

Index Rulebook for the Nomura Fallen Angels Premium Credit Indices

2 December 2019

SECTION A: INDEX METHODOLOGY

Index Calculation

The Nomura Fallen Angels Premium Credit Indices (each an “Index” and together the “Indices”) are quantitative, rules-based indices that seek to achieve returns based on a “carry” investment strategy applied to four Nomura Credit Beta Indices (the “Index Components”). The basic principle of a “carry” investment strategy is to buy high yielding instruments and to sell low yielding instruments. The indices take long positions in the Nomura Europe Crossover 5Y Unfunded Non-Compounding Credit Index and the Nomura North America High Yield 5Y Unfunded Non-Compounding Credit Index, which are deemed high yielding instruments, and short positions in the Nomura Europe Main 5Y Unfunded Non-Compounding Credit Index and the Nomura North America Investment Grade 5Y Unfunded Non-Compounding Credit Index, which are deemed low yielding instruments. The long and the short exposure the Index takes in each of these Index Components are fixed and do not change.

The Nomura Credit Beta Indices aim to reflect the total return of holding a long position in the On-the-run Series CDS of the respective Underlying CDS Index. 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 Index Components, please see the Index Description for the Nomura Credit Beta Indices attached hereto.

The suite of the Nomura Fallen Angels Premium Credit Indices consists of the following indices:

- the Nomura North America Fallen Angels Premium Credit Index focused on the North American credit market;
- the Nomura Europe Fallen Angels Premium Credit Index focused on the European credit market;
- the Nomura Western Fallen Angels Premium Credit Index which is an equally-weighted combination of the North America Fallen Angels Premium Credit Index and the Europe Fallen Angels Premium Credit Index; and
- the Nomura Western Fallen Angels Premium Credit Index in EUR.

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

The Nomura Fallen Angels Premium Credit Indices, were developed, are calculated and published by Nomura International plc (the “Index Sponsor”), who is responsible for the administration of the Indices. The level of each Index is published daily on Bloomberg. Live calculation of the Indices began on 11 November 2015 (the “Index Live Date”). Prior to the Live Date, the Index Sponsor reconstructed each Index using backtested data from the respective Index Base Date. As of the Index Base Date, the Index Level was 100. Respective Index Base Dates, Index Currency and Bloomberg Tickers are:

Nomura Fallen Angels Premium Credit Indices			
Index Name	Bloomberg Ticker	Index Base Date	Index Currency
North America Fallen Angels Premium Credit Index	NMCDANGU Index	29 November 2004	USD
Europe Fallen Angels Premium Credit Index	NMCDANGE Index	20 September 2004	EUR
Western Fallen Angels Premium Credit Index	NMCDANGW Index	29 November 2004	USD
Western Fallen Angels Premium Credit Index in EUR	NMCDANGX Index	29 November 2004	EUR

The Nomura Western Fallen Angels Premium Credit Index		
Index	Static Weighting	Sub-indices
Nomura Western Fallen Angels Premium Credit Index	Static Weighting	Nomura North America Fallen Angels Premium Credit Index
	Static Weighting	Nomura Europe Fallen Angels Premium Credit Index

The Nomura Western Fallen Angels Premium Credit Index			
Sub-indices	Index Components (Nomura Credit Beta Indices)	Static Weighting	Underlying CDS Index
North America Fallen Angels Premium Credit Index	Nomura North America Investment Grade 5Y Unfunded Non-Compounding Credit Index	Static Weighting	The CDX.NA.IG Index published by Markit (or any successor thereto)
	Nomura North America High Yield 5Y Unfunded Non-Compounding Credit Index	Static Weighting	The CDX.NA.HY Index published by Markit (or any successor thereto)
Europe Fallen Angels Premium Credit Index	Nomura Europe Main 5Y Unfunded Non-Compounding Credit Index	Static Weighting	The iTraxx Europe Index published by Markit (or any successor thereto)
	Nomura Europe Crossover 5Y Unfunded Non-Compounding Credit Index	Static Weighting	The iTraxx Europe Crossover Index published by Markit (or any successor thereto)

Index Component Specifications Table					
Index Component	Nomura Credit Beta Index	Bloomberg Ticker	Underlying CDS Index	CCY	Static Weight ⁱ
EU IG	Nomura Europe Main 5Y Unfunded Non-Compounding Credit Index	NMCB1EMA Index	The iTraxx Europe Index published by Markit (or any successor thereto)	EUR	Static Weight
EU HY	Nomura Europe Crossover 5Y Unfunded Non-Compounding Credit Index	NMCB1EXO Index	The iTraxx Europe Crossover Index published by Markit (or any successor thereto)	EUR	Static Weight
NA IG	Nomura North America Investment Grade 5Y Unfunded Non-Compounding Credit Index	NMCB1UIG Index	The CDX.NA.IG Index published by Markit (or any successor thereto)	USD	Static Weight
NA HY	Nomura North America High Yield 5Y Unfunded Non-Compounding Credit Index	NMCB1UHY Index	The CDX.NA.HY Index published by Markit (or any successor thereto)	USD	Static Weight

Index Sponsor and Index Calculation Agent

Nomura International plc (“NIP”), who is responsible for the administration of the Indices.

Index Component

The Nomura Fallen Angels Premium Credit Indices invest in four Index Components, respectively EU IG, EU HY, NA IG and NA HY.

1. Nomura Western Fallen Angels Premium Credit Index

Index Level (Index_t^W)

For any Index Business Day t, the Index Level is calculated according to the following formula:

$$\text{Index}_t^W = \text{Index}_{\text{Reset}}^W + \text{Return}_t^{\text{USD}} + \text{Return}_t^{\text{EUR}} \times \text{FX}_t^{\text{EURUSD}}$$

Where :

- Index_t^W is the Index Level for Index Business Day t;
- Index_{Reset}^W is the Index Level on the immediately preceding Index Reset Date;
- Return_t^{USD} is the Sub-Index Return calculated in respect of the Index Business t;

**Sub-Index Return
(Return_t^{CCY})**

- Return_t^{EUR} is the Sub-Index Return calculated in respect of the Index Business Day t;
- FX_t^{EURUSD} is the EURUSD Spot Rate in respect of Index Business Day t;

The Sub-Index Return means a value determined, in respect of each Index Business Day t and the respective Index Components, 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:

$$\text{Return}_t^{\text{CCY}} = \text{Units}_{t-1}^{\text{CCY}} \times (I_t^{\text{CCY}} - I_{t-1}^{\text{CCY}})$$

Otherwise:

$$\text{Return}_t^{\text{CCY}} = \text{Return}_{t-1}^{\text{CCY}} + \text{Units}_{t-1}^{\text{CCY}} \times (I_t^{\text{CCY}} - I_{t-1}^{\text{CCY}})$$

Where:

- CCY is either EUR or USD;
- Units_{t-1}^{CCY} is the respective Sub-Index Unit for the Index Business Day immediately preceding Index Business Day t;
- I_t^{CCY} is the Index Level on Index Business Day t for the relevant Nomura North America Fallen Angels Premium Credit Index or the Nomura Europe Fallen Angels Premium Credit Index;
- I_{t-1}^{CCY} is the Index Level on the Index Business Day immediately preceding Index Business Day t for the relevant Nomura North America Fallen Angels Premium Credit Index or the Nomura Europe Fallen Angels Premium Credit Index;
- Return_{t-1}^{CCY} is the respective Sub-Index Return for the Index Business Day immediately preceding Index Business Day t;

**Sub-Index Unit
(Units_t^{CCY})**

The Sub-Index Unit means the number of Index units invested in either the Nomura Europe Fallen Angels Premium Credit Index or the Nomura North America Fallen Angels Premium Credit Index, in respect of each Index Business Day t, according to the following formula:

If Index Business Day t falls on an Index Reset Date, then:

$$\text{Units}_t^{\text{CCY}} = \frac{1}{2} \times \frac{\text{Index}_{\text{Reset}-1}}{I_{\text{Reset}-1}^{\text{CCY}} \times \text{FX}_{t-1}^{\text{CCYUSD}}}$$

Otherwise,

$$\text{Units}_t^{\text{CCY}} = \text{Units}_{t-1}^{\text{CCY}}$$

Where:

- Index_{Reset-1} is the Index Level on the day that is one Index Business Day prior to the immediately preceding Index Reset Date;
- I_{Reset-1}^{CCY} is the Index Level on the day that is one Index Business Day prior to the immediately preceding Index Reset Date for the relevant Nomura North America Fallen Angels Premium Credit Index or the Nomura Europe Fallen Angels Premium Credit Index;
- FX_{t-1}^{EURUSD} is the EURUSD Spot Rate in respect of the Index Business Day immediately preceding Index Business Day t;
- FX_{t-1}^{USDUSD} is equal to one.

2. Nomura Western Fallen Angels Premium Credit Index in EUR

Index Level ($Index_t^X$)

For any Index Business Day t , the Index Level is calculated according to the following formula:

$$Index_t^X = Index_{Reset}^X + Return_t^{USD} \times \frac{1}{FX_t^{EURUSD}} + Return_t^{EUR}$$

Where :

- $Index_t^X$ is the Index Level for Index Business Day t ;
- $Index_{Reset}^X$ is the Index Level on the immediately preceding Index Reset Date;
- $Return_t^{USD}$ is the Sub-Index Return calculated in respect of the Index Business t ;
- $Return_t^{EUR}$ is the Sub-Index Return calculated in respect of the Index Business t ;
- FX_t^{EURUSD} is the EURUSD Spot Rate in respect of Index Business Day t ;

Sub-Index Return ($Return_t^{CCY}$)

The Sub-Index Return means a value determined, in respect of each Index Business Day t and the respective Index Components, 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:

$$Return_t^{CCY} = Units_{t-1}^{CCY} \times (I_t^{CCY} - I_{t-1}^{CCY})$$

Otherwise:

$$Return_t^{CCY} = Return_{t-1}^{CCY} + Units_{t-1}^{CCY} \times (I_t^{CCY} - I_{t-1}^{CCY})$$

Where:

- CCY is either EUR or USD;
- $Units_{t-1}^{CCY}$ is the respective Sub-Index Unit for the Index Business Day immediately preceding Index Business Day t ;
- I_t^{CCY} is the Index Level on Index Business Day t for the relevant Nomura North America Fallen Angels Premium Credit Index or the Nomura Europe Fallen Angels Premium Credit Index;
- I_{t-1}^{CCY} is the Index Level on the Index Business Day immediately preceding Index Business Day t for the relevant Nomura North America Fallen Angels Premium Credit Index or the Nomura Europe Fallen Angels Premium Credit Index;
- $Return_{t-1}^{CCY}$ is the respective Sub-Index Return for the Index Business Day immediately preceding Index Business Day t ;

Sub-Index Unit ($Units_t^{CCY}$)

The Sub-Index Unit means the number of Index units invested in either the Nomura Europe Fallen Angels Premium Credit Index or the Nomura North America Fallen Angels Premium Credit Index, in respect of each Index Business Day t , according to the following formula:

If Index Business t falls on an Index Reset Date, then:

$$Units_t^{CCY} = \frac{1}{2} \times \frac{Index_{Reset-1}}{I_{Reset-1}^{CCY} \times \frac{1}{FX_{t-1}^{EURCCY}}}$$

Otherwise,

$$Units_t^{CCY} = Units_{t-1}^{CCY}$$

Where:

- $Index_{Reset-1}$ is the Index Level on the day that is one Index Business Day prior to the immediately preceding Index Reset Date;
- $I_{Reset-1}^{CCY}$ is the Index Level on the day that is one Index Business Day prior to the immediately preceding Index Reset Date for the relevant Nomura North America Fallen Angels Premium Credit Index or the Nomura Europe Fallen Angels Premium Credit Index;
- FX_{t-1}^{EURUSD} is the EURUSD Spot Rate in respect of the Index Business Day immediately preceding Index Business Day t ;
- FX_{t-1}^{EUREUR} is equal to one.

Sub-Indices

- **Nomura North America Fallen Angels Premium Credit Index**
- **Nomura Europe Fallen Angels Premium Credit Index**

1. Nomura North America Fallen Angels Premium Credit Index

Index Level (Index_t^{USD})

For any Index Business Day t, the Index Level is calculated according to the following formula::

$$\text{Index}_t^{\text{USD}} = \text{Index}_{t-1}^{\text{USD}} + \text{Units}_{t-1}^{\text{HY}} \times (P_t^{\text{HY}} - P_{t-1}^{\text{HY}}) + \text{Units}_{t-1}^{\text{IG}} \times (P_t^{\text{IG}} - P_{t-1}^{\text{IG}})$$

Where :

- Index_t^{USD} is the Index Level for Index Business Day t;
- Index_{t-1}^{USD} is the Index Level on the Index Business Day immediately preceding Index Business Day t;
- P_t^{HY} is the value of the NA HY Index Component for Index Business Day t, as published on Bloomberg under the relevant Bloomberg Ticker, as described in the table *Index Component Specifications Table*;
- P_t^{IG} is the value of the NA IG Index Component for Index Business Day t, as published on Bloomberg under the relevant Bloomberg Ticker, as described in the table *Index Component Specifications Table*;
- P_{t-1}^{HY} is the value of the NA HY Index Component for the Index Business Day immediately preceding Index Business Day t;
- P_{t-1}^{IG} is the value of the NA IG Index Component for the Index Business Day immediately preceding Index Business Day t;
- Units_{t-1}^{HY} is the Index Component Unit for the NA HY Index Component for the Index Business Day immediately preceding Index Business Day t;
- Units_{t-1}^{IG} is the Index Component Unit for the NA IG Index Component for the Index Business Day immediately preceding Index Business Day t;

Index Component Unit (Units_t^j)

The Index Component Unit means the number of Index units invested in the Index Component j, in respect of each Index Business Day t, according to the following formula:

If Index Business Day t falls on an Index Component Roll Date, then

$$\text{Units}_t^j = \frac{\text{Index}_{t-1}^{\text{USD}} \times \text{StaticWeight}^j}{100}$$

Otherwise,

$$\text{Units}_t^j = \text{Units}_{t-1}^j$$

Where:

- Index_{t-1}^{USD} is the Index Level on the Index Business Day immediately preceding Index Business Day t;
- StaticWeight^j is the static weight, as defined in the table *Index Component Specifications Table*.

2. Nomura Europe Fallen Angels Premium Credit Index

Index Level ($\text{Index}_t^{\text{EUR}}$)

For any Index Business Day t , the Index Level is calculated according to the following formula::

$$\text{Index}_t^{\text{EUR}} = \text{Index}_{t-1}^{\text{EUR}} + \text{Units}_{t-1}^{\text{HY}} \times (P_t^{\text{HY}} - P_{t-1}^{\text{HY}}) + \text{Units}_{t-1}^{\text{IG}} \times (P_t^{\text{IG}} - P_{t-1}^{\text{IG}})$$

Where :

- $\text{Index}_t^{\text{EUR}}$ is the Index Level for Index Business Day t ;
- $\text{Index}_{t-1}^{\text{EUR}}$ is the Index Level on the Index Business Day immediately preceding Index Business Day t ;
- P_t^{HY} is the value of the EU HY Index Component for Index Business Day t , as published on Bloomberg under the relevant Bloomberg Ticker, as described in the table *Index Component Specifications Table*;
- P_t^{IG} is the value of the EU IG Index Component for Index Business Day t , as published on Bloomberg under the relevant Bloomberg Ticker, as described in the table *Index Component Specifications Table*;
- P_{t-1}^{HY} is the value of the EU HY Index Component for the Index Business Day immediately preceding Index Business Day t ;
- P_{t-1}^{IG} is the value of the EU IG Index Component for the Index Business Day immediately preceding Index Business Day t ;
- $\text{Units}_{t-1}^{\text{HY}}$ is the Index Component Unit for the EU HY Index Component for the Index Business Day immediately preceding Index Business Day t ;
- $\text{Units}_{t-1}^{\text{IG}}$ is the Index Component Unit for the EU IG Index Component for the Index Business Day immediately preceding Index Business Day t ;

Index Component Unit (Units_t^j)

The Index Component Unit means the number of Index units invested in the Index Component j , in respect of each Index Business Day t , according to the following formula:

If Index Business Day t falls on an Index Component Roll Date, then

$$\text{Units}_t^j = \frac{\text{Index}_{t-1}^{\text{EUR}} \times \text{StaticWeight}^j}{100}$$

Otherwise,

$$\text{Units}_t^j = \text{Units}_{t-1}^j$$

Where:

- $\text{Index}_{t-1}^{\text{EUR}}$ is the Index Level on the Index Business Day immediately preceding Index Business Day t ;
- StaticWeight^j is the static weight, as defined in the table *Index Component Specifications Table*.

Definitions relating to the Nomura Fallen Angels Premium Credit Indices:

- North America Fallen Angels Premium Credit Index
- Europe Fallen Angels Premium Credit Index
- Western Fallen Angels Premium Credit Index
- Western Fallen Angels Premium Credit Index in EUR

Definitions		
<i>Auction</i>		Has the meaning given in the Index Description for the Nomura Credit Beta Indices;
<i>CDS Roll Date</i>		Has the meaning given in the Index Description for the Nomura Credit Beta Indices;
<i>EURUSD Spot Rate</i>		[description of Price Level used]
<i>Index Business Day</i>		A day which is a London Business Day, a New York Business Day and a Target Settlement Day and which is not a 24 th of December or a 31 st of December;
<i>Index Component Roll Date</i>		The CDS Roll Date of the relevant Underlying CDS Index;
<i>Index Reset Date</i>		Means the first Tuesday of the month, adjusted to the following Index Business Day if the Tuesday is not an Index Business Day;
<i>Index Trading Business Day</i>		A day which is a London Business Day, a New York Business Day and a Target Settlement Day and which is not a 24 th of December or a 31 st of December;
<i>London Business Day</i>		A day (other than a Saturday or Sunday) on which commercial banks are open for general business in London.
<i>New York Business Day</i>		A day (other than a Saturday or Sunday) on which commercial banks are open for general business in New York.
<i>Nomura Credit Beta Index</i>		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;
<i>Relevant CDS</i>		Has the meaning given in the Index Description for the Nomura Credit Beta Indices.
<i>Replacement Underlying Index</i>		Has the meaning given in the Index Description for the Nomura Credit Beta Indices.
<i>Target Settlement Day</i>		Means any day on which TARGET2 (the Trans-European Automated Real-time Gross settlement Express Transfer system) is open;
<i>Underlying CDS Index</i>		Has the meaning given in the Index Description for the Nomura Credit Beta Indices.

Disruption Provisions for the Nomura Fallen Angels Premium Credit Indices:

- **North America Fallen Angels Premium Credit Index**
- **Europe Fallen Angels Premium Credit Index**
- **Western Fallen Angels Premium Credit Index**
- **Western Fallen Angels Premium Credit Index in EUR**

I. Disruption Provisions relating to:

- **Nomura Western Fallen Angels Premium Credit Index**
- **Nomura Western Fallen Angels Premium Credit Index in EUR**

Index Disruption Provisions

Index Disruption

If, in the opinion of the Index Sponsor, an Index Disruption Event has occurred, exists or is occurring in respect of a Sub-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 Sub-Index or Index (regardless of whether or not a level of the affected Sub-Index has been published by the Sub-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 Event no longer exists, *provided that*, if such Index Disruption Event is continuing on the 5th 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 Sub-Index (including any affected Sub-Index Instrument) 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 Sub-Index for such day in accordance with the formula for and method of calculating such Sub-Index taking into account the relevant Index Disruption, latest available quotation of the Sub-Index and its Sub-Index Instruments and any other information the Index Sponsor deems relevant in its discretion, having regard to the standard of input data quality for the Sub-Index or Index as determined by the Index Sponsor during the design of the Sub-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 Sub-Index:

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

If 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 Instrument 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

Provisions

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, Sub-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) Sub-Index Modification Event or (ii) Input Data Decline Event.

Sub-Index Modification means an “Index Modification Event” in respect of the relevant Sub-Index as specified in the disruption section of such Sub-Index (see pages 15-16, as maybe amended and updated from time to time by the Sub-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 Instrument or Sub-Index Instrument 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 or Sub-Index Instrument used to calculate the Sub-Index or Index no longer meets the standard of input data quality for the Sub-Index or Index as determined by the Index Sponsor during the design of the Sub-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 or Termination of Licensing

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 Instrument 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 Instrument.

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).

Termination of Licensing means 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 one or more Nomura Credit Beta Index.

Index Adjustment Provisions

Index Adjustment

In the event that (i) there is any error in relation to the calculation or publication of the level of the Index, or (ii) that there is an Index Adjustment Event in respect of an Index Component (as defined in the Index Description for the Nomura Credit Beta Indices), the Index Calculation Agent will make such adjustments to each previously and or subsequently published level of the Index as it deems necessary in order to rectify such error and/or reflect any adjustment made to the levels of the relevant Index Component in each case in

Consequences Sub-Index Correction

accordance with the principles and methodology of the Index, Sub-Index and/or the Index Component.

If in a relation to a Sub-Index, at any time the Index Sponsor becomes aware that the Sub-Index Sponsor corrects the level or value of a 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.

Index Cancellation Provisions

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.

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

- (i) remove the cancelled Sub-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 Sub-Index, or
- (ii) cancel the Index in accordance with the Index Cancellation provisions below.

Index Cancellation

Upon the occurrence of:

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

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”).

Definitions

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

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

Index Instrument means, in respect of the Index, each underlying component, 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.

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 non, a replacement with the same or similar investment objective as the Sub-Index and that is acceptable to the Index Sponsor.

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.

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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.

II. Disruption Provisions relating to the Sub-Indices:

- Nomura North America Fallen Angels Premium Credit Index
- Nomura Europe Fallen Angels Premium Credit Index

<u>Index Disruption Provisions</u>	
Index Disruption Event	Any of a (i) Market Disruption Event, (ii) M(M)R Restructuring Event, (iii) a No Auction Disruption Event, (iv) Index Frustration Event, or (v) the occurrence of Intervening Circumstances.
Market Disruption Event	Upon the occurrence of a Market Disruption Event in respect of the relevant Underlying CDS Index of an Index Component (as specified in the Index Description for the Nomura Credit Beta Indices) 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	<p>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. 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.</p> <p>For any Index Business Day t on which a Dealer Poll occurs, the Close-Out Charge CAC_t^j will be computed as:</p> <p>[formula to Measure M(M)R Restructuring Event]</p>
No Auction Disruption Event	<p>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. 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.</p> <p>For any Index Business Day t which is a Valuation Date, the Settlement Charge SC_t^j will be computed as:</p> <p>[formula to Measure No Auction Disruption Event]</p>
Index Frustration Event	An Index Frustration Event means any event or circumstance other than a Market Disruption Event, M(M)R Restructuring Event, No Auction Disruption 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 the ability of the Index Sponsor or Index Calculation Agent to perform its role in respect 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.
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 Instrument 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.
Consequences of Intervening Circumstances and Index Frustration Event	<p>Upon the occurrence of Intervening Circumstances and/or an Index Frustration Event, the Index Calculation Agent may:</p> <p>(i) determine the level of any affected Index Instrument 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 Calculation Agent deems relevant in its discretion, having regard to</p>

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 Instrument 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 Calculation Agent will determine the level of such affected Index Instrument 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 Index Component and make any other adjustments to the Index to account for the price or value of the affected Index Component;
- ii. where the Index Modification Event is a **Replacement Underlying Index Event**, make changes to the methodology of the Index to account for such replacement including but not limited to Static Weight in respect of the Replacement Underlying Index; and/or
- iii. where the Index Modification Event is an **Index Component Replacement Failure** remove the cancelled Index Component and make any other adjustments to the Index to account for the price or value of the cancelled Index Component;
- iv. where the Index Modification Event is an **Input Data Decline Event** 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) Index Component 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 in relation to an Index Instrument used to calculate the Index and/or Index Component is no longer sufficient to represent accurately and reliably the market and economic reality that the Index and/or Index Component 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 repeatedly has not met 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 an Index Component.

Permanent Index Disruption Event means that Index Calculation Agent determines pursuant to the terms above that 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 was first sought.

Index Component Replacement Failure means upon an Index Component Cancellation following a period of fifteen (15) Index Business Days measured from the first day of such Index Component Cancellation, at the end of such period of time there is no Successor Index Component.

Index Instrument means, in respect of the Index or any Index Component, each underlying component index, futures contract, currency, rate, variable or other component necessary in order to determine a level of the Index or Index Component (as applicable), in each case, in line with the then existing methodology of the Index or Index Component (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 Index Component 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 one or more Nomura Credit Beta Index.

Critical Index Component Removal Event

Means that upon an Index Modification Event an Index Component would have to be removed which would result in more than two Index Components having been removed from the Index since Index inception.

Consequences of an Index Component Cancellation

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

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

Successor Index Component 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 Index Component or, if none, a replacement with the same or similar investment objective as the Index Component.

Index Adjustment Provisions

Index Adjustment

In the event that (i) there is any error in relation to the calculation or publication of the level of the Index, or (ii) that there is an Index Adjustment Event in respect of an Index Component (as defined in the Index Description for the Nomura Credit Beta Indices), the Index Calculation Agent will make such adjustments to each previously and or subsequently published level of the Index as it deems necessary in order to rectify such error and/or reflect any adjustment made to the levels of the relevant Index Component, in each case in accordance with the principles and methodology of the Index and/or the Index Component.

Disclaimer

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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.

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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.

Additional information in respect of the Index methodology of the Nomura Fallen Angels Premium Credit Indices

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 these Indices, and for selecting the sources of data inputs used in each 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 Indices.

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

Each 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 each 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 each 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 Indices 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 Index”) 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 Indices, 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 of Reference”) and Appendix 2, Section 3 (“Index Design and Creation of New Indices”).

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.

Investor 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 Indices. 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 Indices 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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