

NORDIC BOND PRICING

POLICY ON INPUT DATA

This document was created May 26, 2020 and was last updated September 28, 2022.

Content

1 INTRODUCTION 3

2 APPLICABILITY 3

3 GENERAL REQUIREMENTS AND PRINCIPLES FOR INPUT DATA..... 3

4 MONITORING OF INPUT DATA 4

1 INTRODUCTION

Pursuant to Article 11 of Regulation (EU) 2016/1011 (the "Benchmark Regulation" or "BMR") this document represents the guidelines for input data to indices administered by Nordic Bond Pricing AS ("NBP") and sets out NBP policy regarding the application of input data in its index methodologies (the "**Policy**").

NBP has adopted this Policy which sets forth standards for the application on input data at NBP to, *inter alia*, ensure that the input data shall be sufficient to represent accurately and reliably the market or economic reality that the indices are intended to measure and that the input data used is compliant with the methodology.

This Policy applies to all Indices or Benchmarks or Family of Benchmarks administered and provided by NBP within the meaning of BMR.

'Index' (or 'Indices') and 'Benchmark(s)' are used interchangeably in the Policy. Refer to BMR definitions for exact definitions of the terms and the context which they are used. An Index becomes a Benchmark by usage, defined in BMR Article 3(1)(3).

2 APPLICABILITY

This Policy applies to all Indices administered by NBP and to the operations of providing the Indices. Its requirements apply to all Employees at NBP.

This policy does not apply to factors that do not measure the underlying market or economic reality the relevant Index intends to measure, such as static bond data used to determine the composition of the Index and its regular review. Changes of such factors are not considered every time the level of an Index is determined, but only in instances that are pre-defined in the methodology (e.g. selection dates). In contrast, changes to the values of input data are considered by the methodology every time the level of an Index is determined because they reflect changes in the underlying market or economic reality the relevant Index intends to measure.

3 GENERAL REQUIREMENTS AND PRINCIPLES FOR INPUT DATA

'Input Data' means the data in respect of the value of one or more underlying assets, or prices, including estimated prices, quotes, committed quotes or other values, used by an administrator to determine a benchmark (BMR 3(14)).

All Indices administered by NBP are calculated by using following readily available Input Data:

- (i) Evaluated Bond Prices for all index constituents. The Evaluated Bond Prices are provided by NBP and aims to be a best estimate for a market price based on all available market information. Such market information may include transaction data, general market rates, credit spreads, quoted broker prices/indications, new issues, news, credit research and other relevant information. In the evaluation process experienced pricing analysts will analyse and interpret the market on both a micro and macro level and are responsible to utilize the available market information in order to make the Evaluated Prices best reflect current markets. When assessing pricing for a single bond issue the pricing analysts may take into consideration market information and pricing for similar issues. After the pricing analysts has taken the appropriate actions Evaluated Bond Prices are calculated utilizing generally acknowledged valuation models and systems.; and
- (ii) exchange rates sourced from WM/Reuters.

The input data shall meet the following requirements:

- (a) it shall be sufficient and appropriate to represent accurately and reliably the market or economic reality that the relevant Index is intended to measure; and
- (b) for index constituents it shall be Evaluated Bond Prices that has been subject to a systematic assessment process.

In accordance with the procedures described below, NBP shall adopt, implement and enforce adequate measures to ensure that:

- (1) it has the necessary information to ensure the appropriateness of the Input Data;
- (2) it takes into consideration the characteristics of the underlying market or economic reality as well as the applicable methodology when deciding on the relevant Input Data and the vendor for such data; and
- (3) it monitors Input Data on a regular basis, reflecting the vulnerability of its specific type.

4 MONITORING OF INPUT DATA

Evaluated Bond Prices for Index constituents are best estimates of the market prices for the specific instruments and shall represent the market or economic reality as accurately and reliably as possible. It should be noted that the question of whether the Index methodology is still suitable for achieving the index's goal must be considered independently. This assessment is carried out within the framework of the regular review of the Index methodology.

The assessment of whether Input Data is sufficient and appropriate to represent accurately and reliably the market, is an ongoing process during the lifetime of an Index. NBP has an experienced team of analysts, supported by effective technical processes, to ensure the continuous quality of NBP Evaluated Bond Prices and other sources Input Data used for the calculation of its Indices.

To ensure the integrity of Input Data through the use of pre-publication checks to detect manifest errors and post-publication surveillance designed to identify anomalies in input data which may involve manipulation or attempted manipulation of the benchmarks. Suspicious conduct will be reported to competent authority.

Assessment processes and measures of to validate Input Date include:

- (i) a control of benchmark constituent total return broken down to price, coupon and redemption return on daily or month to date basis;
- (ii) a comparison of Index levels between all NBP indices to identify any deviation that could require further investigation; and
- (iii) a comparison of the daily return of the relevant Index with historical daily returns of this Index to identify unusual deviations that may require further investigation.

In order to ensure the reliability of the closing level and integrity of an Index, this level is subjected to a plausibility check prior to its publication. If the daily return of an Index exceeds twice the preceding 30 days average return, a plausibility check is triggered. The plausibility check includes an investigation of the reason(s) for the deviation. For instance, the check could be triggered because one of the prices in the Input Data deviates substantially. This process allows NBP to recognize any errors in the Input

Data. If, after the investigation, it has been deemed that there is an error in the Input Data, NBP will delay or not publish the Index level.

The Head of Pricing Services is responsible for regular monitoring and review of Input Data to ensure Input Data shall represent accurately and reliably the market or economic reality measured by the indices. In the event of uncertainty that Input Data may not be reliable, the matter shall be submitted to the Head of Pricing Services for consideration. Conduct which may involve manipulation or attempted manipulation of the benchmarks is reported to the Compliance Function.

The CEO has final approval authority on the validation and assessment and use of Input Data.

Disclaimer

©Copyright 2020 Nordic Bond Pricing AS ("NBP"). All rights reserved. This document has been prepared by NBP and is intended for clients of NBP. All information is provided for information purposes only. NBP endeavours to ensure that information provided is accurate but does not guarantee its accuracy or reliability and accepts no liability for any direct or indirect loss or damage arising from inaccuracies or omissions. NBP accepts no liability for any decision made or any action taken in reliance of the information. The document, and information contained herein, may not be copied, reproduced or redistributed in any manner without the prior written permission of NBP.