

Nomura 1st to Expire Energy and Metals Trend B Index with Risk Weights – Index Rulebook

24 June 2020

For further information please see the Index summary disclosures document for this Index, which is to be read in conjunction with this Index Rulebook (together, the “Index Description”).

Index Determination	
Index Sponsor	Nomura International plc (“NIP”), who is responsible for the administration of the Index.
Index Start Date	8 January 1971
Index Live Date	
Level of Index_t	<p>In respect of an Index Business Day t, the calculated level of the index in respect of that day, denoted Index_t .</p> $\text{Index}_t = \text{Index}_{t-1} + \left(\sum_{i=1}^{13} \text{Index}_{t, \text{Reset}}^i \times \text{Weight}^i \times \text{Trend-Index Volatility Scale}^i \times \text{Trend-Index Return}_t^i \right)$ <p>Where: t-1 denotes the Index Business Day immediately preceding Index Business Day t Index_t = 100 on Index Start Date Weightⁱ is defined in Trend-Index Specification Table</p>
Index_{t,Reset}ⁱ	<p>For each Index_t and Trend-Indexⁱ, with respect to any Index Business Day t where a Sub-Indexⁱ Limit Event did not occur on Index Business Day t-1</p> <p>The Level of Index_t on a day that is one Index Business Day prior to the immediately preceding Index Reset Date</p> <p>With respect to any Index Business Day t on which a Sub-Indexⁱ Limit Event has occurred or is continuing:</p> $\text{Index}_{t, \text{reset}}^i = \text{Index}_{t-1, \text{reset}}^i$ <p>Where t-1 denotes the Index Business Day immediately preceding Index Business Day t.</p>
Index Components	
Trend-Index Return_tⁱ	<p>For any Index Business Day t</p> $\text{Trend-Index Return}_t^i = \frac{\text{Trend-Index}_t^i - \text{Trend-Index}_{t-1}^i}{\text{Trend-Index}_{t, \text{reset}}^i}$
Trend-Indexⁱ	Defined in the Trend-Index Specification Table below.
Trend-Index_tⁱ	For any Index Business Day t, that is a Trend-Index ⁱ Business Day, the level of Trend-Index ⁱ as of such day t as determined by the Index Sponsor in accordance with the methodology of Trend-Index ⁱ as defined in Nomura Commodity Trend Indices Rulebook

Trend-Index_{t, reset}ⁱ	Level of Trend-Index _{t, reset} ⁱ as of such day as determined by the Index Sponsor in accordance with the methodology of Trend-Index ⁱ as defined in Nomura Commodity Trend Indices Rulebook
Trend-Index Volatility Scaleⁱ	[formula to sure Trend-Index Volatility Scale]

General Definitions

Index Business Day	Means “Index Business Day” as defined in the Nomura Commodity Trend Indices Rulebook
Index Trading Business Day	Each Index Business Day
Sub-Index	Each Sub-Index as defined in the “Sub-Index Specifications Table”, which is set out in the Nomura Commodity Trend Indices Rulebook.
Sub-Index Limit Event	Sub-Index Limit Event has been established for the applicable Sub-Index, as defined in the methodology of the Trend-Indices as set out in the Nomura Commodity Trend Indices Rulebook.
Index Reset Date	Scheduled Roll Date as defined in the Nomura Commodity Trend Indices Rulebook
Index Price Source	NMCOT1NH Index
Index Publication	With respect to each Index Business Day, the Rounded Index Level will be published to the Index Price Source specified in the Index Specifications Table below.
Rounded Index Level	Rounded Index Level means the Index Level (Index _t) rounded to 3 decimal places.

Trend-Index Specification Table

i	Trend-Index ⁱ	Bloomberg page	Weight ⁱ	Index Start Date
1	Nomura WTI Crude Oil 1st to Expire Trend Index	NMCOTCL1 Index	Weight	5 October 1984
2	Nomura Brent Crude Oil 1st to Expire Trend Index	NMCOTCO1 Index	Weight	6 April 1990
3	Nomura Heating Oil 1st to Expire Trend Index	NMCOTHO1 Index	Weight	6 February 1981
4	Nomura Gasoline 1st to Expire Trend Index	NMCOTXB1 Index	Weight	8 May 1986
5	Nomura Gas Oil 1st to Expire Trend Index	NMCOTQS1 Index	Weight	7 June 1985
6	Nomura Natural Gas 1st to Expire Trend Index	NMCOTNG1 Index	Weight	9 September 1991
7	Nomura Gold 1st to Expire Trend Index	NMCOTGC1 Index	Weight	7 June 1976
8	Nomura Silver 1st to Expire Trend Index	NMCOTSI1 Index	Weight	8 January 1971
9	Nomura Copper 1st to Expire Trend Index	NMCOTLP1 Index	Weight	6 April 1990
10	Nomura Aluminium 1st to Expire Trend Index	NMCOTLA1 Index	Weight	7 December 1998
11	Nomura Zinc 1st to Expire Trend Index	NMCOTLX1 Index	Weight	7 December 1998
12	Nomura Nickel 1st to Expire Trend Index	NMCOTLN1 Index	Weight	7 December 1998
13	Nomura Lead 1st to Expire Trend Index	NMCOTLL1 Index	Weight	9 April 1999

Trend-Indexⁱ weights shown in the table above are rounded to 2 decimal places for illustration only. The calculation of Index utilises Trend-Indexⁱ weights that are not rounded. Please refer to Nomura Commodity Trend Indices Rulebook Index Specification Weight table (z=33) for more details on the calculation of the unrounded weights.

Backtest Assumptions

Start Date

With respect to the “Nomura 1st to Expire Energy and Metals Trend B Index with Nomura Risk Weights”, the exposure to each underlying Trend-Indexⁱ started on the same date as Trend-Indexⁱ Index Start Date (as stated in the Trend-Index Specification Table). During the historical period where not all of the underlying Trend-Indices were available, Weightⁱ for the underlying Trend-Indexⁱ that was not available was distributed proportionally to those available at the time such that the sum of weight across all Trend-Indices adds up to [Number].

Index_{t,reset}ⁱ

With respect to Index_t prior to the respective Index Start Date, Index_{t,reset}ⁱ is equal to Index_{Start Date}.

Disruptions Events / Fallbacks

Index Adjustment

If, due to the occurrence of an error (i) in relation to the calculation or publication of the level of the Index, or (ii) in the method for determining the Index, the Index Sponsor has determined on any day (an “**Adjustment Determination Date**”) that an adjustment to the Index is necessary in order to correct such error (an “**Index Adjustment**”), then the Index Sponsor will make such corresponding adjustments to the Index as it deems necessary, if any, in order to reflect the Index Adjustment (in each case in accordance with the principles and methodology of the Index).

The Index Sponsor may correct errors in accordance with Appendix 2, Section 13 of the Control Framework Summary (“Correction of Errors”) and Appendix 2, Section 15 (“Changes to Methodology”) where remediation requires change to the Index methodology.

Index Disruption

If, in the opinion of the Index Sponsor, an Index Disruption Event has occurred, exists or is occurring in respect of a Trend-Index or the Index then the Index Sponsor may take one or more of the following actions in its discretion, with a view to preserving the objective of the Trend-Index or Index (regardless of whether or not a level of the affected Trend-Index has been published by the Index Sponsor in respect of such day):

1. delay any rebalancing and/or calculation of the Index (an “**Index Determination Date**”) until the relevant Index Disruption no longer exists, provided that, if such Index Disruption is continuing on the [Number] Index Business Day following any such Index Determination Date (the “**Delayed Index Determination Date**”), then the Index Sponsor will determine the level of the relevant Trend-Index (including any affected Trend-Index Component) in respect of such Index Determination Date as of on the related Delayed Index Determination Date in accordance with (2) below; and/or
2. determine the level of the affected Trend-Index for such day in accordance with the formula for and method of calculating such Trend-Index taking into account the relevant Index Disruption, latest available quotation of the Trend-Index and its Trend-Index Components and any other information the Index Sponsor deems relevant in its discretion, having regard to the standard of input data quality for the Trend-Index or Index as determined by the Index Sponsor during the design of the Trend-Index or the Index, as set out in Appendix 2, Section 6 of the Control Framework Summary (“Data Sufficiency and Hierarchy of Input Data”), and/or
3. not calculate and publish the Index level for such day or delay the publication; and/or
4. make any adjustments to the Index methodology to account for the relevant Index Disruption as it deems necessary.

Index Disruption Event

If in respect of a Trend-Index:

- (i) any of the events or circumstances as specified in the disruption section in the relevant Index Description of such Trend-Index (as maybe amended and updated from time to time by the Trend-Index Sponsor), occurs or exists in relation to such Trend-Index and its components (including, without limitation, any index adjustment, index modification or index disruption); and/or
- (ii) the relevant Trend-Index Sponsor makes or announces that it will make a material change in the formula for or the method of calculating the relevant Trend-Index or in any other way materially modifies or announces that it will materially modify the relevant Trend-Index; and/or
- (iii) on any relevant date on which an Index determination is scheduled to occur, the relevant Trend-Index Sponsor fails to calculate and announce such Trend-Index.

Means in respect of the Index:

- (i) the Index Sponsor determines that a systems failure, natural or man-made disaster, act of God, armed conflict, act of terrorism, riot or labour disruption or any similar intervening circumstances beyond its reasonable control exists, has occurred or is occurring in respect of an Index Component or the Index, and which prevents, disrupts, or impairs the ability of the Index to achieve its economic objective, the prompt or accurate determination of the Level of the Index, and/or the ability of the Index Sponsor or Index calculation agent to perform its role in respect of the Index; and/or
- (ii) any other event or circumstance that, in the opinion of the Index Sponsor, prevents, disrupts or impairs the ability of the Index to achieve its economic objective or the prompt or accurate determination of the level of the Index, or any other event or circumstance which causes the Index Sponsor to reasonably conclude that as a consequence of such event or circumstance, if the level of the Index were to be determined, it should not be relied upon to represent the

market or economic reality that the Index is intended to measure.

Index Modification

(a) Upon the occurrence of an Index Modification Event, the Index Sponsor may make such adjustment(s) to the Index as it deems appropriate, to account for any affect such event has on the Index (such as, but not limited to, the input data and/or price source used to determine the Index, Trend-Index weights and/or related charges, fees or taxes) and, where possible, shall use input data which is of the same or equivalent standard of quality as any input data and/or price source used prior to the occurrence of the Index Modification Event, having regard to the standard of input data quality for the Index as determined by the Index Sponsor during the design of the Index, as set out in Appendix 2, Section 6 of the Control Framework Summary (“Data Sufficiency and Hierarchy of Input Data”).

(b) Upon the occurrence of an Extraordinary Event the Index Sponsor may make such adjustment(s) to the Index that it determines appropriate such that the event ceases to exist. If the Index Sponsor determines that no such adjustment(s) would preserve the objective of the Index, would result in the use of input data which is not of the same or equivalent standard of quality as any input data and/or price source used in the Index prior to the occurrence of the Extraordinary Event, and/or is economically, operationally, legally or otherwise not feasible (after using commercially reasonable efforts) (“**Index Modification Failure**”) it may cancel the Index in accordance with the Index Cancellation provisions below.

The Index Sponsor may modify the Index in accordance Appendix 2, Section 15 of the Control Framework Summary (“Changes to Methodology”).

Index Modification Event

Means a (i) Trend-Index Modification Event or (ii) Input Data Decline Event.

Trend-Index Modification means an “Index Modification Event” in respect of the relevant Trend-Index as specified in the disruption section in the relevant Index Description of such Trend-Index (as maybe amended and updated from time to time by the Trend-Index Sponsor).

Input Data Decline Event means if the Index Sponsor determines that the input data and/or price source in relation to an Index Component or Trend-Index Component used to calculate the Index is no longer sufficient to represent accurately and reliably the market and economic reality that the Index is intended to measure, or is otherwise not appropriate, or no longer meets the standard of input data quality for the Trend-Index or Index as determined by the Index Sponsor during the design of the Trend-Index or Index, as set out in Appendix 2, Section 6 of the Control Framework Summary (“Data Sufficiency and Hierarchy of Input Data”).

Extraordinary Events

Means any of Change in Law, Index Component Disruption and/or Increased Cost of Index Implementation.

Change in Law means that, on or after the Index Live Date (i) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (ii) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Index Sponsor determines in good faith that (x) it has become illegal to hold, acquire or dispose of an Index Component, or (y) there is a materially increased cost of trading in an Index Component for the Index Sponsor or its affiliates (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position).

Index Component Disruption means that the Index Sponsor or any of its affiliates or agents is unable, or it is impractical, after using commercially reasonable efforts, to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to implement the Index, or (ii) realise, recover or remit the proceeds of any such transaction(s) or asset(s), including, without limitation, where such inability or impracticability has arisen by reason of any restriction on making new or additional investments in any Index Component.

Increased Cost of Index Implementation means that the Index Sponsor or any of its affiliates would incur a materially increased (as compared with circumstances existing on the Index Live Date) amount of tax, duty, expense or fee to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to implement the Index, or (ii) realise, recover or remit the proceeds of any transaction(s) or asset(s).

Consequences of Trend-Index Correction

If in a relation to a Trend-Index, at any time the Index Sponsor becomes aware that the Trend-Index Sponsor corrects the level or value of a Trend-Index subsequent to publication, the Index Sponsor will make all calculations and determinations in respect of the Index by reference to such corrected level of the Trend-Index.

Consequences of a Trend-Index Cancellation

If upon the occurrence of a Trend-Index Cancellation there is a Successor Trend-Index then such Successor Trend-Index shall be deemed to be the relevant Trend-Index and the Index Sponsor may make such adjustment(s) to the Index methodology that it determines appropriate, to account in order to account for the effect of the replacement of that Trend-Index with the Successor Trend-Index.

If a Trend-Index Cancellation occurs for a period of fifteen (15) Index Business Days measured from the first day of such Trend-Index Cancellation and as at the end of such period of time there is no Successor Trend-Index ("**Trend-Index Replacement Failure**"), then the Index Sponsor may

- (i) remove the cancelled Trend-Index and make such adjustment(s) to the Index methodology that it determines appropriate, in order to account for the effect of such removal of the cancelled Trend-Index, or
- (ii) cancel the Index in accordance with the Index Cancellation provisions below.

Index Cancellation

The Index Sponsor may permanently cancel and discontinue calculating and publishing the Index, in accordance with Appendix 2, Section 17 of the Control Framework Summary ("Termination of Indices and Transitional Arrangements"), including upon the occurrence of:

- (a) Trend-Index Replacement Failure; and/or
- (b) an Index Modification Failure.

Definitions

Trend-Index Sponsor means the Index Sponsor, i.e. Nomura International plc ("NIP"), who is responsible for the administration of each Trend-Index.

Trend-Index Component means, in respect of a Trend-Index, each underlying component, index, futures contract, currency, rate, variable or other component necessary in order to determine a level of the Trend-Index, in each case, in line with the then existing methodology of the Trend-Index.

Index Component means, in respect of the Index, each Trend-Index Component and any other index, futures contract, currency, rate, variable or other component necessary in order to determine a level of the Index, in each case, in line with the then existing methodology of the Index.

Trend-Index Cancellation means, that a Trend-Index is permanently cancelled or the relevant Trend-Index Sponsor announces (including through an agent, if applicable) its intention to permanently cancel a Trend-Index or its intention to cease to calculate and announce a level for a Trend-Index.

Trend-Index Price Source means in respect of a Trend-Index the relevant Bloomberg page as specified in the table above under the column headed "Trend-Index Price Source" in the row corresponding to such Trend-Index. References to Trend-Index Price Source shall be construed as referring also to any successor publication, page or source on which the relevant Trend-Index levels may be disseminated, as determined by the Index Sponsor in its sole discretion and acting in a commercially reasonable manner.

Successor Trend-Index means a successor or replacement index using, in the determination of the Index Sponsor, the same or a substantially similar formula for and method of calculation as used in the calculation of the relevant Trend-Index or, if non, a replacement with the same or similar investment objective as the Trend-Index and that is acceptable to the Index Sponsor.

ADDITIONAL INFORMATION IN RESPECT OF THE INDEX METHODOLOGY

Governance Policy and Control Framework	<p>The Index Sponsor has established a governance framework (the “Governance Policy and Control Framework”) to ensure compliance with European Benchmark Regulation, the IOSCO Principles and any related measures and applicable FCA rules (each as amended or replaced from time to time)¹. The Governance Policy and Control Framework governs (amongst other things) the development, determination and operation of indices administered by the Index Sponsor. A summary of the Governance Policy and Control Framework (the “Control Framework Summary”) is published on: www.nomuranow.com/portal/site/nnextranet/en/global-markets/structured-derivatives/quant-investment-strategies.shtml. Please refer to the summary of the Governance Policy and Control Framework in respect of the following information applying to the Index methodology:</p>
Criteria for Index Development and Input Data and Source Selection	<p>The criteria and procedures used to develop this Index, and for selecting the sources of data inputs used in the Index, are set out in Appendix 2, Section 3 of the Control Framework Summary (“Index Design and Creation of New Indices”) and Appendix 2, Section 6 (“Data Sufficiency and Hierarchy of Data Inputs”).</p>
Exercise of Expert Judgment and discretion	<p>The Index Sponsor has adopted guidelines and procedures designed to promote consistency in the exercise of Expert Judgment and discretion for Index determinations. Further details are contained in Appendix 2, Section 14 of the Control Framework Summary (“Expert Judgment and Discretion”).</p>
Input Data Type Priority	<p>The Index Sponsor applied the hierarchy for data inputs as set out in Appendix 2, Section 6 of the Control Framework Summary (“Data Sufficiency and Hierarchy of Data Inputs”) when considering the data inputs used to construct the Index.</p>
Index Error Reports and Revision	<p>The Index Sponsor has adopted procedures for analysis and remediation of Index errors, and for potential restatement of a published Index level. Further details are contained in Appendix 2, Section 13 of the Control Framework Summary (“Correction of Errors”) and Appendix 2, Section 15 (“Changes to Methodology”) where remediation requires change to the Index Methodology.</p>
Quantity and Quality of Input Data	<p>The Index is constructed by the Index Sponsor using single prices or levels prescribed by the Index Methodology. The Index Sponsor therefore considers that the requirement to determine the thresholds of the quantity of data inputs, necessary to determine the Index accurately and reliably, has been met.</p> <p>The Index Sponsor determines the standards of quality of the data inputs used in this Index at the design stage of the Index in accordance with Appendix 2, Section 6 of the Control Framework Summary (“Data Sufficiency and Hierarchy of Data Inputs”). These standards are reflected in the Index Methodology, as described in this Rulebook. The Index Sponsor will review these standards and the data inputs on a periodic basis in accordance with Appendix 2, Section 16 of the Control Framework Summary (“Periodic Review of Indices”) and in the full policies and procedures available on the Index Sponsor’s public website, to ensure that the data inputs used continue to be of sufficient quality to determine the Index accurately and reliably, and will accordingly determine whether an Index Modification Event has occurred.</p>
Internal Reviews of the Index	<p>The Index Sponsor is required to conduct internal reviews of the Index on a periodic basis. Further details regarding the frequency of those reviews, the procedures to be followed, and the bodies or functions within the Index Sponsor’s organisational structure involved in such reviews, are contained in Appendix 2, Section 16 of the Control Framework Summary (“Periodic Review of Indices”) and in the full policies and procedures available on the Index Sponsor’s public website.</p> <p>Reviews will further be conducted where the Index Sponsor considers it desirable or necessary to do so, including in response to specific events or otherwise. Specific events may include (without limitation) any index errors, index disruptions, or other index life-cycle events; changes in market circumstances; changes in the applicable legal or regulatory environment; any challenges or complaints or other feedback from stakeholders, and/or any material audit findings. Further information regarding the procedures to be followed in response to certain specific events, and the bodies or functions within the Index Sponsor’s organisational structure involved in such reviews, can be found in Appendix 2, Sections 13 (“Correction of Errors”), 14 (“Expert Judgment and Discretion”), 15 (“Changes to Methodology”), 19 (“Complaints Handling Policy”), 21 (“Audits”), and any other sections of the Control Framework Summary which may be relevant from time to time.</p>
Index Approval	<p>The criteria and procedures used to approve the Index, and the bodies or functions within the Index Sponsor’s organisational structure involved in such approval, are set out in Appendix 3 of the Control</p>

¹<https://www.iosco.org/library/pubdocs/pdf/IOSCOPD415.pdf> . The Governance Policy and Control Framework will be periodically reviewed and has been updated to reflect the requirements of the Regulation on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (Regulation (EU) 2016/1011) (the “**Benchmark Regulation**”), as well as related level 2 measures and applicable FCA rules.

	Framework Summary (“Main Features of Index Committee Constitution and Terms of Reference”) and Appendix 2, Section 3 (“Index Design and Creation of New Indices”).
Consultation upon Index termination and material changes to the Index methodology	The Index Sponsor is required to consult investors of index linked products when proposing material changes to the Index methodology and termination of the Index. Further details on the circumstances and procedures under which consultation takes place are contained in Appendix 2, Section 15 of the Control Framework Summary (“Changes to Methodology”), Appendix 2, Section 17 (“Termination of Indices and Transitional Arrangements”) and in the full policies and procedures available on the Index Sponsor’s public website.
Active Market of the Index	As of the date of this Index Description, the Index Sponsor considers the underlying market of the Index to be active, in accordance with in Appendix 2, Sections 3 (“Index Design and Creation of New Indices and Methodologies”) of the Control Framework Summary.
Outsourcing of Index Determination	The Index Sponsor has outsourced certain IT, Quants, Middle Office and Structuring functions to Nomura Structured Finance Services (India) Private Limited subject to a corporate service agreement between the entities. Further details are contained in Appendix 2, Section 1 of the Control Framework Summary (“Oversight of Third Parties”).

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