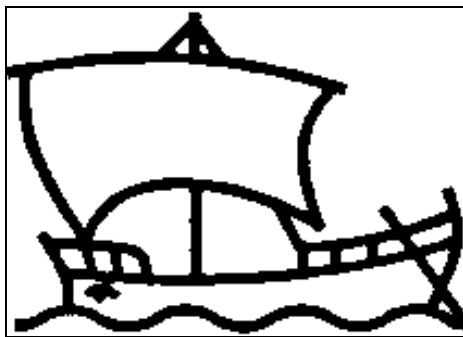


Cyprus Stock Exchange



Ground Rules for the Management & Calculation of the CSE Indices

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Ground Rules for the Management & Calculation of the CSE Indices

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1. INTRODUCTION

1.1 Purpose of the Guidebook

Purpose of this guidebook is to describe the Ground Rules for the Management and Calculation of CSE Indices (Ground Rules).

1.2 Purpose of the Price Indices

The purpose of CSE Indices is to provide a reliable measure for tracking the performance of the CSE listed companies. Specifically, the purpose of:

- CSE General Index
- CSE Main Market Index
- CSE Alternative Market Index
- CSE Investment Market Index
- CSE Hotels Index (Sector Index)
- CSE Emerging Companies Market Index (Non regulated Market Index)
- CSE Financials Index (Non regulated Market-Sector Index)

is the existence of a reliable measure for tracking :

- The trends of listed companies of the CSE Main and Alternative Market
- The trends of listed companies of the CSE Main Market
- The trends of listed companies of the CSE Alternative Market
- The trends of listed companies of the CSE Investment Market
- The trends of listed companies of the CSE Hotel Index
- The trends of listed companies of the CSE Emerging Companies Market
- The trends of listed companies of the CSE Financials Index (Emerging market)

1.3 Benchmark Administrator of the CSE Price Indices

The Cyprus Stock Exchange (CSE) is the Benchmark Administrator and is responsible for the daily operation of the CSE indices. The CSE monitors all corporate actions and price changes and implements all constituent and weighting changes to the indices.

- 1.3.1 The benchmark administrator hereby notifies users of the benchmark that it is possible that circumstances, including external events beyond the control of the benchmark administrator, may necessitate changes to, or the cessation, of the benchmark and therefore, any financial contracts or other financial instruments that reference the benchmark should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the benchmark.
- 1.3.2 Index users who choose to follow this index or to buy products that claim to follow this index should assess the merits of the index's rules-based methodology and take independent investment advice before investing their own or client

funds. No liability whether as a result of negligence or otherwise is accepted by FTSE (or any person concerned with the preparation or publication of these Ground Rules) for any losses, damages, claims and expenses suffered by any person as a result of:

- any reliance on these Ground Rules, and/or
- any errors or inaccuracies in these Ground Rules, and/or
- any non-application or misapplication of the policies or procedures described in these Ground Rules, and/or
- any errors or inaccuracies in the compilation of the Index or any constituent data

2. INPUT DATA FOR INDICES - COMPOSITION

2.1 For the determination of the Indices and their composition are taken into account the following elements:

2.1.1 Determining the composition of the trading segments of CSE listed shares.

2.1.2 The determination of Industry Sectors of CSE listed companies, in accordance with the FTSE Russell Industry Classification Benchmark (ICB).

2.1.3 The Free Float of listed companies resulting from the processing of available published information, rounded to the next highest integer.

2.2 Calculation of CSE Index Capping Factors

For the calculation of capping factors will be used the closing prices of constituents of the Index at the close of business one week prior to the third Friday of June and December respectively. The capping is implemented after close of business on the third Friday of June and December on the constituents, shares in issue and free float on the next trading day. In the case of a new stock listed on the Exchange is generally included in the CSE Indices composition. For the case of Capped Index a fast entry is applied after a week of continuous trading and a new review is applied to the capping factors.

The CSE reserves the right to adjust the capping factors should there be an extraordinary market event outside the semi-annual rebalance, such as an addition to and/or deletion from the Index. The market will be notified of any capping factor alterations via press releases announcing the upcoming Index change, two-to-three business days before the event. The Index is recapped as per the methodology described in sections (3.2.6 and 3.3.6) and the weights of the index are announced before the effective date.

2.3 The capping process will take place as follows:

- Shares with weighting greater than 25% of market capitalization in the case of General Index will be capped to 25%.
- Shares with weighting greater than 30% of the market capitalization in the case of the CSE Main Market Index will be capped to 30%.

3. ELIGIBLE SECURITIES

3.1 Determination of Eligible Securities

- 3.1.1** Only one class of common shares with right issue of each listed company at CSE can participate in CSE Indices, provided that meets also the rest prerequisites which are set out in the Ground Rules.
- 3.1.2** Where a company does not list all its shares in an eligible class, or does not list an entire class in the CSE, these unlisted shares are not eligible.
- 3.1.3** Convertible preference shares and loan stocks will be excluded until converted.
- 3.1.4** In the case of a new stock listed on the Exchange is generally included in the CSE Indices composition. For the case of Capped Index a fast entry is applied after 10 days of continuous trading and a new review is applied to the capping factors. The Index is recapped as per the methodology described in sections (3.2.6 and 3.3.6) and the weights of the index are announced nine business days before the effective date of listing. In the case of the other CSE Indices a fast entry is generally included in the index composition immediately after the closing day of the third day of trading.
- 3.1.5** Shares trading on 'Under Surveillance Market' of the CSE will be ineligible to participate in the CSE Indices.

3.2 CSE General Index

- 3.2.1** Eligible securities for participation in the CSE General Index are the shares of companies that satisfy Rules 3.1.1 to 3.1.5 and in addition:
- 3.2.2** Eligible securities for participation in the Index will be the listed companies of the Main Market and Alternative Market of the CSE.
- 3.2.3** Eligible securities for participation in the Index will be the shares of companies traded with the continuous automated matching method.
- 3.2.4** For Equity Shares of companies which have been admitted to the Index that have a free float greater than or equal 15%, the actual free float will be rounded up to the next highest whole percentage number. Companies with a free float below the 15% are not eligible for inclusion in the Index.
- 3.2.5** In the event that a company which is subject to restructuring under specific provisions, such as receiving capital injection by way of an equity issue from the state and or other agencies or bodies and the company's free float falls below the 15% (par. 3.2.4) minimum requirement, then the company should be eligible for inclusion in the index.

- 3.2.6** Shares with weighting greater than 25% of market capitalization of the Index will be capped to 25%. At the semi-annual review any constituents whose weights are greater than 25% are capped at 25% using prices adjusted for corporate actions as at the close of business one week prior to the third Friday of June and December respectively. The weights of all lower ranking constituents are increased correspondingly. The weights of lower ranking constituents are then checked and if they exceed 25% they are also capped at 25%. This process is repeated until no constituent weight exceeds 25%. The capping is implemented after close of business on the third Friday of June and December based on the constituents, shares in issue and free float on the next trading day.

3.3 CSE Main Market Index

- 3.3.1** Eligible securities for participation in the CSE Main Market Index are the shares of companies that satisfy Rules 3.1.1 to 3.1.5 and in addition:
- 3.3.2** Eligible securities for participation in the Index will be the listed companies of the Main Market of the CSE.
- 3.3.3** Eligible securities for participation in the Index will be the shares of companies traded with the continuous automated matching method.
- 3.3.4** For Equity Shares of companies which have been admitted to the Index that have a free float greater than 15% or equal, the actual free float will be rounded up to the next highest whole percentage number. Companies with a free float below the 15% are not eligible for inclusion in the Index.
- 3.3.5** In the event that a company which is subject to restructuring under specific provisions, such as receiving capital injection by way of an equity issue from the state and or other agencies or bodies and the company's free float falls below the 15% (par. 3.3.4) minimum requirement, then the company should be eligible for inclusion in the index.
- 3.3.6** Shares with weighting greater than 30% of market capitalization of the Index will be capped to 30%. At the semi-annual review any constituents whose weights are greater than 30% are capped at 30% using prices adjusted for corporate actions as at the close of business one week prior to the third Friday of June and December. The weights of all lower ranking constituents are increased correspondingly. The weights of lower ranking constituents are then checked and if they exceed 30% they are also capped at 30%. This process is repeated until no constituent weight exceeds 30%. The capping is implemented after close of business on the third Friday of June and December based on the constituents, shares in issue and free float on the next trading day.

3.4 CSE Alternative Market Index

- 3.4.1** Eligible securities for participation in the CSE Alternative Market Index are the shares of companies that satisfy Rules 3.1.1 to 3.1.5 and in addition:
- 3.4.2** Eligible securities for participation in the Index will be the listed companies of the Alternative Market of the CSE.
- 3.4.3** Eligible securities for participation in the Index will be the shares of companies traded with the continuous automated matching method.
- 3.4.4** For Equity Shares of companies which have been admitted to the Index that have a free float greater than or equal 10%, the actual free float will be rounded up to the next highest whole percentage number. Companies with a free float below the 10% are not eligible for inclusion in the Index.
- 3.4.5** In the event that a company which is subject to restructuring under specific provisions, such as receiving capital injection by way of an equity issue from the state and or other agencies or bodies and the company's free float falls below the 10% (par. 3.4.4) minimum requirement, then the company should be eligible for inclusion in the index.

3.5 CSE Investment Market Index

- 3.5.1** Eligible securities for participation in the CSE Investment Market Index are the shares of companies that satisfy Rules 3.1.1 to 3.1.5 and in addition:
- 3.5.2** Eligible securities for participation in the Index will be the listed companies on the Investment Companies Market of the CSE according to paragraph 3.4 of RAA 379/2014.
- 3.5.3** Eligible securities for participation in the Index will be the shares of companies traded with the continuous automated matching method.
- 3.5.4** For Equity Shares of companies which have been admitted to the Index that have a free float greater than or equal 10%, the actual free float will be rounded up to the next highest whole percentage number. Companies with a free float below the 10% are not eligible for inclusion in the Index.
- 3.5.5** In the event that a company which is subject to restructuring under specific provisions, such as receiving capital injection by way of an equity issue from the state and or other agencies or bodies and the company's free float falls below the 10% (par. 3.5.4) minimum requirement, then the company should be eligible for inclusion in the index.

3.6 CSE Emerging Companies Market Index (Non regulated Market Index)

- 3.6.1** Eligible securities for participation in the CSE Emerging Companies Market Index are the shares of companies that satisfy Rules 3.1.1 to 3.1.4 and in addition they are listed in the Emerging Companies Market of the CSE (Non-Regulated Market)

3.7 CSE Sector Indexes

The determination of Industry Sectors of CSE listed companies, in accordance with the FTSE Russell Industry Classification Benchmark (ICB).

3.7.1 CSE Hotels Index

Eligible securities for participation in the CSE Hotels Index are the shares of companies traded on the regulated market with the continuous automated matching method (the Shares trading 'Under Surveillance Market' of the CSE where exist special trading conditions will be ineligible), and their economic activities referred to the hotels sector (subsector 40501025) of the ICB classification system.

3.7.2 CSE Financials Index

Eligible securities for participation in the CSE Financials Index are the shares of companies traded on the Emerging Companies and their economic activities referred to the financial sector (subsector 30) of the ICB classification system.

3.8 Free Float

- 3.8.1** Following the application of an initial free float restriction, a constituent's free float will only be changed if its rounded free float moves to more than 3 percentage points above or below the existing rounded free float. Where a company's actual free float moves to above 99%, it will not be subject to the 3 percentage points threshold and will be rounded to 100%.

4. CHANGES TO CONSTITUENT COMPANIES

4.1 Suspension of Dealing and Removal of Constituents

- 4.1.1** When the CSE decide that a constituent must be suspended, it may remain in the indices, at the price at which it is suspended, for up to 30 calendar days. During this time constituent may be deleted immediately at zero value in cases where it is expected that the constituent will not recommence trading.
- 4.1.2** Where a suspension of a constituent lasts beyond noon on the 30th calendar days (and the option to remove the constituent has not been exercised), the constituent will normally be deleted from the indices on the 31st day at a price of zero. In case of a constituent resumed trading after it has been removed from the Index composition, it may be added to the index in the forthcoming review.
- 4.1.3** If the constituent continues to be suspended at the end of that period, it will be subject to review and a decision will be taken to either allow the constituent to remain in the index for a further period of up to 30 calendar days or to remove it at zero value. To make this decision, the Benchmark Administrator will take into account the stated reasons for the suspension. These reasons may include pending announcements to be made by the Issuer regarding an acquisition or restructuring, and any stated intentions regarding a date for the resumption of trading.
- 4.1.4** This procedure will be repeated at successive 30 calendar day intervals thereafter until either trading recommences or the suspension period reaches 60 calendar days.
- 4.1.5** If the suspension period reaches 60 calendar days and the constituent has not fulfilled its listing obligations the Benchmark Administrator will provide notice that the constituent will be removed at zero value following the expiry of the 60 calendar day period.
- 4.1.6** When the CSE decide the delisting of a constituent and if the constituent is participated in the index, then the constituent is removed from the Index.

4.2 Mergers, Takeovers and Complex Corporate Actions

- 4.2.1** If the effect of a merger or takeover is that one constituent is absorbed by another constituent within the same index, the resulting company will remain a constituent of the appropriate index, and a vacancy will be created.
- 4.2.2** If the effect of a merger or takeover is that one constituent is absorbed by another non constituent within the same index, the resulting company will remain a constituent of the appropriate index, and a vacancy will be created. If the effect both companies (spin off) remain, then constituent will be the company which fulfils the listing criteria of the CSE Markets.

4.3 Transfers

- 4.3.1** When a constituent company made a transfer to another CSE Market, then its share is removed from the initial index and added to the index of the new segment. Where a company remains on Special Trading Conditions placed by the Cyprus Stock Exchange, or its shares are traded in the ‘Surveillance Market’ of the CSE for more than 30 calendar days, it will be removed from the index on the 31st day at its closing price. In case of a constituent trading under a special terms and it has been removed from the Index composition, it may be added to the index in the forthcoming review since the constituent is not traded in the Surveillance Market.

4.4 New Issues

- 4.4.1** In the case of a new stock listed on the Exchange is generally included in the CSE Indices composition. For the case of Capped Index a fast entry is apply after a week of continuous trading and a new review is applied to the capping factors. The Index is recapped and the weights are announced nine business days before the effective date. In the case of the other CSE Indices a fast entry is generally included in the index composition immediately after the closing day of the third day of trading.

4.5 Change in trading status

- 4.5.1** When the CSE decide to transfer a company’s share that participates in an Index to another Trading Segment of CSE, its share is removed from the index as referred in the paragraph 4.3.1.

4.6 Dissemination of Data

4.6.1 Dissemination of data to Investment Community

The CSE disseminate through the Daily Official Report and the CSE web-site information on prices and amendments to the Ground Rules

5. PERIODIC REVIEW OF CONSTITUENTS

5.1 Periodic Review of Constituents

5.1.1 The periodic of CSE Indices constituents of the Regulate Market will be calculated semi-annually. More specifically:

5.1.1.1 First Semi-Annual review is covered the period: November 1st – April 30.

5.1.1.2 Second Semi-Annual review is covered the period: May 1st – October 31st

5.2 Regular Meetings of the Indices Advisory Committee

5.2.1 The Indices Advisory Committee meets on a semi-annually basis to examine all potential changes related to:

- Indices composition
- Prepare recommendations for changing / review the Ground Rules for the Management & Calculation of CSE Stock Market Indicators

5.2.2 The semi-annual meetings are normally held in May and November of each year.

5.3 All decisions of the Advisory Committee shall be publicly announced as soon as possible after the meeting.

5.4 Periodic changes in the composition of the Indices, which are decided and announced by the Advisory Committee, will be implemented after the close of business on the third Friday of June and December.

6. CALCULATION OF THE INDICES

6.1 Calculation Frequency

The indices will be calculated every 30 seconds during the opening hours of the Cyprus Stock Exchange using real time prices (currently 10:30 to 17:20, Cyprus time). The index will use last trade prices for securities. Prices are sourced from the Cyprus Stock Exchange.

6.2 Display of the Indices

The indices will be displayed to two decimal points.

6.2.1 Calculation of the Indices

The below Indices:

- CSE General Index
- CSE Main Market Index
- CSE Alternative Market Index
- CSE Investment Market Index
- CSE Hotels Index

are calculated using the following formula:

$$\sum_{i=1}^N \frac{(p_i \times s_i \times f_i \times c_i)}{d}$$

Where,

- $i = 1, 2, \dots, N$
- N is the number of securities in the Index.
- p_i is the latest trade price of the component security as it comes from the trading system (or the price at the close of the Index on the previous day).
- s_i is the number of shares in issue for the security.
- f_i is the Investability Weighting Factor to be applied to a security to allow amendments to its weighting, expressed as an integer number for each security in the underlying index.
- c_i is the Capping Factor to be applied to a security to correctly weight that security in the index. This factor maps the investable market capitalisation of each stock to a notional market capitalisation for inclusion in the Index. For all Indices, the factor is equal to 1 except from the CSE General Index and the CSE Main Market Index.
- d is the divisor, a figure that represents the total issued share Capital of the Index at the base date. The divisor can be adjusted to allow changes in the issued share Capital of individual securities to be made without distorting the Index.

6.2.2 Calculation of the Indices of the Non-Regulated Market

The below Indices:

- CSE Emerging Companies Market Index
- CSE Financials Index

are calculated using the following formula:

$$\sum_{i=1}^N \frac{(p_i \times s_i)}{d}$$

Where,

- $i = 1, 2, \dots, N$
- N is the number of securities in the Index.
- p_i is the latest trade price of the component security as it comes from the trading system (or the price at the close of the Index on the previous day).
- s_i is the number of shares in issue for the security.
- d is the divisor, a figure that represents the total issued share Capital of the Index at the base date. The divisor can be adjusted to allow changes in the issued share Capital of individual securities to be made without distorting the Index.

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