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NOMURA

Index Rulebook for the Nomura Credit Momentum Index – 2 December 2019

SECTION A: INDEX METHODOLOGY

I. Overview

The Nomura Credit Momentum Index (the "Index") aims to extract value in the main Credit Default Swap markets, by positioning long, short or flat on four different CDS indices across Investment Grade and High Yield in both Europe and North America using trend following techniques.

The Index takes positions in the Nomura Credit Beta Indices ("Sub-Indices") which aim to reflect the total return of holding a long position in the On-the-run Series CDS (as defined below) of the respective Underlying CDS Index (as defined below). This is the position taken by a seller of CDS protection on the most recent series of the relevant Underlying CDS Index and then continuously "rolled" into the latest series of such Underlying CDS Index. For additional information on each of the underlying Sub-Indices, please see the Index Description for the Nomura Credit Beta Indices attached hereto (as may be amended and/or updated by the Index Sponsor from time to time).

The Nomura Credit Momentum Index, was developed, is administrated and calculated by Nomura International plc (the "Index Sponsor"). The Level of Index is published daily on Bloomberg. The Bloomberg ticker for the Index is NMCDMOMU Index.

Live calculation of the Index began on 17 June 2015 (the "Index Live Date"). Prior to the Live Date, the Index Sponsor reconstructed the Index using backtested data from 07 June 2005 (the "**Index Base Date**"). Some of the data used for back-testing the Index is different from the data used for live calculation of the Index. For further information please refer to the sections below: "*Trading Charge*(TC_t^j)" and "*Liquid Day*". As of the Index Base Date, the Index Level was 100. The Index Level is denominated in USD.

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**"). Any reference to the Index Description of the Index or the Nomura Credit Beta Indices shall be a reference to such Index Description as may be amended and/or updated from time to time.

II. Index Calculation

Index Sponsor /Index Calculation Agent	Nomura International plc ("NIP"), who is responsible for the administration of the Index.
Sub-Index Sponsor	Nomura International plc ("NIP"), who is responsible for the administration of each Sub-Index.
Sub-Index	Each Sub-Index as described in the table *Sub-Index Specifications Table 1 – Sub-Index Tickers;*
Index Level (Index_t)	For any Index Business Day t, the Index Level is calculated according to the following formula: $$\text{Index}_t = \text{Index}_{\text{Reset}} + \sum_{j=1}^{4} \text{Return}_t^j \times FX_t^j$$ Where: • Index_t is the Index Level for Index Business Day t; • $\text{Index}_{\text{Reset}}$ is the Index Level as of the immediately preceding Index Reset Date; • j refers to the respective Sub-Index; • Return_t^j is the Sub-Index Return calculated in respect of the Index Business Day t and the relevant Sub-Index; • FX_t^j is the exchange rate (quoted as the number of USD per 1 unit of Currency(j)) in respect of the Index Business Day t and the relevant Sub-Index, as defined in the table below (*Sub-Index Specifications Table 2*);
Sub-Index Return (Return_t^j)	The Sub-Index Return means a value determined, in respect of each Index Business Day t and the respective Sub-Index, according to the following formula:

	If the Index Business Day immediately preceding the Index Business Day t (Previous Index Business Day t-1) falls on an Index Reset Date, then: $$\text{Return}_t^j = \text{Units}_{t-1}^j \times \left(P_t^j - P_{t-1}^j\right) - TC_t^j - RC_t^j$$ Otherwise: $$\text{Return}_t^j = \text{Return}_{t-1}^j + \text{Units}_{t-1}^j \times \left(P_t^j - P_{t-1}^j\right) - TC_t^j - RC_t^j$$ Where: • Units_{t-1}^j is the Sub-Index Unit for the Index Business Day immediately preceding Index Business Day t; • P_t^j is the value of the Sub-Index j for Index Business Day t, as published on Bloomberg under the relevant Bloomberg Ticker, as described in the table *Sub-Index Specifications Table 1 – Sub-Index Tickers*; • P_{t-1}^j is the value of the Sub-Index j for the Index Business Day immediately preceding Index Business Day t; • TC_t^j is the Trading Charge for Index Business Day t; • RC_t^j is the Running Charge for Index Business Day t; • Return_{t-1}^j is the Sub-Index Return for the Previous Index Business Day t-1;
Sub-Index Unit (Unit_t^j)	The Sub-Index Unit means the number of Index units invested in the Sub-Index j in respect of each Index Business Day t and the respective Sub-Index, according to the following formula: If Index Business Day t falls on an Index Reset Date or if $\text{Allocation}_t^j \neq \text{Allocation}_{t-1}^j$, then $$\text{Units}_t^j = \frac{\text{Index}_{\text{Reset-1}} \times \text{StaticWeight}^j \times \text{Allocation}_t^j}{100 \times FX_{t-1}^j}$$ Otherwise, $$\text{Units}_t^j = \text{Units}_{t-1}^j$$ Where: • Allocation_t^j is the Sub-Index Actual Allocation for the Index Business Day t; • $\text{Allocation}_{t-1}^j$ is the Sub-Index Actual Allocation for the Index Business Day immediately preceding Index Business Day t; • $\text{Index}_{\text{Reset-1}}$ is the Index Level as of the Index Business Day prior to the immediately preceding Index Reset Date; • StaticWeight^j is the static weight, as defined in the table *Sub-Index Specifications Table 2 – Weight and FX*; • FX_{t-1}^j is the exchange rate (quoted as the number of USD per 1 unit of Currency(j)) in respect of the Index Business Day immediately preceding Index Business Day t and the relevant Sub-Index, as defined in the table below (*Sub-Index Specifications Table 2)*;
Sub-Index Actual Allocation (Allocation_t^j)	The Sub-Index Actual Allocation means a value determined, in respect of each Index Business Day t and the respective Sub-Index, according to the following formula: [formula to measure Sub-Index Actual Allocation]
Sub-Index Threshold	The Sub-Index Threshold Allocation means a value determined, in respect of each Index Business Day t and

Allocation (θ^j_t)	the respective Sub-Index, according to the following formula: [formula to measure Sub-Index Threshold Allocation]
Sub-Index Target Allocation (ω^j_t)	The Sub-Index Target Allocation means a value determined, in respect of each Index Business Day t and the respective Sub-Index, according to the following formula: [formula to measure Sub-Index Target Allocation]
Signal ($Signal^j_t$)	The Signal means a value determined, in respect of each Index Business Day t and the respective Sub-Index, according to the following formula: [formula to measure Signal]

Window	Length (n)
ST (Short Term)	Day Count
MT (Mid Term)	Day Count
LT (Long Term)	Day Count

Volatility Scale ($Vol\ Scale^j_t$)

The Volatility Scale means a value determined, in respect of each Index Business Day t and the respective Sub-Index, according to the following formula:

[formula to measure Volatility Scale]

Trading Charge (TC^j_t)

For any Index Business Day t, if ONTR Underlying $Contract^j_t$ is the **same** On-the-run Series CDS as ONTR Underlying $Contract^j_{t-1}$, i.e. if there is no roll on Index Business Day t, then

$$TC^j_t = \left|\left(Units^j_t\right) - \left(Units^j_{t-1}\right)\right| \times 100 \times TradingCharge^j_{t,t} \times Duration^j_{t,t}$$

For any Index Business Day t, if ONTR Underlying $Contract^j_t$ is a **different** On-the-run Series CDS to the ONTR Underlying $Contract^j_{t-1}$, i.e. if there is a roll on Index Business Day t, then

$$TC^j_t = \left|Units^j_t\right| \times 100 \times Duration^j_{t,t} \times TradingCharge^j_{t,t} + \left|Units^j_{t-1}\right| \times 100 \times Duration^j_{t,t-1} \times TradingCharge^j_{t,t-1}$$

Where:

- ONTR Underlying $Contract^j_s$ is the On-the-run Series CDS contract on which the respective Nomura Credit Beta Index is invested on Index Business Day s. For the avoidance of doubt, the ONTR Underlying $Contract^j_s$ is rolled twice a year, usually in June and September, on CDS Roll Dates;
- $Duration^j_{t,s}$ is the duration, rounded to 2 decimal places, for Index Business Day t of ONTR Underlying $Contract^j_s$ with respect to the CDS Price, calculated using the ISDA CDS Standard Model, the relevant ISDA Par Swap Curve, the relevant Fixed Coupon Rate and the relevant CDS Recovery Rate;

- $\text{TradingCharge}^j_{t,s}$ is the charge for Index Business Day t of ONTR Underlying Contract^j_s, defined as:

In respect of the Underlying CDS Index NA HY only, for Index Business Days up but excluding 21 April 2006,

$$\text{TradingCharge}^j_{t,s} = \text{TradingCharge}^j \text{ and Duration}^j = [\text{Duration}]$$

Otherwise (in respect of the Underlying CDS Index NA HY, for Index Business Days from and including 21 April 2006, and for the Underlying CDS Indices NA IG, EU IG and EU HY):

- If Index Business Day t is a Liquid Day,

$$\text{TradingCharge}^j_{t,s} = \text{MAX}\left(\frac{1}{2} \times \frac{\text{Spread}^j_{t,s}}{1{,}000{,}000}, \text{TradingCharge}^j\right)$$

- If Index Business Day t is not a Liquid Day,

$$\text{TradingCharge}^j_{t,s} = 2 \times \text{MAX}\left(\frac{1}{2} \times \frac{\text{Spread}^j_{t,s}}{1{,}000{,}000}, \text{TradingCharge}^j\right)$$

- Where
  - $\text{Spread}^j_{t,s}$ is the[Spread], rounded to 4 decimal places, for Index Business Day t of ONTR Underlying Contract^j_s;
  - TradingCharge^j is defined in the table *Sub-Index Specifications Table 3 – Charges;*

Liquid Day

A Liquid Day is determined in respect of each Index Business Day t and the respective Underlying Contract^j_t, according to the following formula:

If $\text{LiquidityFactor}^j_t < \text{LiquidityThreshold}^j$, then Index Business Day t is a Liquid Day ;

Otherwise, Index Business Day t is not a Liquid Day.

Where:

- Underlying Contract^j_t is the relevant CDS contract, i.e. either the On-the-run Series CDS contract or the Off the run CDS Contract in which the respective Nomura Credit Beta Index is invested on Index Business Day t;
- $\text{LiquidityThreshold}^j$ is defined in the table *Sub-Index Specifications Table 3 – Charges;*
- $\text{LiquidityFactor}^j_t$ is the indicator used to determine liquidity on Index Business Day t as defined below:

  - For Index Business Days up but excluding 20 October 2014,

$$\text{LiquidityFactor}^j_t = \alpha \times \left|\text{SpreadLast}^j_{t,t-1} - \text{SpreadLast}^j_{t-1,t-1}\right| + (1-\alpha) \times \text{LiquidityFactor}^j_{t-1}$$

  Where:

  ✓ $\text{SpreadLast}^j_{t,s}$ is the[Spread], rounded to 4 decimal places, for Index Business Day t of ONTR Underlying Contract^j_s;

  ✓ $\text{LiquidityFactor}^j_{20-\text{Oct}-2014} = \left|\text{SpreadHigh}^j_{20-\text{Oct}-2014} - \text{SpreadLow}^j_{20-\text{Oct}-2014}\right|$

  - For Index Business Days from and including 20 October 2014,
    - If ONTR Underlying Contract^j_t is a **different** On-the-run Series CDS to the ONTR Underlying Contract^j_{t-1}, i.e. if there is a roll on Index Business Day t, then there is a Liquidity Factor for the On-the-run Series CDS and a Liquidity Factor for the Off-the-run Series CDS as the Index will buy the first and sell the second:

    In respect of the On-the-run Series CDS Contract,

$$\text{LiquidityFactor}^j_t = [\text{LiquidityFactor}]$$

    In respect of the Off-the-run Series CDS Contract,

$$\text{LiquidityFactor}^j_t = \alpha \times [\text{Spread}] + (1-\alpha) \times \text{LiquidityFactor}^j_{t-1}$$

- If Underlying Contract$_t^j$ is the **same** On-the-run Series CDS as Underlying Contract$_{t-1}^j$, i.e. if there is no roll on Index Business Day t, then there is only one Liquidity Factor for the On-the-run Series CDS:

$$\text{LiquidityFactor}_t^j = \alpha \times [\text{Spread}] + (1 - \alpha) \times \text{LiquidityFactor}_{t-1}^j$$

With:

- ✓ $\alpha = \frac{2}{N+1}$ where N=5
- ✓ SpreadHigh_t^j is [Spread];
- ✓ SpreadLow_t^j is [Spread];
- ✓ $\text{SpreadLast}_{t-1}^j$ is [Spread] ;

Running Charge (RC_t^j)	For any Index Business Day t, $RC_t^j = \text{RunningCharge}^j \times \text{dcf}_{t-1,t} \times 100 \times \left|\text{Units}_{t-1}^j\right|$ Where: • RunningCharge^j is defined in the table *Sub-Index Specifications Table 3 – Charges;* • $\text{dcf}_{t-1,t}$ is the day count fraction from, and including, the Index Business Day immediately preceding Index Business day t, to, but excluding, Index Business day t.

Underlying CDS Index	Sub-Index j	Bloomberg Ticker	CCY
EU IG	Nomura Europe Main 5Y Unfunded Non-Compounding Credit Index	NMCB1EMA Index	EUR
EU HY	Nomura Europe Crossover 5Y Unfunded Non-Compounding Credit Index	NMCB1EXO Index	EUR
NA IG	Nomura North America Investment Grade 5Y Unfunded Non-Compounding Credit Index	NMCB1UIG Index	USD
NA HY	Nomura North America High Yield 5Y Unfunded Non-Compounding Credit Index	NMCB1UHY Index	USD

Sub-Index Specifications Table 1 – Sub-Index Tickers

Underlying CDS Index	Target Vol^j	VolScaleCap^j	MinDailyChange^j	MaxDailyChange^j	Static Weight^j	FX_t^j
EU IG	Target Vol	VolScaleCap	MinDailyChange	MaxDailyChange	Static Weight	FX
EU HY	Target Vol	VolScaleCap	MinDailyChange	MaxDailyChange	Static Weight	FX
NA IG	Target Vol	VolScaleCap	MinDailyChange	MaxDailyChange	Static Weight	FX
NA HY	Target Vol	VolScaleCap	MinDailyChange	MaxDailyChange	Static Weight	FX

Sub-Index Specifications Table 2 – Weight and FX

Underlying CDS Index	LiquidityThreshold^j	TradingCharge^j	RunningCharge^j
EU IG	LiquidityThreshold	TradingCharge	RunningCharge
EU HY	LiquidityThreshold	TradingCharge	RunningCharge
NA IG	LiquidityThreshold	TradingCharge	RunningCharge
NA HY	LiquidityThreshold	TradingCharge	RunningCharge

Sub-Index Specifications Table 3 - Charges

Definitions	*Auction*	Has the meaning given in the Index Description for the Nomura Credit Beta Indices;
	Buyer	Has the meaning given in the Index Description for the Nomura Credit Beta Indices;
	CDS Maturity	Has the meaning given in the Index Description for the Nomura Credit Beta Indices;
	CDS Quotation	Has the meaning given in the Index Description for the Nomura Credit Beta Indices;
	CDS Quotation-Snap Times	Means the times specified in the Index Description for the Nomura Credit Beta Indices;
	CDS Recovery Rate	Has the meaning given in the Index Description for the Nomura Credit Beta Indices;
	CDS Roll Date	Has the meaning given in the Index Description for the Nomura Credit Beta Indices;
	Credit Spread Last	[description of Credit Spread Last]
	Credit Spread High	[description of Credit Spread High]
	Credit Spread Low	[description of Credit Spread Low]
	dcf_t	Day count fraction between t-1 and t based on the Act/360 convention;
	Effective Date	Has the meaning given in the Index Description for the Nomura Credit Beta Indices;
	EURUSD Spot Rate	Means the exchange rate (quoted as the number of USD per 1 unit of EUR) as determined by the Index Calculation Agent with reference to the relevant price source (as set out below): [description of Price Level used]
	Fixed Coupon Rate	Has the meaning given in the Index Description for the Nomura Credit Beta Indices;
	Fixed Coupon Rate Payment Date	Has the meaning given in the Index Description for the Nomura Credit Beta Indices;
	Index Annex	Means, in respect of each Relevant CDS, the relevant index annex published on Markit's website www.markit.com (or any successor thereto);
	Index Business Day	A day which is a London Business Day, a New York Business Day and a Target Settlement Day and which is not a 24th of December or a 31st of December;
	Index Reset Date	Means Tuesday of each week, adjusted to the following Index Business Day if such Tuesday is not an Index Business Day;
	Index Trading Business Day	A day which is a London Business Day, a New York Business Day and a Target Settlement Day and which is not a 24th of December or a 31st of December;
	ISDA	Means the International Swaps and Derivatives Association, Inc;
	ISDA CDS Standard Model	Has the meaning given in the Index Description for the Nomura Credit Beta Indices;
	ISDA Definitions	Has the meaning given in the Index Description for the Nomura Credit Beta Indices;

ISDA Par Swap Curve	Has the meaning given in the Index Description for the Nomura Credit Beta Indices;
London Business Day	A day (other than a Saturday or Sunday) on which commercial banks are open for general business in London.
Markit	Has the meaning given in the Index Description for the Nomura Credit Beta Indices;
New York Business Day	A day (other than a Saturday or Sunday) on which commercial banks are open for general business in New York.
Nomura Credit Beta Index	Means any of the relevant Nomura Europe Main 5Y Unfunded Non-Compounding Credit Index, Nomura Europe Crossover 5Y Unfunded Non-Compounding Credit Index, Nomura North America Investment Grade 5Y Unfunded Non-Compounding Credit Index and Nomura North America High Yield 5Y Unfunded Non-Compounding Credit Index;
Off-the-run Series CDS	Has the meaning given in the Index Description for the Nomura Credit Beta Indices;
On-the-run Series CDS	Has the meaning given in the Index Description for the Nomura Credit Beta Indices;
Relevant CDS	Has the meaning given in the Index Description for the Nomura Credit Beta Indices;
Replacement Underlying Index	Has the meaning given in the Index Description for the Nomura Credit Beta Indices;
Seller	Has the meaning given in the Index Description for the Nomura Credit Beta Indices;
Target Settlement Day	Means any day on which TARGET2 (the Trans-European Automated Real-time Gross settlement Express Transfer system) is open.
Underlying CDS Spread	[description of Underlying CDS Spread] •

II. Index disruption events

<u>Index Disruption Provisions</u>	
Index Disruption Event	Any of a (i) Signal Disruption Event, (ii) Market Disruption Event, (iii) M(M)R Restructuring Event, (iv) No Auction Disruption Event, (v) Price Source Disruption Event, (vi) Price Materiality Event, (vii) Intervening Circumstances or (viii) an Index Frustration Event.
Price Source Disruption Event	In the event that any Price Source fails or has failed to publish or announce any relevant price, level, spread, rate or other data necessary for the determination of the Index or any Sub-Index on any day, the Index Calculation Agent shall determine such data in its sole discretion and acting in a commercially reasonable manner taking into account the relevant Price Source Disruption Event, latest available quotations and any other information the Index Calculation Agent deems relevant in its discretion. **Price Source** means in respect of the Index or a Sub-Index, the publication, page (or any other origin of reference, including an exchange) containing (or reporting) the prices, levels, spreads, rates or other data utilised by the Index Sponsor for the Index or such relevant Sub-Index. References to Price Source shall be construed as referring also to any successor publication, page or source on which the relevant prices, levels, rates or other data for the Index or a Sub-Index may be disseminated, as determined by the Index Sponsor in its sole discretion and acting in a commercially reasonable manner.
Price Materiality Event	If on any day, the level published on any price source in relation to any price, level, spread, rate or other variable necessary to determine the Index, in the sole determination of the Index Calculation Agent, is significantly different to the level of such variable prevailing in the market, such variable shall instead be determined by the Index Sponsor by using alternative price sources it deems reliable or in the absence of such, acting in a commercially reasonable manner with a view to achieving the objective of the Index and

	taking into account the prevailing market level and any other factors it deems relevant (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"))=.
Signal Disruption Event	A Signal Disruption Event shall have occurred if the Index Calculation Agent determines, in a commercially reasonable manner (taking into account various factors including but not limited to prevailing market conditions and firm and/or indicative quotations communicated in the inter-dealer or broker market in respect of the Relevant CDS, including the circumstance whereby the Index Calculation Agent is unable to obtain or receive any such quotations), on any Index Business Day that it is unable to calculate the Signal for the relevant Sub-Index. Upon the occurrence of a Signal Disruption Event and while that Signal Disruption Event is continuing, the Index Calculation Agent will calculate the Index Level by using in respect of the affected Sub-Index the Signal last calculated prior to the occurrence of the Signal Disruption Event. Should the Signal Disruption Event persists for 10 consecutive Index Business Days after its first occurrence, then the Index Sponsor will refrain from calculating and publishing an Index Level and will calculate the Index Level on the first Index Business Day where there is no Signal Disruption Event.
Market Disruption Event	Upon the occurrence of a Market Disruption Event in respect of the relevant Underlying CDS Index of a Sub-Index (as specified in the Index Description for the Nomura Credit Beta Indices, as may be amended and/or updated by the Sub-Index Sponsor from time to time) the Index Calculation Agent will refrain from publishing a new Index Level and will calculate the Index Level on the first Index Business Day where there is no Market Disruption Event.
M(M)R Restructuring Event	If a M(M)R Restructuring Event occurs in respect of one or more of the Nomura Credit Beta Indices, the index calculation agent for the Nomura Credit Beta Indices will calculate the Close-Out Amount in respect of the relevant Reference Entity(ies) as defined in the Index Description for the Nomura Credit Beta Indices (as may be amended and/or updated by the Sub-Index Sponsor from time to time). A charge (the "**Close-Out Charge** (CAC_t^j)", as defined below) resulting from this settlement has to be deducted with respect to each Dealer Poll from the Index Level following such M(M)R Restructuring Event. This charge will be calculated for any Reference Entities in respect of which a M(M)R Restructuring Event has occurred. For any Index Business Day t on which a Dealer Poll occurs, the Close-Out Charge CAC_t^j will be computed as: [formula to Measure M(M)R Restructuring Events]
No Auction Disruption Event	If a No Auction Disruption Event occurs in respect of one or more of the Nomura Credit Beta Indices, the index calculation agent for the Nomura Credit Beta Indices will calculate the default loss in respect of the relevant Reference Entity(ies) as defined in the Index Description for the Nomura Credit Beta Indices (as may be amended and/or updated by the Sub-Index Sponsor from time to time). A charge (the "**Settlement Charge** (SC_t^j)", as defined below) resulting from this settlement has to be deducted from the Index Level following such No Auction Disruption Event. This charge will be calculated for any Reference Entities in respect of which a No Auction Disruption Event has occurred. For any Index Business Day t which is a Valuation Date, the Settlement Charge SC_t^j will be computed as: [formula to Measure No Auction Disruption Event]
Intervening Circumstances	Intervening Circumstances exist or occur where 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.
Index Frustration Event	An Index Frustration Event means any event or circumstance other than a Signal Disruption Event, Market Disruption Event, M(M)R Restructuring Event, No Auction Disruption Event, Price Source Disruption Event, Price Materiality Event, or Intervening Circumstances, 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.
Consequences of	Upon the occurrence of Intervening Circumstances and/or an Index Frustration Event, the Index Sponsor

Intervening Circumstances and Index Frustration Event	may: (i) determine the level of any affected Index Component for such day, acting in a commercially reasonable manner, taking into account the relevant Intervening Circumstances and/or Index Frustration Event (as applicable), latest available quotations and any other information the Index Sponsor deems relevant in its discretion, 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 Data Inputs"); (ii) delay or postpone the rebalancing and/or calculation of any affected Index Component to a day not later than the Disruption Cut-off Date, notwithstanding that such day may be subject to an Index Disruption Event and in which case the Index Sponsor will determine the level of such affected Index Component in a commercially reasonable manner as per the process in (i) above; and/or (iii) not calculate and publish the Index level for such day or delay the publication. "**Disruption Cut-off Date**" means the 5th Index Business Day from and including the original day.
Index Modification Provisions	
Index Modification	Upon the occurrence of an Index Modification Event, the Index Sponsor may: i. where the Index Modification Event is a **Permanent Disruption Event**, remove the affected Sub-Index and make any other adjustments to the Index to account for the price or value of the affected Sub-Index; ii. where the Index Modification Event is a **Replacement Underlying Index Event**, adjust the Trading Charge and Running Charge, the Liquidity Threshold, Static Weight and/or Target Vol in respect of the Replacement Underlying Index; and/or iii. where the Index Modification Event is a **Sub-Index Replacement Failure** remove the cancelled Sub-Index and make any other adjustments to the Index to account for the price or value of the cancelled Sub-Index; iv. 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, and/or related charges, fees or taxes). 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 (i) an Input Data Decline Event, (ii) Replacement Underlying Index Event, (iii) Sub-Index Replacement Failure and/or (iv) Permanent Index Disruption Event. **Input Data Decline Event** means if the Index Sponsor determines that the input data and/or price source relation to an 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 that any input data and/or price source in relation to an Index Instrument used to calculate the Index and/or Index Component no longer meets the standard of input data quality for the Index and/or Index Component as determined by the Index Sponsor during the design of the Index and/or Index Component, as set out in): Appendix 2, Section 6 of the Control Framework Summary ("Data Sufficiency and Hierarchy of Input Data"). **Replacement Underlying Index Event** means the replacement of an Underlying CDS Index with a respective Replacement Underlying Index following a Market Disruption Event in respect of a Sub-Index. **Permanent Index Disruption Event** means that the Index Calculation Agent determines pursuant to the terms above that (a) a Signal Disruption Event has persisted for 60 consecutive Index Business Days after its occurrence or (b) following a Market Disruption Event, a Replacement Underlying Index is sought by the Index Calculation Agent but remains unavailable after 60 consecutive Index Business Days from the date the Replacement Underlying Index. **Sub-Index Replacement Failure** means upon a Sub-Index Cancellation following a period of fifteen (15) Index Business Days measured from the first day of such Sub-Index Cancellation, at the end of such period of time there is no Successor Sub-Index. **Index Component** means, in respect of the Index or any Sub-Index, each underlying component index, futures contract, currency, rate, variable or other component necessary in order to determine a level of the Index or Sub-Index (as applicable), in each case, in line with the then existing methodology of the Index or Sub-Index (as applicable).
Index Cancellation	

Provisions	
Index Cancellation Event	If one of the following events occurs the Index will be cancelled: (i) Increased Cost of Index Implementation (ii) Change in Law (iii) Termination of Licensing (iv) Critical Sub-Index Removal Event The Index Calculation Agent may also permanently cancel and discontinue calculating and publishing the Index, in accordance with Appendix 2, Section 17 of the Control Framework Summary (as defined below).
Increased Cost of Index Implementation	The arising of circumstances whereby, the Index Calculation Agent would incur a materially increased amount of tax, duty, expense, cost, fee and any transaction costs (howsoever described) to acquire, establish, re-establish, substitute, maintain, unwind or dispose of any positions it deems necessary to implement the Index.
Change in Law	The arising of circumstances whereby (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) 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 Calculation Agent determines in its sole and absolute discretion that (X) it has or may become illegal to or would result in a breach of applicable regulation to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any positions it deems necessary to implement the Index (b) maintain or sponsor the Index or (c) make determinations in respect of the Index (b) or (Y) it will incur a materially increased cost in relation to positions it deems necessary in order to implement the Index (including, without limitation, as a result of any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position).
Termination of Licensing	The revocation or termination of the license agreement (for any reason) between Markit Indices Limited and the Index Sponsor for the use of the iTraxx® Underlying in connection with the Nomura Credit Momentum Index.
Critical Sub-Index Removal Event	Means that upon an Index Modification Event, a Sub-Index would have to be removed which would result in more than two Sub-Indices having been removed from the Index since Index inception.
Consequences of a Sub-Index Cancellation	If upon the occurrence of a Sub-Index Cancellation there is a Successor Sub-Index then such Successor Sub-Index shall be deemed to be the relevant Sub-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 Sub-Index with the Successor Sub-Index. **Sub-Index Cancellation** means, that a Sub-Index is permanently cancelled or the relevant Sub-Index Sponsor announces (including through an agent, if applicable) its intention to permanently cancel a Sub-Index or its intention to cease to calculate and announce a level for a Sub-Index. **Successor Sub-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 Sub-Index or, if none, a replacement with the same or similar investment objective as the Sub-Index .
Index Adjustment Provisions	
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.
Consequences of a Sub-Index Adjustment	If in a relation to a Sub-Index, at any time the Index Sponsor becomes aware that the Index Sponsor of the relevant Sub-Index corrects the level or value of such Sub-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 Sub-Index.
Disclaimer	The Index Sponsor and its affiliates make no representation whatsoever, whether express or implied, either as to the results to be obtained from the use of an Index and/or the levels at which the relevant Index stands at a particular time on any particular date or otherwise. The Index Sponsor and its affiliates shall not be liable (whether in contract, tort or otherwise) to any person for any error in such Index. The Index Sponsor and its affiliates make no representation whatsoever, whether express or implied, as to the advisability of purchasing or assuming any risk in connection with entering into any transactions or

products which are linked to or deriving a value from an Index.

Neither the Index Sponsor nor its affiliates shall have any liability for any act or failure to act by the Index Sponsor in connection with the calculation, adjustment or maintenance of an Index. Although the Index Sponsor will obtain information concerning an Index from publicly available sources it believes reliable, such information may not have been independently verified. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility is accepted by the Index Sponsor or its affiliates as to the accuracy, completeness and timeliness of information concerning an Index or any other information provided by any person in connection with the information described herein, or as to the continuance of calculation or publication of an Index.

Nothing in this disclaimer shall exclude or limit liability to the extent such exclusion or limitation is not permitted by law or regulation to which the Index Sponsor is subject.

III. Additional information in respect of the Index methodology

The Index Sponsor has established a governance framework (the "**Governance Policy and Control Framework**") to ensure compliance with the 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:

Criteria for Index Development and Input Data and Source Selection	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").
Exercise of Expert Judgment and discretion	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").
Input Data Type Priority	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.
Index Error Reports and Revision	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.
Quantity and Quality of Input Data	The Index is constructed by the Index Sponsor using both single prices or levels and an average or other formula of 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. 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.
Internal Reviews of the Index	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. 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.
Index Approval	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 Framework Summary ("Main Features of Index Committee Constitution and Terms") and Appendix 2, Section 3 ("Index Design and Creation of New Indices").
Investor Consultation upon Index termination and material changes to the	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

[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.*

Index methodology	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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