

INDEX RULE BOOK

ITALIA LEVA 7 LONG / ITALIA LEVA 7 SHORT Indices

Version 15-02

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1. INDEX SUMMARY

Factsheet	Leverage and Short indices
Index names	Various based on FTSE/MIB®
Index type	Indices are based on Net return index or Gross return index versions.
Index governance structure	Euronext acts Calculation Agent of the leveraged indices Decision with respect to the underlying indices are under responsibilities of FTSE.
Calculation	Based on daily leverage. May include spread on interest rate or Repo rate in the calculation
Rule for exceptional trading circumstances	Either suspend or reset if underlying index moved beyond certain threshold. See reference table.

Full name	Underlying index	Factor	Rule for exceptional trading circumstances	ISIN	Base level and date
FTSE/MIB based					
ITALIA Leva 7 Long (short name: ITALIA X 7)	FTSE/MIB® Net return (Reuters code: .TRIFTSEMIBN)	7	Reset if Underlying Index < 90% of close of previous day	NL0010661898	1000 at 28 Dec 2012
ITALIA Leva 7 Short (short name: ITALIA X -7)	FTSE/MIB® Gross Return (Reuters Code: .TRIFTSEMIB)	-7	Reset if Underlying Index > 110% of close of previous day	NL0010661906	1000 at 28 Dec 2012

2. GOVERNANCE AND DISCLAIMER

2.1 INDICES

This rulebook applies to the leveraged and short indices, based on:

- FTSE/MIB®

Hereafter referred to as “index”.

2.2 CASES NOT COVERED IN RULES

In cases which are not expressly covered in these rules, operational adjustments will take place along the lines of the aim of the index. Operational adjustments may also take place if it is desirable to do so to maintain a fair and orderly market in derivatives on this index and/or this is in the best interests of the investors in products based on the index and/or the proper functioning of the markets.

2.3 RULE BOOK CHANGES

These rules may be supplemented, amended in whole or in part, revised or withdrawn at any time. Supplements, amendments, revisions and withdrawals may also lead to changes in the way the index is compiled or calculated or affect the index in another way.

2.4 DISCLAIMER

Euronext N.V. is the Calculation Agent of the index. Neither Euronext N.V., nor its affiliates are liable for any losses resulting from supplementing, amending, revising and/or withdrawing the Rules for the index.

Euronext N.V. will do everything within its reasonable power to ensure the accuracy of the calculation, publication and adjustment of the index in accordance with relevant rules. However, nor Euronext N.V., nor its affiliates are liable for any inaccuracy or delays in share prices, calculations, the publication of the index, the information used for making adjustments to the index and/or the actual adjustments. Furthermore, Euronext N.V. and its affiliates do not guarantee the continuity of the calculation of the index and the continuity of the dissemination of the index levels.

3. CALCULATION

3.1 DEFINITION AND COMPOSITION OF THE INDEX

The leverage index tracks the performance of a strategy that has a multiple (K) exposure to an underlying index with the support of short-term financing.

The Short index tracks the performance of a strategy which reverses a multiple (K) exposure to the underlying index by combining a short position on the underlying index and exposure to a risk-free money-market instrument, (the EONIA or other rate). The latter exposure consists of the money invested in the index plus the multiple (K) short positions.

3.2 CALCULATION OF THE LEVERAGE INDICES

The general formula of the Leverage indices is defined as follows:

$$LI_t = LI_T \left[1 + K \left(\frac{UI_t}{UI_T} - 1 \right) \right] - (K - 1) LI_T \left[\frac{IR_T}{360} \right] D_{t,T} - (K - 1) \times LI_T \left[\frac{SPR_T}{360} \right] D_{t,T}$$

Where:

T	=Rebalancing date; for daily indices this is the previous business day.
LI_t	= Leverage index level at time of calculation t
LI_T	= Closing Leverage index level on the previous calculation day
UI_t	= Underlying index level (see Index summary) at time of calculation t
UI_T	= Closing Underlying Index level on the last rebalancing day T
IR_T	= Applicable interest rate as at the rebalancing date T. For daily indices this is EONIA.
$D_{t,T}$	= the number of days between the day of the calculation and T, the rebalancing day
SPRT	= Applicable interest rate spread over the IR_T
K	= Leverage factor

3.3 CALCULATION OF THE SHORT INDICES

The general formula of the Short indexes is defined as follows:

$$BI_t = BI_T \left[1 - K \left(\frac{UI_t}{UI_T} - 1 \right) \right] + (K + 1) BI_T \left[\frac{IR_T}{360} \right] D_{t,T} - K \cdot BI_T \left[\frac{REPO_T}{360} \right] D_{t,T}$$

T	=Rebalancing date; for daily indices this is the previous business day.
BI_t	= Short index level at time of calculation t

BI_T	= Closing Short index level on the previous calculation day
UI_t	= Underlying index level (see Index summary) at time of calculation t
UI_T	= Closing Underlying Index level on the previous calculation day
$D_{i,T}$	= the number of days between the day of the calculation and T, the rebalancing day
IR_T	= Applicable interest rate as at the rebalancing date T. For daily indices this is EONIA.
$REPO_T$	= the rate reflecting the repurchase agreement embedded in the strategy and specific to each underlying index. The rate may not be applied for specific indices
K	= Short factor

3.4 REVERSE SPLIT OF INDEX LEVEL

If an index has dropped below 10 it may qualify for a reverse split.

This rule is applied to the indices with a factor 4 or higher or -4 or less. For the reverse split the Calculation Agent will use a standard reverse ratio of 1 000.

Periodical Review

Indices are reviewed each month on the first Friday. If an index level has reached a closing level below 10 on the previous day, the index level will be adjusted 2 weeks later by a reverse split.

Implementation of reverse split

After close of business on the 3rd Friday of the month, the closing level will be multiplied by 1000 (one thousand).

In case the Friday is not a trading day, the review or implementation will be on the day before.

3.5 SPLIT OF INDEX LEVEL

If an index has risen above 750.000 it may qualify for a split.

This rule is applied to the indices with a factor 4 or higher or -4 or less. For the split the Calculation Agent will use a standard ratio of 1 000.

Periodical Review

Indices are reviewed each month on the first Friday. If an index level has reached a closing level above 750 000 on the previous day, the index level will be adjusted 2 weeks later by a split.

Implementation of split

After close of business on the 3rd Friday of the month, the closing level will be divided by 1 000 (one thousand).

In case the Friday is not a trading day, the review or implementation will be on the day before.

4. PUBLICATION

4.1 DISSEMINATION OF INDEX VALUES

4.1.1 Opening

The calculation of the index starts as soon as the official index levels of the underlying indexes are available.

4.1.2 Calculation and dissemination

The index is calculated based on the most recent prices of transactions concluded on LSE – Borsa Italiana Markets. The level of the index is in principle published every 15 seconds. The index is calculated from 09:00-18.00 CET

4.1.3 Closing level

The calculation of the closing index levels is based on the respective official underlying index closing levels published by FTSE.

4.2 EXCEPTIONAL MARKET CONDITIONS AND CORRECTIONS

4.2.1 Unavailability of the underlying index level

In case the underlying index level of the index is not available during a time period outside the regular closing time of the LSE – Borsa Italiana markets, the level of the index will not be calculated.

If the unavailability extends over the closing auction time of the LSE – Borsa Italiana markets, the closing value of the index will be the last level known before the unavailability of the underlying.

4.2.2 Extreme market movements

In case the underlying index level of the index rises or falls more than a predefined percentage relative to the close of the previous trading day, the index will be either suspended or reset (see index summary).

4.2.3 Procedure for Suspension

If an index is **suspended**, the Calculation Agent will confirm the index level to be considered as the closing index value at the market close.

4.2.4 Procedure for reset of daily leveraged/short indices

In case the Underlying Index level rises or falls by more than a predefined percentage relative to its close of the previous trading day, the Leverage or Short Index will be reset. If an index is **reset**, the index will be adjusted intraday:

- For leverage calculations only downtrend movements will trigger a reset
- For short calculations only uptrend movements will trigger the reset.

Numerically, the intraday reset condition is defined as follows (with $\alpha > 0$):

$$\frac{UI_t}{UI_T} < \alpha\% \quad (\text{C1-L}) \text{ for Leverage indices}$$

Or

$$\frac{UI_t}{UI_T} > \alpha\% \quad (\text{C1-S}) \text{ for Short indices}$$

Where:

- UI_t is the real-time price of the index at time of calculation time t ;
- UI_T is the official closing level of the index on the previous rebalance day;

- $\alpha\%$ = as per the Index Summary section above under the column “Rule in case of extreme market movements”.

For Leverage indices, if condition (C1-L) is met at calculation time t:

- The calculation of the index is suspended temporarily (i.e. the level that was published just before the condition is met will keep on being published).
- The prices of the Underlying Index are observed during 5 full minutes.
- The **minimum price** of the Underlying Index during the 5-minute observation period is used to reset the Leverage Index.

For Short indices, if condition (C1-S) is met at calculation time t:

- The calculation of the index is suspended temporarily (i.e. the level that was published just before the condition is met will keep on being published).
- The prices of the Underlying Index are observed during 5 full minutes.
- The **highest price** of the Underlying Index during the 5-minute observation period is used to reset the Leverage Index.

Once the observation period is over the calculation of the index is resumed as per the formula below:

$$LI_t = LI_{R1} \left[1 + K \left(\frac{UI_t}{UI_{R1L}} - 1 \right) \right]$$

Or

$$SI_t = SI_{R1} \left[1 - K \left(\frac{UI_t}{UI_{R1H}} - 1 \right) \right]$$

Where:

UI_{R1L} is the lowest recorded index level over an observation period of 5 minutes following calculation time t (time when the threshold was crossed) ;

LI_{R1} is the level of the index using index level UI_{R1L} ;

$$LI_{R1} = LI_{T-1} \left[1 + K \left(\frac{UI_{R1L}}{UI_T} - 1 \right) - (K - 1) \times \left[\frac{EONIA_T}{360} \right] \times D_{T,T-1} - (K - 1) \left[\frac{SPR_T}{360} \right] \times D_{T,T-1} \right]$$

UI_{R1H} is the highest recorded index level over an observation period of 5 minutes following calculation time t (time when the threshold was crossed) ;

SI_{R1} is the level of the index using index level UI_{R1H} ;

$$SI_{R1} = SI_{T-1} \left[1 - K \left(\frac{UI_{R1H}}{UI_T} - 1 \right) + (K + 1) \times \left[\frac{EONIA_T}{360} \right] \times D_{T,T-1} - K \left[\frac{REPO_T}{360} \right] \times D_{T,T-1} \right]$$

Note that no additional refinancing costs are calculated after an intraday reset occurs.

An intraday reset may occur more than once during the same scheduled calculation date. After a first intraday reset occurs, the condition becomes the following:

$$\frac{UI_t}{UI_{R1L}} < \alpha\% \quad \text{(C2-L) for Leverage indices}$$

Or

$$\frac{UI_t}{UI_{R1H}} > \alpha\% \quad \text{(C2-S) for Short indices}$$

Where:

UI_t is the index level used at time of calculation t;

UI_{R1L} as defined above;

UI_{R1H} as defined above;

$\alpha\%$ as defined above.

If the above condition (C2) is met, another intraday reset is triggered. The calculation in real-time resumes as follows:

$$LI_t = LI_{R2} \left[1 + K \left(\frac{UI_t}{UI_{R2L}} - 1 \right) \right]$$

Or

$$SI_t = SI_{R2} \left[1 - K \left(\frac{UI_t}{UI_{R2H}} - 1 \right) \right]$$

Where:

UI_{R2L} is the lowest recorded index level over an observation period of 5 minutes following calculation time t (time when condition (C2-L) is met).

$$LI_{R2} = LI_{R1} \left[1 + K \left(\frac{UI_{R2L}}{UI_{R1L}} - 1 \right) \right]$$

UI_{R2H} is the lowest recorded index level over an observation period of 5 minutes following calculation time t (time when condition (C2-S) is met).

$$SI_{R2} = SI_{R1} \left[1 - K \left(\frac{UI_{R2H}}{UI_{R1H}} - 1 \right) \right]$$

The same procedure is followed for any other intraday reset following another crossing of the predefined threshold.

The closing level of the index will be calculated in accordance with the last parameters defined for the last reset event as described above.

In case $LI_{R1} \leq 0$ or $SI_{R1} \leq 0$, the index level will be fixed at 0.001. This index level will continue to be broadcasted for 4 weeks after the reset occurred. Subsequently the index will be discontinued.

4.3 ANNOUNCEMENT POLICY

4.3.1 Announcement policy

The announcement policy is described in the Euronext Indices Announcement policy document that is available on indices.euronext.com/index-rules.

As a rule the announcement periods that are mentioned underneath will be applied. However, urgent treatments or late notices may require to deviate from the standard timing.

4.3.2 Rule changes

Barring exception, a period of at least two months should pass between the date a proposed change is published and the date this comes into effect. Exceptions can be made only if the change is not in conflict with the interests of an affected party.