



MANUAL OF HUNGARIAN INDICES (BUX AND BUMIX) OF THE BUDAPEST STOCK EXCHANGE LTD.

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Table of Contents

1	GENERAL PRINCIPLES	4
1.1.	Creation of the indices	4
1.2.	Expectations the indices are to fulfil	4
1.3.	Provision, administration and review of the methodology of the indices	4
2	DESCRIPTION OF THE INDICES	6
2.1.	Calculation times	6
2.2.	Publication of the index values	6
2.3.	Sources of input data	6
2.4.	Names of the indices	6
2.5.	Base parameters of the indices	7
2.6.	Index formula	7
2.7.	The composition of the index baskets	7
3	BASKET REVIEW	8
3.1.	Basket review procedure and dates	8
3.2.	Specifying the equity series to be included in the evaluation	8
3.3.	Determining the indicators of equity series to be included in the evaluation	8
3.4.	Global ranking of equities	10
3.5.	Qualitative criteria of equity series	11
3.6.	The method of determining the free float used in the index (FF_i)	11
3.7.	Determining the weighting factors (WF_i)	12
3.8.	Equity series with low weight	13
3.9.	Determining the adjustment factor of the new index baskets (AF_{new})	13
3.10.	Application of discretion in the review	14

4	CHANGING THE INDEX BASKETS	15
4.1.	Changing the index baskets as a result of an ordinary index review	15
4.2.	Amending the index baskets due to corporate actions	15
5	LEGAL ISSUES	21
5.1.	Protection of the indices	21
5.2.	Publication	21
5.3.	Utilization of the indices	21
6	OVERSIGHT FUNCTION REGARDING THE PROVISION OF INDICES	22
6.1.	The person responsible for the oversight function	22
6.2.	The oversight function	22
7	COMPLAINTS-HANDLING	23
7.1.	Definition of complaint	23
7.2.	Definition of complainant	23
7.3.	Handling the complaints	23
7.4.	Ex-post tasks regarding complaint-handling	24

1 General principles

1.1. Creation of the indices

The Council of the Budapest Stock Exchange decided on finalizing the BUX index and making it official in its Resolution No. 109/1994, effective as of January 1, 1995.

The Board of the Budapest Stock Exchange decided on finalizing the BUMIX index, making it official in its Resolution No. 46/2004, effective as of June 1, 2004.

1.1.1.

The Budapest Stock Exchange has established the Index Committee consisting of external experts for the development and maintenance of the indices of the Budapest Stock Exchange by stock exchange council resolution no. 41/1991. The members of the Index Committee are appointed by the Board of Directors and ensuring that the traders, the issuers and also the investors are represented therein.

1.1.2.

1.1.3.

1.2. Expectations the indices are to fulfil

1.2.1.

BUX and BUMIX indices reflect the performance of the equities introduced to the regulated market of the Budapest Stock Exchange (BSE or Stock Exchange), thus reflect the performance of the entire Hungarian equity market. Their main function is to serve as a benchmark for investors and, on the other hand, to provide the basis for structured and derivative products. The BUX index basket represents the price movement of the shares with the biggest capitalization and turnover (blue chip) meanwhile BUMIX index basket represents shares with medium and low capitalization.

1.2.2.

The indices are yield indices weighted by the capitalization of the free float. Dividend payment is taken into account in the indices on the assumption that the dividends paid by the companies will be reinvested in full into the given equity series of the same company, therefore, the indices also reflect the actual yield as compared to base date.

1.3. Provision, administration and review of the methodology of the indices

1.3.1.

1.3.2.

BUX and BUMIX indices are regulated-data benchmarks regarding the provisions of the regulation (EU) 2016/1011 of the European Parliament and of the Council. The methodology of the calculation of the indices is defined in this Manual.

1.3.3.

1.3.4.

The indices of BSE are provided and maintained according to a multilevel control system. The main documents are the manuals, and each participant's activity is governed by separate procedural or operational rules. The structure of the regulation ensures the built-in management of conflicts of interest.

Any change in the Manual is considered to be a material change.

The Index Committee shall, at any time but at least on the dates set out in Section 3.1, examine the need to amend the Manual and, if appropriate, make a proposal to the CEO. Any change to the Manual may be initiated at any time by the CEO, to which the CEO shall always seek the Index

Committee's opinion. The amendment to the Manual is approved by the Board of Directors of BSE on the basis of the proposal of the CEO. Changes to the Manual are published by the BSE on its website at least 10 calendar days before its entry into force.

All decisions concerning the provision of indices that do not affect the Manual may be made by the CEO, by taking into account the preliminary opinion of the Index Committee.

The oversight function over all elements of the provision of indices (oversight function) is performed by the internal auditor of the BSE according to the relevant legislation.

1.3.5.

1.3.6.

2 Description of the indices

2.1. Calculation times

The BUX and BUMIX indices are calculated on the trading days of BSE, starting with the opening values derived from the opening prices of basket equity series set in the opening sub-period of transactions, then the values are calculated in real-time until trading in the basket equity series ends.

- 2.1.1. If the indices cannot be calculated in real time for technical reasons, the CEO of BSE (CEO) may decide on the suspension of the real-time calculation for the given trading day and publish a CEO resolution on the BSE website as soon as possible. In this event, if the closing price is available for the equity series forming the index on the trading day concerned, the end-of-day index values and the current basket composition will be calculated and published. Otherwise (no equity closing prices are available), the closing index values and basket composition will not be determined on the day concerned.
- 2.1.2.

- 2.1.3. The calculation of the index may be suspended by the CEO, subject to the opinion of the Index Committee, by the publication of the resolution concerned as soon as possible, provided that there is no transaction concluded for the equity series embody at least 75% of the index basket weight within 10 trading days in the BSE trading systems.

2.2. Publication of the index values

The index values are published on the website of BSE according to the provisions of the Book 6 of the General Terms of Service of BSE (Regulations on Official Publications).

2.3. Sources of input data

The index values are determined on the basis of the transaction data of the equity series traded on the Equity Section of BSE, which are originated in the trading system of BSE regulated market and where the transactions concerned concluded according to the rules of the trading venue. The quality, surveillance and traceability of the input data is ensured by the regulated market trading and the regulatory system.

2.4.1.

2.4. Names of the indices

2.4.2. BUX index

Official Hungarian name: Budapesti Értéktőzsde Részvényindexe
Official English name: Budapest Stock Index
Official short name: BUX

BUMIX index

Official Hungarian name: A Budapesti Értéktőzsde Közepes és Kis Kapitalizációjú Részvényeinek Indexe
Official English name: Budapest Stock Exchange Mid- and SmallCap Index
Official short name: BUMIX

2.5. Base parameters of the indices

The Base value of BUX: 1,000 points on January 2, 1991
The Base Capitalization of BUX: HUF 14,639,314,708 on January 2, 1991

The Base value of BUMIX: 1,000 points on January 5, 2004
The Base Capitalization of BUMIX: HUF 121,245,976,099 on January 5, 2004

2.6. Index formula

$$BU(MI)X_t = \text{Base Value} * \left[\frac{\sum_{i=1}^N (P_{i,t} * Q_i * FF_i * WF_{i,t})}{\text{Base Capitalization}} \right] * AF_t$$

Index variables

BU(MI)X _t	the (real-time) index value calculated at the time “t”, rounded to 2 decimals
i	equity series included in the index
2.6.1 N	number of equity series included in the index
t	time of index calculation
P _{i,t}	last traded price of the particular equity series on the Equity Section of BSE in HUF (prices of NEGOTIATED deals and deals based on AUCTION orders may not be used as P _{i,t})
Q _i	number of equities listed on the BSE from the particular equity series
FF _i	free float factor of the particular equity series rounded to 4 decimals
WF _{i,t}	weighting factor ensuring that the weight of the particular equity series is calculated based on the amount of shares to be included in the index basket (Section 3.7), rounded to 6 decimals
AF _t	adjustment factor to ensure the continuity of the index, rounded to 10 decimals

The above parameters may be amended due to certain corporate events as described in Section 4.2.

2.7. The composition of the index baskets

2.7.1. At the time of defining the new composition of the indices, a minimum of 12 and a maximum of 25 equity series may be included in the index baskets. The CEO decides on the inclusion of a particular equity series into or the removal thereof from the baskets by CEO resolution, taking into account the proposal of the Index Committee

2.7.2. Indices may not simultaneously include more than one equity series of the same joint stock company.

2.7.3. At least 15 trading days shall be elapsed from the first trading day before the admission of a newly listed equity series to the basket.

2.7.4. Indices may not include neither equity series admitted to T Market, nor equity series outside categories.

2.7.5. The CEO may decide on the removal of an equity series from the index, if that cannot be traded without interruption for 10 trading days (due to trading suspension or halt), in accordance with Section 4.2.3.4 and by taking into account the proposal of the Index Committee.

3 Basket review

3.1. Basket review procedure and dates

The indices are reviewed at predetermined dates twice a year. The steps associated with the review are taken at the following dates:

- a) Equity series to be included in the evaluation are specified and conformity with the indicators is checked twice a year, on March 1 and September 1. (If March 1 or September 1 is not a Stock Exchange day then the first Stock Exchange day that follows it.) The examination of the eligibility of an equity series always covers the preceding six months, i.e. the period from March 1 to August 31 or September 1 to February 28 (29), as applicable. The list of shares to be included in the indices, as well as the quantities of listed equities (Q_i), free floats (FF_i) and weighting factor (WF_i) values pertaining to these equity series may be simultaneously determined.
- b) The new AF factors are determined after trading closes on the last trading day before the baskets with the new composition take effect.
- c) The effective date of the index baskets with the new composition, i.e. the day when the indices are first calculated with values corresponding to the new basket compositions, is the first trading day after the third Friday of March and September, respectively.

3.2. Specifying the equity series to be included in the evaluation

The evaluation shall be performed for all equity series listed on the Stock Exchange.

The following are not included in the evaluation:

- a) ordinary equity series that became listed on the Stock Exchange within a period of 3 weeks prior to the review;
- b) equity series of a joint stock company whose bankruptcy or liquidation procedures have been disclosed to the public;
- c) equity series listed in category 'T' or out of category system;
- d) equity series of issuers having their registered seat outside of Hungary unless – based on the preliminary expert opinion of the Index Committee – the issuers' business operation has strong connections to the Hungarian economy or based on other professional aspects the Index Committee proposes their inclusion in the basket. (The proposal and expert opinion should be provided by the Index Committee on the last day of the review period at the latest, based on the prior request of the Stock Exchange.)
- e) in case of the BUMIX index, those series of shares where the free float market capitalization calculated by using the average price of the review period or the closing price on the review day exceeds HUF 125 billion.

3.3. Determining the indicators of equity series to be included in the evaluation

Whenever an equity series is included in or removed from the basket of either index, the following indicators (criteria) shall be examined.

Criteria for the BUX index

~~3.3.1.1. Ratio of number of days traded (Criterion no. 1.)~~

~~The number of days with turnover of a given equity series (i.e. when an exchange trade occurred in such equity series) during the last six months is at least 95% of the maximum number of Stock Exchange days (i.e. when the equity series could be traded on the Stock Exchange).~~

~~3.3.1.2.~~3.3.1.1. Equity ratio (Criterion no. 12.)

The equity of the company shown in the most recent financial report published before review date is at least 0.5% of the sum of equity series represented by the shares listed on the Stock Exchange. If more than one equity series of a company are included in the review, the total equity of the company shall be taken into account for each equity series, whilst the sum of equities of the whole market shall include the equity of each company once.

~~3.3.1.3.~~3.3.1.2. Free float capitalization (Criterion no. 23.)

The free float capitalization of the listed equity series (free float capitalization = free float * stock exchange listed quantity * stock exchange close price on the review day) shall be:

- i. at least HUF 5 billion, or
- ii. at least 0.5% of total (free float adjusted) equity market capitalization.

~~3.3.1.3.1.~~3.3.1.2.1. Application of adjusted (modified) free float capitalization for equity series of companies having their seat registered outside of Hungary

For equity series of companies having their seat registered outside of Hungary and are included in the review procedure, the capitalization (and therefore the free float capitalization as well) could be amended by the following two factors:

- a) Turnover ranking: When sorting all the equity series included in the review procedure in a descending order based on the turnover value criteria (Section ~~3.3.1.43.~~3.3.1.5.), 100% of the capitalization is taken into account for the upper 25% of the equity series and 50% for the second 25% in the ranking. Equity series placed in the bottom half of the ranking cannot be index members.
- b) Time proportioning: if an equity series was listed on the Stock Exchange during the given review period, then the free float capitalization adjusted according to above Subsection a) should be further modified by the ratio of the listed trading days (from the day when the shares were first available for trading) and the trading days of the review period.

~~3.3.1.4.~~3.3.1.3. Number of trades (Criterion no. 34.)

Over the last six months, there shall be a minimum of 5000 trades in the particular equity series, or the equity series has to be among the 20 most actively traded equity series in terms of number of transactions.

~~3.3.1.5.~~3.3.1.4. Turnover value (Criterion no. 45.)

Over the last six months, there shall be a minimum of HUF 5 billion turnover in value in the particular equity series, or the equity series has to be among the 15 most actively traded ones in terms of

turnover in value.

Criteria for the BUMIX index

- 3.3.2.1.** Turnover value (Criterion no. 1.)
Over the last six months, the turnover in value of the given series of shares has reached HUF 1250 million, or the equity series is among the 15 most actively traded equity series in terms of turnover in value.
- 3.3.2.2.** Number of trades (Criterion no. 2.)
Over the last six months, the number of transactions in the given series of shares is at least 1250, or the equity series is among the 20 most actively traded ones in terms of number of transactions.
- Total market value also includes all non-ordinary equity series.
- Equity series shall normally comply with at least 3 of the above **45** criteria to be included in the BUX index basket
- 3.3.3.** Equity series shall normally comply with both criteria specified above to be included in the BUMIX index basket.
- 3.3.4.** The equities that fail to comply with the above conditions in the two consecutive six-month periods preceding the review shall be removed from among the equity series included in the basket before the review.
- 3.3.5.**
- 3.3.6.** At the time of defining the new composition of the indices, a minimum of 12 and a maximum of 25 joint stock companies may be included in the index basket.
- 3.3.7.**
- 3.3.8.** In the event the index structure does not meet the criteria specified in Section 3.3.7, the global ranking has to be used to shape the index basket.

3.4. Global ranking of equities

The rank of an equity series in the global ranking is basically determined by the compliance with the indicators, i.e. an equity series that meets more indicators by all means precedes the one that meets fewer indicators. If two or more equity series meet the same number of criteria, the ranking among them is determined by the following method.

BUX index

After calculating the indicators set forth in Sections ~~3.3.13.3.1.21~~ – ~~3.3.1.54~~ for the total market, the ratios relative to the total market must be calculated for each individual equity series. The global ranking, to be used for equity series fulfilling the same number of criteria, is calculated by summing up the individual ratios for each equity series, using the following weights:

- a) the weight of the equity of the company is 20%;
- b) the weight of free float market capitalization – adjusted according to Section 3.3.1.23.1 if needed – is 20%;
- c) the weight of the ratio of trades in the particular equity series in the total number of trades on the equity market over the last six months is 30%;
- d) the weight of the ratio of the turnover in the particular equity series in the total turnover on the equity market over the last six months is 30%.

BUMIX index

After calculating the indicators set forth in Sub-Sections 3.3.2 and 3.2 e) for the total market, the ratios relative to the total market must be calculated for each individual equity series. The global ranking, to be used for equity series fulfilling the same number of criteria, is calculated by summing up the individual ratios for each equity series, using the following weights:

3.4.2.

- a) the weight of free float market capitalization is 40%;
- b) the weight of the ratio of the turnover in the particular equity series in the total turnover on the equity market over the last six months is 30%;
- c) the weight of the ratio of trades in the particular equity series in the total number of trades on the equity market over the last six months is 30%.

3.5. Qualitative criteria of equity series

Upon admission of equity series into the indices, the stability and the quality of the indices as well as investor protection and reputational considerations shall be taken into account. Such aspects – related to the equity series or its issuer – may be the following:

- a) the company has been subject to severe sanctions by the BSE or the MNB (in the course of its supervisory activities) because of infringement of applicable rules in two years preceding the index review,
- b) beyond the mandatory disclosures, the company's investment relation and market information activities are inappropriate or misleading,
- c) meeting the turnover criteria was caused by one-off news or a few major transactions, otherwise there was no lasting improvement in the liquidity of the equity series,
- d) purchase offer or squeeze-out procedure is in progress related to the equity series
- e) the company plans to delist its equity series from the Stock Exchange based on information the company published on any communication channel,
- f) the company does not fulfil the obligation set out in Section 3.6.2.

3.6. The method of determining the free float used in the index (FF_i)

Free float figure for a particular equity series shows the proportion of the equity series that are readily available for trading on the BSE.

- 3.6. Determining the free float for a particular equity series shall be based on the latest information available to BSE, meaning the latest shareholder verification before the particular review day (September 1 and March 1), and any interim announcement of changes in ownership structure.

When determining the free float for a particular equity series (FF_i), all the shares making up the company stock shall qualify as being publicly held except for the following:

- a) any shareholder holding more than 5% of all the equities;
- b) the portion of equities held by custodians for which a written certificate issued by the custodian or the issuer asserts that a particular natural or legal person or a business without corporate entity holds more than 5% of all the equities listed on the BSE;
- c) locked-up shares amounting to a minimum of 2% of the share capital.

Companies with locked-up shares are obliged to provide information (the amount and expiration of locked-up shares by shareholder) to the Stock Exchange no later than on the last trading day of the month preceding the month of the review.

In respect of the above, shareholders treated as forming a single group of owners by Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises shall be considered as a single shareholder.

3.6.2.

Portions of equities held by fund managers – if sufficient information is available for the Stock Exchange – shall be taken into account by each fund separately.

3.6.3.

Free float shall be calculated to 4 decimal points.

3.6.4.

3.7. Determining the weighting factors (WF_i)

3.6.5.

The weighting factor (WF_i) of the particular share shall be determined based on the data of the equity series to be included in the index or indices. (limiting)

Both for BUX and BUMIX indices, determining the weighting factor for a particular equity series shall be based on the capitalization (adjusted according to Section 3.3.1.23.1 if needed) of the particular equity series taken on the days set forth under Section 3.1 of the basket review, hereinafter Cap_i .

3.7.1.

Cap_i = quantity of shares listed on the Stock Exchange from the particular equity series on such a day (Q_i) * close price for that day * adjustment factor as set out in Section 3.3.1.23.1 for companies having their registered seat outside of Hungary

3.7.2.

Using the capitalization of all the equity series included in the index baskets and the free float (FF_i) established as set forth in Section 3.6, the capitalization adjusted for free float (Cap_{iFF}) shall be determined for the particular equity series.

3.7.3.

3.7.4.

BUX index:

$$Cap_{iFF} = Cap_i * FF_i$$

BUMIX index:

$$\text{If } Cap_i * FF_i \leq \text{HUF } 75 \text{ Bn, then } Cap_{iFF} = Cap_i * FF_i$$

3.7.5.

$$\text{If } \text{HUF } 75 \text{ Bn} < Cap_i * FF_i (< \text{HUF } 125 \text{ Bn}), \text{ then } Cap_{iFF} = Cap_i * FF_i * (1 - (Cap_i * FF_i - 75 * 10^9) / (50 * 10^9))$$

Next, the ratio of each equity series in the baskets (W_{iFF}) shall be determined on the basis of all of the equity series' capitalization adjusted for free float:

3.7.6.

$$W_{iFF} = \frac{Cap_{iFF}}{\sum Cap_{iFF}}$$

Once W_{iFF} is known, limited free float adjusted capitalization of each equity series ($LimitCap_i$) shall be calculated as follows. In case of an equity series:

- a) If $W_{iFF} < 10\%$, then $LimitCap_i = Cap_{iFF}$
- b) If $10\% \leq W_{iFF} \leq 20\%$, then $LimitCap_i = Cap_{iFF} * (10\% + (W_{iFF} - 10\%) * 50\%) / W_{iFF}$
- c) If $20\% < W_{iFF}$, then $LimitCap_i = Cap_{iFF} * (15\% + (W_{iFF} - 20\%) * 25\%) / W_{iFF}$

The number of equity series included in the baskets (q_i) is calculated as follows:

$$q_i = \frac{\text{LimitCap}_i}{\text{close price}} \quad (\text{rounded to 0 decimals.})$$

The weighting factor (WF_i) of equity series is determined as follows:

3.7.7.

$$WF_i = \frac{q_i}{FF_i * Q_i}$$

3.7.8.

3.8. Equity series with low weight

Equity series with low weight cannot be included in the index.

An equity series is considered to be with low weight if its weight ($\text{LimitCap}_i / \text{Sum}(\text{LimitCap}_i)$) – based on the calculations set out in Section 3.7 – does not reach 0.1%.

3.8.1.

3.8.2.

If the weight ($\text{LimitCap}_i / \text{Sum}(\text{LimitCap}_i)$) of a non index member equity series that fulfils the inclusion criteria set out in Section 3.3 falls between 0.1% and 0.3% based on the calculations set out in Section 3.7, the equity series can be considered to be with low weight.

3.8.3.

3.9. Determining the adjustment factor of the new index baskets (AF_{new})

The new index baskets are introduced on the first trading day after the third Friday of March and September, as applicable. After determining the adjustment factors of the new index baskets (AF_{new}), the appropriate modifications to the composition of the index baskets shall be made on the Stock Exchange day before the new index baskets become effective.

3.9.1.

The method of calculating AF_{new}

$$AF_{\text{new}} = \frac{\sum_{i=1}^N (P_{i,t} * Q_i * FF_i * WF_{i,t})_{\text{old}}}{\sum_{i=1}^N (P_{i,t} * Q_i * FF_i * WF_{i,t})_{\text{new}}} * AF_{\text{old}}, \text{ where}$$

$$\sum_{i=1}^N (P_{i,t} * Q_i * FF_i * WF_{i,t})_{\text{new}}$$

the numerator of the index calculated with the new index basket composition developed during the review

$$\sum_{i=1}^N (P_{i,t} * Q_i * FF_i * WF_{i,t})_{\text{old}}$$

the numerator of the index calculated with the index basket composition valid on the day the AF_{new} factor is calculated, after closing

AF_{new}

AF factor of the new index basket after index basket change

AF_{old}

AF factor of the old index basket prior to index basket change

3.10. Application of discretion in the review

In course of the index basket review, the Index Committee may exercise discretion upon submitting its proposal to the CEO and the CEO may also exercise discretion upon making a CEO decision as follows:

- a) Section 3.2 d) – inclusion of equity series of issuers having their registered seat outside of Hungary in the review
- b) On an exceptional and duly justified basis, turnover criteria set in Sections 3.3.1.33-3.1.4, 3.3.1.43-3.1.5 and 3.3.1.13-3.2.1, 3.3.2.2 regarding BUX and BUMIX may be also taken into account in a time proportioned manner (extrapolated on the basis of the half-year period).
- c) Section 3.4 – the way of application of the global ranking
- d) Section 3.5 – qualitative criteria
- e) Section 3.8.3 – qualification of an equity series to have low weight

4 Changing the index baskets

4.1. Changing the index baskets as a result of an ordinary index review

Steps to be taken prior to changing the index baskets

- 4.1.1.1. The Index Committee – upon the request of the Stock Exchange, on the last day of the review period at the latest – provides the information set out in Section 3.2 d) for the Stock Exchange.
- 4.1.1.2. The Index Committee may discuss the options for changing the baskets of the indices (equity series to be admitted into the indices) by taking into account the results of calculations set forth in Sections 3.3 - 3.7, and make a proposal to CEO thereof, as well as indicate, if there is more recent information available compared to those set out in the proposal of the Stock Exchange by the time of the definition of free float figures (FF_i).
- 4.1.1.3. By taking into account the proposal of the Index Committee, the CEO decides on the modification of the index baskets at least a week prior to the day of the index basket change. In the event of exercising discretion on the basis of the authorisation set in Section 3.10, a justification must be included in the CEO decision. On the day of the decision, the CEO may inform on changes to the index baskets in a release, listing the group of equity series to be included and removed from the index baskets, as well as the equity series which were included in the index baskets at the time of the review but failed for the first time to meet the criteria and hence may be eliminated from the index baskets at the next review. The release may also contain the (FF_i), the (Q_i) and the (WF_i) variables of the particular equity series.
- 4.1.1.4. The new AF factors may be determined as set forth in Section 3.8. at the time specified in the decision of the CEO, which the Stock Exchange may publish on the same day.

4.2. Amending the index baskets due to corporate actions

Changes in the composition of the index baskets

- a) Unpredictable corporate events:
 - i. bankruptcy or liquidation procedures
- b) Previously announced corporate events:
 - i. capital reduction
 - ii. de-merger
 - iii. takeover
 - iv. merger
 - v. reverse split of different equity series of a joint stock company
 - vi. continuous conversion of various equity series of a joint stock company
 - vii. split of identical equity series of a joint stock company
 - viii. delisting of a joint stock company's equity series from the Stock Exchange, translisting
 - ix. squeeze-out procedure

Events leaving the index baskets unchanged but modifying certain variables only

Corporate actions:

- i. in certain cases, the corporate actions listed under Section 4.2.1 b), except for mergers
- ii. in certain cases, capital increase
- iii. dividend payment in cash or in shares
- iv. share splits (altering denominations)
- 4.2.2. v. changes in free float

Corporate actions

- 4.2.3.1. Capital increase
 - 4.2.3. Subscription to new shares, transformation of net assets other than nominal capital into equity or the conversion of convertible bonds into shares to increase the equity capital of a company and the court registration thereof.
 - 4.2.3.1.1. If capital increase is affected by subscription to new shares of index basket companies, the equities related to the capital increase, once listed on the Stock Exchange, may be included in the index basket at the next basket review or simultaneously with the decision of the CEO, while Q_i is increased and AF is adjusted.
(Modifications: AF, Q_i)
 - 4.2.3.1.2. If capital increase is affected by converting assets over and above nominal capital into equity and then issuing bonus shares, then the shares issued through the capital increase by index basket companies will be included in the index (indices) according to the procedure set forth by KELER Zrt. on the first exchange day when the shares already traded on the Stock Exchange are first traded without entitlement. At the same time, WF_i is increased.
(Modification: WF_i)
 - 4.2.3.1.3. If capital increase is affected by converting convertible bonds into shares, or in case shareholders have the right of first refusal in respect of the new shares issued through the capital increase, then the CEO decides on modifying the basket(s) and shall make its resolution public within at least two weeks.
 - 4.2.3.2. Capital reduction
 - A reduction of equity capital by withdrawing own shares held by a joint stock company, by swapping or stamping shares or by otherwise decreasing the number thereof through a similar procedure (share consolidation), or by withdrawing shares and refunding to shareholders payments made against shares and the court registration thereof.
 - 4.2.3.2.1. If the capital of a company having its equity series in the index basket is reduced by withdrawing own shares held by this company or by swapping shares, then the reduction of nominal capital (i.e. the decrease in the number of shares) affecting index basket companies will be reflected in the index basket(s) after court registration (or possibly after the event is published), by reducing Q_i along with the adjustment of AF at review date or simultaneously with the decision of the CEO, provided that the equity series will still comply with the requirements set forth in Section 3.3 If an examination of a period of three weeks after reduction proves that the equity series fails to comply with the requirements set forth in Section 3.3, the equity series will have to be delisted according to the provisions of Section 4.2.3.3.
(Modifications: AF, Q_i or AF, N and i)
 - 4.2.3.2.2. If capital is reduced by share consolidation, the reduction of nominal capital (decrease in the number of shares) affecting index basket companies will be reflected in the index basket(s)

immediately after court registration, by a reduction of Q_i .
(Modification: Q_i)

4.2.3.2.3. If capital is reduced by stamping own shares held by a joint stock company, the operation requires no adjustment of the index basket(s).

4.2.3.3. Bankruptcy or liquidation procedures

Equity series of joint stock companies under bankruptcy or liquidation shall be removed from the index (indices). The date of deletion from the basket(s) shall be the date at which the executive of the debtor company discloses under the extraordinary reporting requirement that an application requesting that bankruptcy procedures be launched has been submitted to the court, or the date at which the Company Gazette publishes the court order to liquidate the debtor company, as applicable.

If that occurs, the equity series shall be removed from the index basket(s) with immediate effect with the due adjustment of AF.

In this case the CEO may also decide to repeat the basket weighting procedure, which will, in turn, entail the modification of the WF_i of other equity series.

(Modifications: AF, N and i and, depending on the decision of the CEO, certain WF_i values also)

4.2.3.4. Delisting from BSE, translisting

In case of delisting or translisting, the equity series of the company may be removed from the index basket(s) by applying the rules specified for bankruptcy or liquidation proceedings (on the day they are delisted or translisted, unless the CEO decides otherwise).

In this case the CEO may also decide to repeat the basket weighting procedure, which will, in turn, entail the modification of the WF_i of other share series.

(Modifications: AF, N and i and, depending on the decision of the CEO, certain WF_i values also)

4.2.3.5. Squeeze-out procedure

Unless the CEO decides otherwise, the particular equity series shall be removed from the index basket(s) on the last day of the squeeze-out procedure, after closing, at the bid price of the squeeze-out and with the due adjustment of the AF factor.

In this case the CEO may also decide to repeat the basket weighting procedure, which will, in turn, entail the modification of the WF_i of other equity series.

(Modifications: AF, N and i and depending on the decision of the CEO, certain WF_i values also)

4.2.3.6. Equity series split

Splitting an equity series of a joint stock company into two or more different equity series without changing the size of nominal capital and the court registration thereof.

4.2.3.6.1. If one of the equity series created by the split grants the same rights as the original equity series, the operation in respect of that equity series shall be treated subject to the rules of a capital reduction by share withdrawal (Section [4.2.3.2.1](#)).

4.2.3.6.2. If the split creates new equity series granting different rights than the original series, the original series shall be removed from the index basket(s) by applying the rules specified for bankruptcies (Section [4.2.3.3](#)).

4.2.3.7. De-merger

Court registration and listing on the Stock Exchange of two or more companies incorporated

upon winding up and delisting a de-merged company.

- 4.2.3.7.1.** If the de-merging company is wound up without legal succession, the rules specified for bankruptcies (Section [4.2.3.3](#)) shall be applied, with the due removal from the basket(s), effective on the day the company is delisted.
- 4.2.3.7.2.** If one of the new companies incorporated upon de-merger is the legal successor of the original company, then the CEO may decide on whether or not the legal successor may remain in the index (indices), and shall publish its decision at the Stock Exchange website within at least two weeks.
- 4.2.3.8.** Takeover
Raising the capital of the company taking over, the court registration thereof and Stock Exchange listing of the shares arising from the capital increase upon winding up and delisting the target company.
The equity series of the company taken over is removed from the index basket(s) on the day of delisting by applying the rules specified for bankruptcies (Section [4.2.3.3](#)), while the other company shall be subject to the rules applied in case of capital increase by subscription to new shares (Section [4.2.3.1.1](#)).
- 4.2.3.9.** Merger
Merger of two or more companies after winding-up (delisting), court registration and Stock Exchange listing of the new company.
The equity series of the companies may be removed from the index basket(s) by applying the rules specified for bankruptcies (Section [4.2.3.3](#)) on the day they are delisted.
- 4.2.3.10.** Reverse split of different equity series of a joint stock company
Combining different equity series (bearer and registered, granting dividends for a full year or a fraction thereof) of a joint stock company included in the index basket(s) by increasing the number of shares within a series with those in other series at a given time and thereby creating shares of identical type.
- 4.2.3.10.1.** The Q value of the equity series that will incorporate reverse split equity series will be increased with the number of shares in the latter on the merger date by applying the rules specified for capital increase (Section [4.2.3.1.1](#)). The equity series subject to the reverse split will be removed from the index at the same time by applying Section [4.2.3.3](#).
- 4.2.3.10.2.** If a new equity series is created when reverse split is performed on the original equity series, such original equity series shall be removed from the index by applying the rules specified for bankruptcies as set forth in Section [4.2.3.3](#).
- 4.2.3.11.** Continuous conversion of various equity series of a joint stock company
Continuous conversion of one equity series of a joint stock company included in the index basket(s) into another (bearer into registered or vice versa) equity series before a specified date to create shares of identical type.
As this is a case grouped under Section [4.2.3.10](#), the rules set forth there shall apply.
- 4.2.3.12.** Dividend payment in cash
The payment of dividend on an equity series does not lead to a change in basket composition, only the weighting factor (WF_i) of the given equity series will be increased on the day when the equity series is first traded without a dividend coupon on the Stock Exchange (EX day) as

follows:

$$WF_{new} = \frac{P_{EX-1} * WF_{EX-1}}{P_{EX-1} - DIV}, \text{ where}$$

WF_{new}	new weighting factor of the given equity series on the day when the equity series is first traded without a dividend coupon on the Stock Exchange (EX day)
WF_{EX-1}	weighting factor of the given equity series on the last day when the equity series is available for trading with a dividend coupon on the Stock Exchange (EX-1 day)
P_{EX-1}	closing price of the given equity series on the last day when the equity series is available for trading with a dividend coupon on the Stock Exchange (EX-1 day)
DIV	the amount of the dividend per share (in HUF) for the given equity series

4.2.3.13. Dividend payment in treasury (own) shares

A transfer of own shares in the identical equity series of the company to shareholders instead of cash payment of dividends to be distributed proportionately on shares from corporate earnings under a resolution by the general meeting.

As the number of shares remains unchanged and only ownership is restructured, thus the weighting factor (WF_i) will be modified immediately as set forth in [Section 4.2.3.12.](#)

4.2.3.14. Share split and reverse split

In the case of share split an increase in the number and a reduction of the face value, while in the case of share reverse split a decrease in the number and an increase of shares by exchanging or stamping shares without a corresponding change in equity, and the court registration thereof.

Q_i shall be amended on the first day of the share split or reverse split.

(Modifications: Q_i)

4.2.3.15. Granting subscription rights to shareholders

In the event the right to subscribe to issues is granted to shareholders, the issuing joint stock company confers the right upon its shareholders to subscribe to a specific number of equities, typically at a price below the current market rate.

4.2.3.15.1. In the event the right to subscribe is granted to all existing shareholders, and such shareholders may subscribe to a v_i number of shares at a price of ii for each q_i quantity held, and if the closing price on the date when the equities are last traded with the subscription entitlement is p_i , then the rules set forth for capital increase via the issue of bonus shares ([Section 4.2.3.1.2](#)) shall be used in respect of the quantity of equities of $(1-ii/p_i) * v_i$ (rounded to the nearest full number), whilst the quantity of equities of $(ii/p_i) * v_i$ (rounded to the nearest full number) shall be subject to the rules of capital increase via subscribing to a new issue at market price ([Section 4.2.3.1.1](#)).

4.2.3.15.2. If the right to subscribe is not granted to all shareholders, or if $p_i < ii$, the event will not induce an adjustment in the index.

4.2.3.16. Changes in free float

If a significant change in an index member joint stock company's free float occurs, the CEO may modify the index basket(s). In this case the CEO may decide to determine the amount of shares included in the basket(s) for the particular equity series, again by using the new free

float figures and the parameters that were used at the previous limitation procedure, while leaving the parameters of the other index member equity series unchanged. However, the CEO may also decide to recalculate the amount of shares included in the basket(s) for all index member equity series.

(Modifications: AF, FF_i, WF_i; or AF, FF_i, all WF_i-s)

- 4.2.3.17.** In other cases not being regulated above, the CEO may decide on the modification of the index basket(s) by taking into account the opinion of the Index Committee.

Application of discretion in the handling of corporate actions

In course of handling of corporate actions, the Index Committee upon submitting a proposal to the CEO and the CEO upon making his decisions, may exercise discretion regarding determination of variables and of the admission of equity series to the indices as follows:

- a) Section 4.2.3.1.1 – Capital increase effected by subscription to new shares
- b) Section 4.2.3.1.3 – Capital increase effected by converting convertible bonds into shares
- c) Section 4.2.3.2.1 – Capital reduction by withdrawing own shares or by swapping shares
- d) Section 4.2.3.3 – Bankruptcy or liquidation procedure
- e) Section 4.2.3.4 – Delisting from BSE and translisting
- f) Section 4.2.3.5 – Squeeze-out procedure
- g) Section 4.2.3.6 – Equity series split
- h) Section 4.2.3.7 – De-merger
- i) Section 4.2.3.8 – Takeover
- j) Section 4.2.3.9 – Merger
- k) Section 4.2.3.10 – Reverse split of different equity series of a joint stock company
- l) Section 4.2.3.11 – Continuous conversion of various equity series of a joint stock company
- m) Section 4.2.3.15 – Granting subscription rights to shareholders
- n) Section 4.2.3.16 – Changes in free float

5 Legal issues

5.1. Protection of the indices

The index manual is to be protected by copyright. The indices (BUX and BUMIX) are protected by a unique trademark.

5.2. Publication

Index related information (index values, composition of index baskets, calculation parameters, decisions, releases, etc.) are published via the website of the Stock Exchange (www.bse.hu).

5.3. Utilization of the indices

Subject to the laws on copyright and trademark protection.

Use of the indices by financial services providers within the framework of financial products is subject to the conclusion of a license agreement.

5.3.1.

5.3.2.

6 Oversight function regarding the provision of indices

6.1. The person responsible for the oversight function

The internal auditor of BSE shall be responsible for the oversight function regarding every aspect of the provision of indices, including the compliance with the operational rules of the Index Committee, the procedures regarding the provision of the indices and with the conditions set out in this Manual and in the Benchmark Regulation and in its related documents.

- 6.1.1. In the exercise of the oversight function, the internal auditor has the right to access all documents related to the indices.
- 6.1.2. BSE shall provide all the conditions necessary for the oversight function.
- 6.1.3. Where the internal auditor of the BSE is prevented from exercising his functions, the oversight function and all tasks specified in this Manual for the internal auditor shall be performed by the person designated by the CEO of the BSE.
- 6.1.4.

6.2. The oversight function

- 6.2.1. The internal auditor as the oversight function:
 - a) shall subsequently review the decisions of the CEO and shall propose amendments, if these decisions are non-compliant with the regulations of this Manual or of the Benchmark Regulation and its related documents. The CEO shall examine the proposal and decide on the basis of the outcome of the examination;
 - b) shall record in the minutes, if the CEO differs from the above proposal;
 - c) may propose the development of the oversight function to the Board of Directors;
 - d) may initiate an inspection at any time regarding the provision of indices whereby any participant in the provision of indices shall cooperate with the oversight function;
 - e) shall prepare a report on the above-mentioned inspection, and in case of any infringement is found, the oversight function shall promptly notice the Board of Directors and Supervisory Board of BSE about this;
 - f) shall prepare a report for the Supervisory Authority of the infringement, if the above bodies fail to take measures promptly in order to cease the infringement.

7 Complaints-handling

7.1. Definition of complaint

A complaint is a specific request filed by the complainant regarding the decisions of provision of indices, in particular whether a specific index determination is representative of market value, a proposed change to the index determination process, an application of the methodology in relation to a specific index determination, and other decisions in relation to the index determination process, in which the complainant complains about the procedure, conduct, activity or omission of BSE and requests clear and specific measure to be taken by BSE.

7.1.1.

The following requests are not complaints:

- a) an individual complaint which does not explicitly require BSE to take any measures;
- 7.1.2. b) error reports, if the complainant requests solely the correction of the errors;
- c) any application, which requests general information, opinion or resolution.

7.2. Definition of complainant

Complainant may be any natural or legal person.

7.2.1.

7.3. Handling the complaints

- 7.3.1. BSE may only receive complaints in writing (filed by email, facsimile or letter). If a complainant wishes to file a complaint in oral form (personally at the official seat of BSE or on telephone), the competent employee of BSE shall draw the complainant's attention to file the complaint in writing and inform the complainant that BSE will substantially examine solely those complaints, which were filed in writing.

BSE receives complaints by the following addresses:

email: info@bse.hu

7.3.2.

telefax: +36 1 429 6800

7.3.3.

postal address: 24 P.O. box, Budapest 1364, Hungary

The Compliance Officer of BSE shall be responsible for evaluating the complaints.

7.3.4.

After receiving a complaint, the Compliance Officer shall examine the request whether it qualifies as a complaint. If the request is not considered as a complaint, the provisions of this Chapter are not applicable. If the request qualified as a complaint, the Compliance Officer shall promptly submit

7.3.5.

it to the CEO's Secretariat and requests a case number.

The Compliance Officer shall collect all information necessary to investigate the complaint from his or her office and from any other affected departments.

The Compliance Officer shall prepare a draft of the response to the complaint within 15 days of the receipt of the complaint and promptly submit it to the internal auditor of BSE. The response of BSE

regarding the complaint may only be sent to the complainant following the approval of the internal auditor of BSE.

The written and reasoned response for the complaint shall be sent to the complainant within 30 days of the receipt of the complaint, for which the Compliance Officer shall be responsible, unless such communication would be contrary to objectives of public policy or to Regulation (EU) No 596/2014.

7.3.6. During the complaints-handling, BSE may specifically request the complainant to provide the following information:

- a) name;
- 7.3.7. b) address, address of official seat, postal address;
- c) phone number;
- d) method of the notifications;
- e) description of and reason for the complaint;
- f) the complainant's claim;
- g) copy of any document in the possession of the complainant which justify the complaint;
- h) in case of an agent acting on behalf of the compliant, appropriate authorization;
- i) any other information required for the investigation the complaint.

The personal data of the complainant shall be controlled according to the provisions of Act CXII of 2011 on Informational Self-determination and Freedom of Information.

The above data may be requested by the Compliance Officer of the BSE.

7.3.8. BSE may not charge any additional fees regarding the investigation of a complaint.

7.4. Ex-post tasks regarding complaint-handling

BSE keeps records of the received complaints with at least the following content:

- a) case number;
- b) name of the complainant;
- c) description of the complaint and the indication of the fact or event which is the subject matter of the complaint;
- d) the date of the filing of the complaint, description of the measures taken for resolving the complaint or in case of refusal, its reasons;
- e) the deadline for the implementation of the measures and the name of the person responsible for implementation,
- f) the date of the response for the complaint;
- g) the description of the comments of the complainant regarding the response of BSE and the measures taken regarding these comments.

The written complaint and its annexes, attachments, amendments, modifications received by BSE shall be enclosed to the above records.

The Compliance Officer shall send the data required for the records to the CEO's Secretariat.

The records shall be kept in electronically by the CEO's Secretariat in the "Record of Complaints" folder.

The CEO's Secretariat shall provide the case numbers regarding the complaints.

7.4.2.

BSE keeps the above records regarding complaints for 5 (five) years from the date of closing the

7.4.3.

complaint-handling process.

7.4.4.

In order to resolve any found deficiency or infringement, the Compliance Officer and the internal

7.4.5.

auditor of BSE shall propose measures to be taken to the CEO.

7.4.6.