

BENCHMARK STATEMENT

BET INDEX FAMILY

This document represents the benchmark statement provided by the Bursa de Valori Bucuresti S.A. (BVB), as the administrator of non-significant benchmarks, prepared in accordance with the following requirements:

- article 27 of [Regulation \(EU\) 2016/1011](#) on indices used as benchmarks in financial instruments and financial contracts and to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) no. 596/2014 (*BMR*);
- the provisions of the [Commission Delegated Regulation \(EU\) 2018/1643](#) supplementing Regulation (EU) 2016/1011 with regard to regulatory technical standards specifying further the contents of, and cases where updates are required to, the benchmark statement to be published by the administrator of a benchmark (*RTS*).

Introduction

- **Benchmarks Category:** non-significant benchmarks.
- **Benchmarks Type:** benchmarks based on regulated data.
- **ESG Objectives:** BET benchmarks family do not pursue ESG objectives¹.
- **Contributions with input data:** does not apply to any benchmark provided by BVB.
- **Authorization / Registration of the index provider:** BVB is the administrator of insignificant benchmarks, based on certificate No. .42 / 24.06.2020 issued by the Financial Supervisory Authority. BVB is listed in the ESMA Benchmarks Administrators Registry starting end of June 2020.

¹ Information provided in accordance with the requirements of Article 5 of Regulation (EEC) No 2081/92. 19d of [Regulation \(EU\) 2019/2089](#) updating article 27 of *BMR*.

General publication requirements

#	RTS PROVISION #	RTS REQUIREMENT	BVB INFORMATION
1	Article. 1 para (1) (a)	Date of publication of the declaration	10.07.2020
		Last Updated Date	N/A – initial text
2	Article. 1 para (1) (b)	ISIN	BVB benchmarks have ISIN codes. They are available in Annex 1 below as well as in the <u>relevant index section of the BVB website.</u>
3	Article. 1 para (1) (c)	Using of input data contributions	BVB does not use input data from contributors. Entry data are trading data (prices) derived exclusively from BVB's trading system.
4	Article. 1 para (1) (d)	Affiliation of BVB to the types of benchmarks referred to in Title III of Regulation (EU) 2016/1011	BVB administers non-significant benchmarks based on regulated data.
5	Article. 1 para (2) (a), (b)	General description of the market or economic reality. Any geographical boundaries of the market or economic reality.	<p>BVB indices highlight the evolution of the listed companies on the regulated market operated by BVB, reflecting the performance of the Romanian capital market. The level of each index is constantly updated based on updating the prices of the companies included in the index basket, and continuously providing a current picture of the local economic reality. Thus, the last level of the index shows the updated picture of the economic reality measured through the capital market.</p> <p>To obtain the best representation of economic reality, the composition of indices and a few elements (such as: number of shares, representation factors, free float factors) are updated periodically. Corporate events of companies can also contribute to changes in indices. All decisions over the benchmarks are based on clear and transparent rules issued by BVB, specified in the regulations issued by BVB (such as the <u>BVB's Organization and Functioning Regulation</u> and <u>Index management rules</u>).</p>

			Appropriate decisions on these measures are available to the public through the BVB website. More information may be consulted in each <u>Index management rules</u> .
6	Article. 1 para (3) (a)	Circumstances in which the administrator does not have sufficient input data to determine the benchmark in accordance with the methodology.	<p>Benchmarks are determined in real time automatically through the technology and architecture of the BVB trading platform (ARENA-AUTOMATED EXCHANGE PLATFORM). Entry data represents the prices of transactions registered by the index constituents' companies, traded within the regular market of the regulated market administered by BVB.</p> <p>A number of external BVB events could generate periods of stress in trading operations, situations that may end in cessation of the dissemination of trading information and, as a consequence, in the calculation of BVB indices. For example, certain external events, unpredictable and unavoidable, which are beyond the control of BVB, can make difficult or impossible to trade on the regulated market administered by BVB. Additional information can be found in the <i>Input Data - Determination of benchmarks in times of crisis or market disruption</i>, as presented below.</p>

Specific publication requirements for benchmarks based on regulated data

#	RTS PROVISION #	RTS REQUIREMENT	BVB INFORMATION
1	Article. 2	[...] the benchmark statement shall mention at least the following elements in the description of the input data: (a) the sources of the input data used; and (b) for each source, the relevant type as referred to in Article 3(1)(24) of Regulation (EU) 2016/1011	(a) Benchmarks are based on regulated data coming entirely and directly from the trading venue (the regulated market) operated by BVB - within the regular market (REGS). Therefore, input data are trading prices from the trading system managed by BVB. (b) BVB is a market operator authorized and supervised by the Romanian Financial Supervisory Authority (FSA). The input data are originated entirely and directly from a trading venue (according to Article 3 para 1. point 24(a), point (i) of Regulation (EU) 2016/1011).

Additional information

1. Corrections on benchmarks

The level of an index is determined automatically, based on the change in the input data, i.e. the share prices of the companies constituting the benchmark within the main market administered by BVB (REGS), using the calculation formula described in the index manuals.

In the unlikely situation where the input data or other factors, provided by the methodologies, taken into account when determining the benchmarks contain inaccurate data, the following steps are taken:

- a) identification of the cause and correction of the error.
- b) transmission of notifications to users (date vendors, market participants) to consider the situation, as appropriate.
- c) recalculation of index values.
- d) providing updated standard index levels to data distributors and market participants via available alternative information channels (email, trading system message or announcement via BVB's website).

2. Oversight function

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Register of Commerce: J40/12328/2005
C.U.I.:17777754
Social Capital: 80.492.460 lei
C.N.V.M. Decision No. 369/31.01.2006

An oversight function has been set up by considering BMR requirements as well as ESMA Guide on non-significant benchmarks provisions. The oversight function has been established at the level of the Market Surveillance Department, according to the BVB's Rules of Organization and Functioning (Reference Documents Section).

3. Input Data & Methodology

The input data used by BVB consist of prices of transactions registered by the index companies, within the regular market administered by BVB (REGS). Thus, the change in the equity price issued by a company included in the index trigger a change of the index comprising that equity. If no price change is registered for a specific equity during a trading session, the most recent historical price recorded by the trading system for that equity is used in the benchmark calculation. If an index company is suspended from trading, the closing market price of that company is considered.

The calculation of indices is based exclusively on the result of the trading activity of market participants, processes that have automatic mechanisms and exclude human intervention over the input data and discretionary judgment or opinion of experts. In addition, the constituents of the BVB indices are the most liquid equities traded on the regulated market, complying with the European and local regulations on transparency and market abuse, based on MiFID II/MIFIR and MAD/MAR provisions.

-Determination of benchmarks in times of crisis or market disruption

The analysis and revision of the indices take place periodically and, where appropriate, as a matter of urgency, in extraordinary situations, in order to take the necessary decisions aimed at ensuring the continuity of the indices. The selection of constituents is carried out considering the provisions of the BVB Index management rules, which provide quantitative criteria for inclusion/maintenance at the level of each index; based on the rules laid down by the index manuals are selected/maintained only those companies that meet the liquidity criteria and, where appropriate, size/relevance.

BVB does not suspend the calculation and publication of indices if a company/several companies are/are suspended from trading.

Since the provision of benchmarks is based on the activity carried out by BVB as a market operator, the situations in which BVB indices may not be calculated nor updated are represented by:

- a) situations in which trading activity on the regulated market administered by BVB is suspended according to the regulations of the market operator (BVB Code, Title III, Chapter II - Trading session. Suspension of the Trading Session, art. 4-6).
- b) cases where not enough companies included in an index are available for trading.

Certain external events, unpredictable and unavoidable, which are beyond the control of BVB (such as natural disasters, extreme weather conditions, fires, social phenomena, government decisions) make trading on the BVB's market difficult or impossible. In the event of such situations, in which one or more BVB indices cannot be calculated and published, BVB will publicly inform, through its own website, about such a situation. In addition, the Index Commission takes immediately the necessary decisions for ensuring the continuity of the indexes.

-Possible limitations

Possible limitations at the level of the BET index family may occur during crisis where not enough companies forming the index basket are available for trading or due to technical reasons.

4. Transparency of the methodology (based on the provisions of section V.III of the Guide on non-significant Benchmarks of the Regulation on Benchmarks).

i) Information provided by BVB, in compliance with the requirements laid down in Article 13(1)(a) of BMR, include the following elements:

Guide Requirement	BET	BET-TR	BET-XT	BET-XT-TR	BET-BK	BET-FI	BET-NG	BET Plus
a) definition and description of the benchmark or family and of the market or economic reality that it is intended to measure	✓	✓	✓	✓	✓	✓	✓	✓
b) the currency or other unit of measurement of the benchmark or family	✓	✓	✓	✓	✓	✓	✓	✓
c) the types of input data used to determine the benchmark or family and the priority given to each type	✓	✓	✓	✓	✓	✓	✓	✓
d) a description of the constituents of the benchmark or family and the criteria used	✓	✓	✓	✓	✓	✓	✓	✓

for selecting and weighting them								
e) any minimum requirements for the quantity of input data, and any minimum standards for the quality of input data used	✓	✓	✓	✓	✓	✓	✓	✓
f) the clear rules identifying how and when discretion may be exercised in the determination of the benchmark or family	✓	✓	✓	✓	✓	✓	✓	✓
g) the composition of any panel of contributors and the criteria used to determine eligibility for panel membership	Not applicable							
h) whether the benchmark or family of takes into account any reinvestment of dividends or coupons paid by its constituents	-	✓	-	✓	-	-	-	-
i) the potential limitations of the methodology and indications of any methodology to be used in exceptional circumstances, including in the case of an illiquid market or in periods of stress or where transaction data sources may be insufficient, inaccurate or unreliable	<p>a) Although for most BVB indices the main criterion for the inclusion and maintenance of companies is liquidity, situations in which one or more of the index's constituents do not record transactions on a regular basis may happen. There may also be situations where, although transactions are carried out, the liquidity of one or more companies is extremely low. However, the level of representativeness of low-liquidity companies is low in the composition of the BVB indices, while highly liquid companies have significant weights in the indices' structures.</p> <p>In addition, low-liquidity companies are replaced at the time of the half-yearly periodic adjustments, in accordance with the provisions of the index methodology.</p> <p>b) A series of external BVB events can generate periods of stress in the trading of companies listed on BVB, situations that may end in the cessation of trading activity and of the calculation of BVB indices. For more details, please consult para 3 above - <i>Determination of benchmarks in times of crisis or market disruption</i>.</p> <p>In such extraordinary situation the Index Commission shall meet for taking the necessary decisions to ensure the continuity of the BVB indices.</p>							

<p>j) if the methodology may be changed periodically to ensure the benchmark or family remains representative of the relevant market or economic reality, any criteria to be used to determine when such a change is necessary</p>	<p>According to the applicable indices' rules, the indices are periodically adjusted to ensure that benchmarks are representative for the Romanian capital market. The adjustments are performed quarterly, except for the index components adjustments (inclusions / exclusions of companies) which take place quarterly (in March and September), according to the aspects described in the manual of BVB indices (<i>Adjustment procedures</i>).</p> <p>There are no constraints regarding the modification of the methodology as provided by the indices' manuals. Therefore, the index rules methodology can be updated in compliance with BMR provisions to ensure that BVB' benchmarks continue to be representative for the Romanian capital market. Any change to the index manuals is decided by the Index Commission and may enter into force only after its approval by the BVB Board of Governors.</p>
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ii) Information provided by BVB in accordance with the requirements of Article 13(1)(b) of the BMR - description of the policies and procedures relating to the internal evaluation and approval of the methodology.

The internal evaluation on methodology / possible changes in the index's methodology is carried out by BVB employees with responsibilities in the process of index management, according to the BVB's rules.

The methodologies contained in the BVB index manual as well as any subsequent amendments are preliminary approved by the Index Commission and enter into force only after approval of the amendments by the BVB Board of Governors. At the level of the Index Commission the principle of approving a decision is a simple majority. The Index Commission has quorum with at least 3 voting members, the President of the Indices Commission being one of them. Changes to the index rules are publicly announced prior their entry into force.

iii) Information provided by BVB in accordance with the requirements laid down in Article 13(1)(c) of the BMR - description of the information to be disclosed at the beginning of each of the consultation exercises, including a requirement to disclose the key elements of the methodology that would, in BVB's view, be affected by the proposed material change.

The Index Commission may determine, in connection with possible substantial changes, the initiation of consultation processes with BVB's licensed partners and/or other interested parties. The Index Commission shall determine the specific information for the consultation process.

The substantial changes decided by the Index Commission will be publicly announced as soon as possible, via the BVB website, as well as by direct notifications addressed to BVB's licensed partners. Substantial changes decided by the Index Commission enter into force only after the approval by the BVB's Board of Governors.

BVB considers a substantial change as the modification that would lead to a significant change in the benchmark's methodology, providing major changes in the way the index is determined. This category includes the following:

- source of share prices;
- the formula for calculating the index;
- free-float determination.

The Index Commission will determine the circumstances under which a consultation exercise will be carried out on the categories of substantial changes described above, considering the following elements:

- a) the potential impact of the changes on the licensed partners - having the right of using BVB benchmarks - and/or other interested parties;
- b) if such a substantial change is necessary to ensure the continuity of the index;
- c) preliminary feedback from licensed partners and/or other interested parties.

Based on the analysis of the elements set out in points (a) to (c), the Index Commission will determine whether a substantial change in the benchmark's methodology would trigger a consultation. If the analysis reveals the need to initiate a consultation exercise, BVB will communicate publicly about the initiation of the consultation procedure, by indicating the substantial changes envisaged. The public notification of the BVB will include information such as:

- details of the new source of the share prices (with an indication of the market/type of market on which the transactions considered for determining the level of the index are recorded);
- new free float categories considered;
- elements subject for changing in the calculation formula;
- the period/term during which BVB's licensed partners and/or other interested parties may submit proposals/views on the substantial changes proposed by the Indices Commission, and the way of sending proposals/feedback.

Annex 1 – Identification elements of the BET index family:

#	INDEX	INDEX EXTENDED NAME	INDEX TYPE	ISIN
1.	BET®	Bucharest Exchange Trading Index	Price index	ROXBSEI00005
2.	BET-TR®	Bucharest Exchange Total Return Index	Total return index	ROXBSEI00070
3.	BET-XT®	Bucharest Exchange Trading Extended Index	Price index	ROXBSEI00039
4.	BET-XT-TR	Bucharest Exchange Trading Extended Total Return Index	Total return index	ROXBSEI00088
5.	BET-FI®	Bucharest Exchange Trading - Investment Funds Index	Price index	ROXBSEI00021
6.	BET-Plus®	Bucharest Exchange Trading Plus Index	Price index	ROXBSEI00062
7.	BET-NG®	Bucharest Exchange Trading Energy and Related Utilities Index	Price index	ROXBSEI00047
8.	BET-BK®	Bucharest Exchange Trading Benchmark Index	Price index	ROXBSEI00054