



**Rules for the Construction and Maintenance of the**

# **OMX Iceland 10 Index**

VERSION 1.8 / March 2019

# TABLE OF CONTENTS

1. INTRODUCTION .....	3
1.1 INDEXES.....	3
2. INDEX SHARE ELIGIBILITY & SELECTION RULES .....	3
2.1 INDEX SHARE ELIGIBILITY .....	3
2.2 INDEX SHARE SELECTION .....	3
2.3 DETAILED INDEX SHARE SELECTION CRITERIA .....	4
2.3.1 SECURITY TYPES .....	4
2.3.2 FREE FLOAT.....	4
3. INDEX CALCULATIONS .....	5
3.1 LAST SALE PRICE.....	5
3.2 FOREIGN EXCHANGE RATE .....	5
3.3 INDEX SHARES .....	5
3.4 BASE DATE AND BASE VALUE.....	5
3.5 PRICE RETURN INDEX CALCULATION .....	6
3.6 GROSS RETURN INDEX CALCULATION .....	7
3.7 SUSPENSION AND TRADING HALT .....	7
4. INDEX MAINTENANCE .....	7
4.1 INDEX REBALANCING .....	7
4.1.1 MARKET CAPITALIZATION (CAPPING).....	8
4.2 INDEX SHARE CHANGES .....	8
5. CORPORATE ACTIONS .....	8
6. GENERAL ANNOUNCEMENT POLICY .....	8
7. GENERAL CORRECTION POLICY .....	9
8. DISCRETIONARY ADJUSTMENTS.....	9
9. ALTERNATIVE INFORMATION RETRIEVAL .....	9
INTELLECTUAL PROPERTY RIGHTS .....	10
DISCLAIMER.....	10
LIMITS OF LIABILITY.....	10
APPENDIX .....	11

# 1. INTRODUCTION

NASDAQ, Inc. and its affiliates (collectively “NASDAQ”) own and calculate the stock index OMX Iceland 10 (the “Index” or “OMXI10”) and has granted NASDAQ OMX Stockholm AB (“NASDAQ Stockholm” or the “Exchange”) and the co-operating exchanges the right to use the Index in connection with trading in and clearing of contracts related to the Indexes in accordance with these rules and regulations. The Index Owner has appointed the Exchange to be NASDAQ.

## 1.1 INDEXES

The purpose of the OMXI10 is to create a highly liquid and stable universe. The Index is also available in a capped version and a gross total return version, and is calculated in Icelandic kronas (ISK) and Euros (EUR).

# 2. INDEX SHARE ELIGIBILITY & SELECTION RULES

## 2.1 INDEX SHARE ELIGIBILITY

OMXI10 comprises the 10 shares, which have the largest volume of trading, calculated in ISK on NASDAQ Iceland hf. (“NASDAQ Iceland”) during a certain Control Period<sup>1</sup>, as defined below. Such security is hereinafter to as an Index Share.

## 2.2 INDEX SHARE SELECTION

Ten companies are selected for the Index at each semi-annual review. The new compositions take effect on the first trading day of January and the first trading day of July each year. In the case of an Index Share being delisted, or for other reasons deemed unfit for index inclusion, another share will be added to ensure that the number of Index Shares is never less than 10. NASDAQ will select the Index Share and the selection will, other things equal, be based on the following guidelines:

1. Companies will be ranked according to the auto match turnover during a Control Period, from 1 December to 31 May or from 1 June to 30 November respectively. The eight highest ranking companies are automatically included in the Index.
2. Companies, which rank 9 to 10 are included if they satisfy the following spread requirements during the Control Period:
  - a. The difference between the best bid and best ask prices at the end of the trading day must not exceed 1.5% on average.
  - b. Bid and ask orders must be present in the trading system at the end of at least 95% of the trading days.
3. If one, or both, of the companies ranked 9 to 10 does not satisfy the spread requirements, companies ranked 11 to 12 will be considered in ranking order. If less

---

<sup>1</sup> Control Period means the six months period, starting seven months before the review date. Thus, the Control Period for the second half of a given year is the six-month period ending in May that same year. Turnover figures from the Control Period are used in the semi-annual reviews.

than two of the companies ranked 9 to 12 satisfy the spread requirements, the auto match turnover will be the deciding factor in selecting the final Index Shares.

4. The first three days of trading, after a company has been admitted to trading, are always excluded in turnover calculations. If a company has been listed for less than 6 months and at least 6 weeks, its turnover is multiplied by the following adjustment factor, to approximate a 6 month period:

$$\frac{\text{(Number of trading days in reference period)}}{\text{(Number of days listed)} - 3}$$

If a company has been listed for less than 6 weeks, its turnover shall be multiplied by the same adjustment factor as a company which has been listed for exactly 6 weeks, which is the greatest possible adjustment.

5. If listed companies merge during the Control Period, their combined turnover will be used in the selection.
6. If a spin-off involving a listed company occurs during the Control Period, and the spun-off company is subsequently admitted to trading (within one month of the spin-off), the pre spin-off turnover is allocated to each company in proportion to their respective free-float adjusted market value, calculated three days after the listing of the spun-off company. If the spun-off company is not listed, the pre spin-off turnover is assigned entirely to the listed company.
7. If an Index Share is removed from the Index because it is in the process of being delisted, or is, for other reasons, deemed unfit for the Index, an additional share will be added. The number of Index Shares will thus always be equal to 10.

The index committee reserves the right to diverge from the above-mentioned selection methodology to ensure the quality of the Index.

## 2.3 DETAILED INDEX SHARE SELECTION CRITERIA

### 2.3.1 SECURITY TYPES

Security types generally eligible for the Index include ordinary shares and depositary receipts. Security types generally not included in the Index are closed-end funds, convertible debentures, exchange-traded funds, limited partnership interests, rights, shares of limited liability companies, warrants and other derivative securities.

If a company has listed multiple stock classes, each of which is priced and traded separately, all stock classes are eligible for inclusion and are treated as separate securities.

Companies where 90 per cent or more of the outstanding shares are controlled by a single shareholder will be deemed ineligible.

### 2.3.2 FREE FLOAT

Free float is the proportion of the total amount of share capital available to ordinary investors compared to the total number of listed shares of a company. The balance of a company's share capital will be in the form of strategic holdings, effectively excluded from normal trading.

The review is conducted on the basis of figures from the end of the second Thursday in April and October or, if not available at these dates, at the closest earlier date for which figures are available.

For free float criteria, see "*Rules for the Construction and Maintenance of the NASDAQ OMX All-Share, Benchmark and Sector Indexes*".

## 3. INDEX CALCULATIONS

The index value is the value of the Index at a given point of time (“Index Value”). The Index Value is presented in Icelandic Krona (“ISK”).

### 3.1 LAST SALE PRICE

The Last Sale Price (“LSP”) refers to the latest paid price on NASDAQ Iceland as defined in the trading rules. This also applies when trading in an individual Index Share is suspended.

The Index will normally obtain such prices from its trading system for equities (INET). The received prices thus will be utilized in the Index calculation. In cases where such information cannot be obtained from INET, the Index Calculator may adopt an alternative means of obtaining the relevant prices in order to calculate the Index.

### 3.2 FOREIGN EXCHANGE RATE

An index that consists of shares quoted in different currencies and the underlying prices of the Index Shares are converted into the index currency.

Foreign exchange rate is the WM Company, Closing Spot Rate at 16:00:00 UK time in the calculation of the End Of Day (EOD) Index Value.<sup>2</sup>

SIX Financial Information Intraday Spot Rate is applied to the real time Index calculation during the trading day.

### 3.3 INDEX SHARES

The number of shares per Index Share applied in the Index,  $q_{i,t}$  in the formula in section 3.1.6 above is a result of the semiannual review and is fixed in the period between reviews with the exception of adjustments for corporate actions with priority for existing shareholders. The Index Calculator will provide both an uncapped and a capped version of the Index. The market capitalization limit is described in section 4.2 below.

### 3.4 BASE DATE AND BASE VALUE

The OMXI10 indexes have a base value of 1000 and a base date of December 31, 2008.

---

<sup>2</sup> The WM/Reuters Spot Rates provided by The World Markets Company plc (“WM”) in conjunction with Reuters. WM shall not be liable for any errors in or delays in providing or making available the data contained within this service or for any actions taken in reliance on the same, except to the extent that the same is directly caused by its or its employees’ negligence

### 3.5 PRICE RETURN INDEX CALCULATION

The Price Return (PR) Index Value reflects changes in market value of Index Shares during the trading day. The PR Index is calculated without regard to ordinary dividends. The formula is as follows:

$$PR I_t = \frac{PR\ Index\ Market\ Value_t}{PR\ Index\ Divisor_t}$$

$PR I_t$  = Price Return Index Value at time (t)  
 $PR\ Index\ Market\ Value_t = \sum_{i=1}^n q_{i,t} * p_{i,t} * r_{i,t}$

where;

- $q_{i,t}$  = Number of shares (i) applied in the Index at time (t)
- $p_{i,t}$  = Price in quote currency of a security (i) at time (t)
- $r_{i,t}$  = Foreign exchange rate to convert Index Share (i) quote currency into Index currency at time (t)

The Divisor serves the purpose of scaling an Index Market Value to lower order of magnitude, which is recommended for reporting purposes. The Divisor is adjusted to ensure that changes in Index Shares either by corporate actions or index participation occurring outside of trading hours do not affect the value of the Index. A divisor change occurs after the close of the Index. The PR Divisor for day (t) is calculated as the ratio of the Start Of Day (SOD) Market Value and the previous day's Index Value as follows:

$$PR\ SOD\ Index\ Divisor_t = \frac{PR\ SOD\ Index\ Market\ Value_t}{PR I_{t-1}}$$

$PR I_{t-1}$  = Price Return Index Value at time (t-1)  
 $PR\ Index\ SOD\ Market\ Value_t = \sum_{i=1}^n q_i * p_i * r_{i,t-1}$

where;

- $q_i$  = Number of shares (i) applied in the Index, adjusted to reflect corporate actions if any
- $p_i$  = Price in quote currency of a security (i), adjusted to reflect corporate actions if any
- $r_{i,t-1}$  = Foreign exchange rate to convert Index Share (i) quote currency into Index currency at time (t-1)

Foreign exchange rate is the previous day's WM Company, Closing Spot Rate at 16:00:00 UK time in the calculation of the SOD Index Market Value.

The PR Index Value reflects extraordinary dividends. The reinvestment of extraordinary dividend is carried out by adjusting the  $p_{i,t-1}$  in the Index with subtraction of extraordinary dividend from its price on the ex-dividend date (t). This adjustment reinvests the dividend in all Index Shares in proportion to their respective weights.

## 3.6 GROSS RETURN INDEX CALCULATION

The Gross Total Return (GTR) Index Value reflects changes in market value of Index Shares during the trading day. The formula is as follows:

$$GTR I_t = GTR I_{t-1} \times \frac{PR I_t + IDP_t}{PR I_{t-1}}$$

$GTR I_t$  = Gross Total Return Index Value at time (t)

$GTR I_{t-1}$  = Gross Total Return Index Value at time (t-1)

$PR I_t$  = Price Return Index Value at time (t)

$PR I_{t-1}$  = Price Return Index Value at time (t-1)

$$IDP_t \text{ (Index Dividend Points)} = \frac{\text{Index Dividend Market Value}_t}{\text{Index Divisor}_t}$$

$$\text{Index Dividend Market Value}_t = \sum_{i=1}^n q_{i,t} * d_{i,t} * r_{i,t-1}$$

where;

$q_{i,t}$  = Number of shares (i) applied in the Index at time (t)

$d_{i,t}$  = Ordinary dividend in the index at time (t)

$r_{i,t-1}$  = Foreign exchange rate to convert Index Share (i) quote currency into Index currency at time (t-1)

The GTR Index Value reflects ordinary and extraordinary dividends. The reinvestment of extraordinary dividend is carried out by adjusting the  $p_{i,t-1}$  in the Index with subtraction of extraordinary dividend from its price on the ex-dividend date (t). This adjustment reinvests the dividend in all Index Shares in proportion to their respective weights.

## 3.7 SUSPENSION AND TRADING HALT

In case of a suspension or trading halt of an Index Share, please refer to the trading rules of NASDAQ Iceland.

# 4. INDEX MAINTENANCE

## 4.1 INDEX REBALANCING

The Index is rebalanced semi-annually by applying changes in total shares outstanding that have been accumulated during the half year. Changes are made effective after the close of the last trading day in each of June and December. If the scheduled effective date is a holiday, the effective date may be adjusted to the subsequent day.

During the semi-annual rebalancing, data is cutoff after the last trading day in May and November, respectively. No changes are made to the Index from that cutoff until the semi-annual share change effective date with exception for corporate actions with a known ex-day.

## 4.1.1 MARKET CAPITALIZATION (CAPPING)

Capping is performed semi-annually during the review effective the first Trading Day in January and July. The Capping is also performed between the reviews if the limits are breached. If a company is represented by more than one share in the index, the market value of the shares will be aggregated.

### 4.1.2 Semi-annual Capping

If the market value of the largest Index Share exceeds 30%, it will be capped at 30%. Any other Index Shares with a market value exceeding 15% will be capped at 15%.

### 4.1.3 Daily Capping

If the market value of the largest Index Share exceeds 35%, it will be capped at 30%. Any other Index Shares with a market value exceeding 20% will be capped at 15% and if any other Index Shares have a market value exceeding 15% as a result of that they will also be capped at 15%.

Using a stepwise approach Index Shares are reduced in weight until all weight restrictions are satisfied.

## 4.2 INDEX SHARE CHANGES

See “*Rules for the Construction and Maintenance of the OMX Stockholm 30 Index*”.

## 5. CORPORATE ACTIONS

See “*Rules for the Construction and Maintenance of the OMX Stockholm 30 Index*”.

## 6. GENERAL ANNOUNCEMENT POLICY

NASDAQ announces Index-related information via our premier service Global Index Watch at <http://indexes.nasdaqomx.com>.

Deadlines for announcements:

- + **Rule amendments:** Material changes to the rules are normally announced 3 months before they are put into effect.
- + **Periodic index composition:** A notice is normally announced no less than one (1) week prior to implementation. The Exchange reserve the right to alter the announced composition in case of a merger, take-over or other major events that is expected to deteriorate the index’ ability to mimic the population of stocks representing the market.
- + **Corporate actions:** Implementations in the Indexes are done in accordance with the index rules. Notice of any adjustment shall, whenever possible, be published no later than two business days prior to the ex-day.

In the event that an Index calculation has been corrected historically, an announcement will be provided and clients are asked to update their databases accordingly.



## **7. GENERAL CORRECTION POLICY**

Generally, the Index is maintained on an ongoing basis and any corporate actions are handled simultaneously as they occur, given that all necessary information is publically available. However, there may be events where there is not sufficient public information available or that the event is announced post ex-day. In such cases, the Index Calculator will decide on a case by case basis whether the event can be implemented in connection to the regularly scheduled Index reviews or if a historical correction of the affected Indexes is warranted.

Any historical correction to an Index is limited to a time frame of six (6) months prior, counting from the date where the correction is being implemented. If such a correction would occur, it will be announced according to the General Announcement Policy and new Index closing values will be provided as well as start of day and EOD Index weightings and summary report.

## **8. DISCRETIONARY ADJUSTMENTS**

NASDAQ may, due to special circumstances, if deemed essential, apply discretionary adjustments to the Index.

## **9. ALTERNATIVE INFORMATION RETRIEVAL**

If, in the opinion of NASDAQ, technical or other reasons, render the automatic transmission of price information or other information regarding an Index Share or currency fix from NASDAQ Iceland, or other information system approved by NASDAQ, either wholly or partially unavailable, or if such price information is unreliable or in any other way fails to reflect the development of market prices in the currency type or Index Shares, NASDAQ may utilize another source of information and thereby apply other bases for the calculation of the Index than those which otherwise are stated in these rules.

# INTELLECTUAL PROPERTY RIGHTS

NASDAQ and its affiliates are the sole and exclusive owners of all rights and titles to the Indexes and the trademarks related thereto. For any data used or products based on, or linked to, the Indexes, a license from NASDAQ or its affiliates is required.

This document and its contents may not be reproduced, redistributed, stored in retrieval system, or passed on, directly or indirectly, to any other person or published, or transmitted by any other form or means whether electronic, mechanical, photocopying, recording or otherwise in whole or in part, for any purpose without the prior written consent of NASDAQ or its affiliates.

## DISCLAIMER

NASDAQ may, from time to time, exercise reasonable discretion as it deems appropriate in order to ensure Index integrity including but not limited to quantitative inclusion criteria. NASDAQ may also, due to special circumstances, if deemed essential, apply discretionary adjustments to ensure and maintain the high quality of the index construction and calculation. NASDAQ and its affiliates do not guarantee the accuracy or completeness of any Index or of the data used to calculate the Index or determine the Index components, or the uninterrupted or undelayed calculation or dissemination of any Index. NASDAQ and its affiliates do not guarantee that any Index accurately reflects past, present, or future market performance.

## LIMITS OF LIABILITY

NASDAQ and its affiliates assume no liability of any nature (including, but not limited to negligence) for any loss, damages, costs, claims and expenses related to or arising out of the use of the Indexes or any data included therein. NASDAQ and its affiliates hereby expressly disclaims all warranties, expressed or implied, as to the availability, accuracy, uninterrupted calculation, completeness, merchantability or fitness for a particular purpose with respect to the Indexes or any data included therein. Neither NASDAQ, its affiliates nor any third party makes any express or implied warranties or representations with respect to the Indexes, the results to be obtained by their use or the value of the Indexes at any given time. Without limiting any of the foregoing, in no event shall NASDAQ or any of its affiliates have any liability for any direct damages, lost profits or special, incidental, punitive, indirect or consequential damages, even if notified of the possibility of such damages.

# APPENDIX

Index Symbol	Index Name	ISIN	Calculati on Method	Linked to PR Index	Linked GTR Index	No adjustment for Extraord. Dividends
OMXI10	OMX Iceland 10	IS0000018885	PR		OMXI10GI	
OMXI10CAP	OMX Iceland 10 Cap	IS0000018901	PR		OMXI10CAPGI	
OMXI10CAPEUR	OMX Iceland 10 Cap EUR	IS0000018935	PR			
OMXI10CAPGI	OMX Iceland 10 Cap GI Index		GTR	OMXI10CAP		
OMXI10EUR	OMX Iceland 10 EUR	IS0000018919	PR		OMXI10EURGI	
OMXI10EURGI	OMX Iceland 10 EUR GI	IS0000018927	GTR	OMXI10EUR		
OMXI10GI	OMX Iceland 10 GI	IS0000018893	GTR	OMXI10		