value of the divisor for the next trading day shall be calculated in the following way:

$$D_t = D_{t-1} \times \frac{\sum_{i=1}^{16} N_{i,t} \times P'_{i,t-1} \times FF_{i,t} \times W_{i,t}}{\sum_{i=1}^{16} N_{i,t-1} \times P_{i,t-1} \times FF_{i,t-1} \times W_{i,t-1}}$$

Where:

D_t is the divisor for the current trading day;
D_{t-1} is the divisor for the previous trading day;
N_{i,t-1} is the number of shares of the **(i)**-th security after the end of the trading day **(t-1)**;
P_{i,t-1} is the last price of the **(i)**-th security after the end of the trading day **(t-1)** converted from local currency to EUR using the official exchange rate for the **(t-1)** day;
FF_{i,t-1} is the value of the free-float factor of the **(i)**-th security for the **(t-1)** day;
W_{i,t-1} is the weighting factor of the **(i)**-th security for the **(t-1)** day;
N_{i,t} is the new number of shares of the **(i)**-th security effective on the **(t)** day in result of the occurrence of a corporate event;
P'_{i,t-1} is the adjusted last price of the **(i)**-th security on the trading day **(t-1)** in result of the occurrence of a corporate event on the **(t)** day converted from local currency to EUR using the official exchange rate for the **(t-1)** day;
FF_{i,t} is the new value of the free-float factor of the **(i)**-th security effective as from day **(t)** ;
W_{i,t} is the new value of the weighting factor of the **(i)**-th security effective as from day **(t)**.

8. In case of occurrence of a corporate event the index shall be calculated using the adjusted last price until a transaction in that instrument takes place whereupon last price shall be used.

9. The initial value of the divisor is equal to the market capitalisation of the constituent shares, adjusted with the free-float of each of them and corresponding

weighting factors on the first day of calculation.

10. The Index Committee shall define the free-float factors at its meetings held on 2nd March, 2nd June, 2nd September and 2nd December, but if the respective date occurs on a non-working day then on the first working day for all SEELink participating exchanges, thereafter. The new factors shall become effective as from the first trading day of either of the SEELink participating exchanges, following the third Friday of the month, in which the respective meeting has been held.

11. If on the day preceding the date of enforcement of the decision as per item 10 the market value of the free-float of a certain constituent exceeds 10 (ten) per cent of the market value of the SEELinX free-float, the weighting factor of the respective constituent shall be defined so that the market value of its free-float to equal 10 (ten) per cent of the market value of the free-float of the whole index.

12. When defining the weighting factors, the free-float factors for the new period shall be taken into consideration.

13. The free-float factors and the weighting factors shall be effective until a new meeting is held on the respective date under item 10.

14. Decisions for a change in the SEELinX constituents shall be taken twice per annum – on the first meeting of the Index Committee following 2nd March respectively 2nd September. The decisions shall become effective as from the first trading day of either of the SEELink participating exchanges, following the third Friday of the month, in which the respective meeting has been held.

15. A change in the SEELinX constituents shall be made on the grounds of a Decision of the Index Committee in pursuance with Section V of these Rules. In this case, the index divisor for the next day, i.e. the (t+1) day, shall be calculated using the new constituents in the denominator of the divisor calculation formula.

16. In case of ad-hoc revisions of the SEELinX constituents, the weighting of each constituent may be re-defined as stipulated under item 11.

17. SEELinX starting date shall be April 1, 2016.

Appendix 2

SEELinX EQUAL-WEIGHTED INDEX (EWI) CALCULATION METHODOLOGY

1. SEELinX EWI shall be an index based on the price performance of the shares included in the index portfolio, as each constituent shall have equal weight.
2. SEELinX EWI shall include the same constituents as the SEELinX index.
3. The SEELinX EWI daily values shall be calculated as a sum of the products of the last prices and the respective weighting factors of all constituents.
4. SEELinX EWI shall be calculated according to the following formula:

$$SEELinXewi_t = \sum_{i=1}^{16} [(P_{i,t} \times D_{i,t} + DIV_i) \times W_{i,t}]$$

Where:

$P_{i,t}$ is the last price of the (i)-th security on the (t) day converted from local currency to EUR using the official exchange rate for the (t) day;

$D_{i,t}$ is the adjustment factor effective for the (i)-th security till the next rebalancing date;

$W_{i,t}$ is the weighting factor of the (i)-th security on the (t) day;

DIV_i is the total amount of extraordinary dividends distributed by the (i)-th constituent between two re-balancing dates converted from local currency to EUR using the official exchange rate for the record date;

i is the indicator of the specific security;

t is the day, for which the index is calculated.

5. The initial value of the adjustment factor shall be 1 (one). Upon the occurrence of a corporate event that requires a change in the adjustment factor (but not a dividend distribution), the value of the adjustment factor for the next trading day shall be calculated in the following way:

$$D_{i,t+1} = \frac{P_{i,t}}{P_{i,t}^a}$$

Where:

$D_{i,t+1}$ is the adjustment factor of the (i)-th constituent for the next trading session;

$P_{i,t}^a$ is the adjusted last price of the (i)-th constituent after the end of the trading day on the (t) day in result of the occurrence of a corporate event on the (t+1) day

converted from local currency to EUR using the official exchange rate for the **(t)** day;
P_{i,t} is the last price of the **(i)**-th constituent on the **(t)** day converted from local currency to EUR using the official exchange rate for the **(t)** day.

6. Upon the occurrence of several corporate events that require a change in the adjustment factor of a certain constituent, the adjustment factor shall equal the product of the adjustment factors related to each of the corporate events.

7. The index shall be re-balanced 4 (four) times per annum - on the first trading day of either of the SEELink participating exchanges, following the third Friday of each calendar quarter.

8. The re-balancing formula of SEELinX EWI shall be, as follows:

$$W_{i,t+1} = \frac{SEEMEXewi_t}{16 \times P_{i,t}}$$

Where:

SEELinX EWI_t is the value of the index on the **(t)** day;

P_{i,t} is the last price of the **(i)**-th security on the **(t)** day converted from local currency to EUR using the official exchange rate for the **(t)** day;

W_{i,t+1} is the weighting factor of the **(i)**-th constituent for the **(t+1)** day.

9. The new weighting factors shall become effective on the index re-balancing day.

10. After index re-balancing, the adjustment factors shall be reset to the value of 1 (one) and the dividend values - to 0 (zero).

11. Changes in the SEELinX EWI constituents shall be result of the decisions taken in accordance with item 14 of Appendix 1. The decisions shall become effective as from the first trading day following the third Friday of the month, in which the respective meeting has been held.

12. In case of ad-hoc revisions of the SEELinX EWI constituents, the weighting of each new constituent shall equal the current weighting of the constituent which has been taken out.

13. SEELinX EWI starting date shall be April 1, 2016.
