Rules for the AEX Protective Put index

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1. Composition of the AEX Protective Put index

1.1 *Definition of AEX Protective Put Index*

The AEX Protective Put index is an index that reflects the performance of the well-known Protective Put Strategy as applied to the AEX Index.

1.2 *Composition of the AEX Protective Put Index*

The AEX Protective Put index is made up of the combination of a long position on the AEX index and the purchase of a AEX put option based on the AEX index options contract traded on Euronext Liffe.

The AEX put option purchased is an out-of–the–money option with 5% moneyness and a time to expiration of one month. The short lifetime of the option involves a monthly adjustment as defined in section 3.

2. Calculation of the AEX Protective Put index

2.1 *Calculation outside rolling time*

The AEX Protective Put index is calculated according to the following formula on a given trading day j, at any time (t) except on the rolling time:

$$AEXP_{j,t} = \frac{f_{\exp+1,j-1} \times \left(I_t + D_j\right) + P_t}{I_{\exp} + P_0} \times AEXP_{\exp}$$

$AEXP_{j,t}$ = AEX Protective Put index level at time t on day j

$AEXP_{\exp}$ = AEX Protective Put settlement price index at the last expiry date (exp)

I_t = AEX Index level at time t on day j

$I_{\exp}$ = AEX settlement price index at the last expiry date (exp)

D_j = index point dividends paid by the AEX Index on day j

$f_{\exp+1,j-1}$ = factor dividend reflecting the holding period dividend yield since the first trading day following the last expiry date (exp)

Whereby

$$f_{\exp+1,j-1} = \prod_{d=\exp+1}^{j-1} \left(1 + \delta_d\right)$$

and where

$$\delta_d = \frac{D_d}{I_d}$$

P_t = last price of the AEX put option at time t on day j

P_0 = Inclusion price of the AEX Put option defined as the arithmetic average of the best asks quoted on Euronext Liffe from 16:15:00 to 16:45:00 CET

D_j and the factor $f_{\exp+1,j-1}$ are available on the at "newindices.euronext.com".

2.2 *Calculation frequency*

The AEX Protective Put index is calculated with the same frequency as the AEX index, except on the option expiry day. The AEX Protective Put index is then calculated every 15s between 09:00 and 17:35 CET.

2..3 *Calculation on the rolling day at the expiry time*

The AEX Protective Put index is calculated according to the following formula on the rolling day (exp), at the expiry time of the option:

$$AEXP_{\exp} = \frac{f_{prev\exp,\exp} \times \left(I_{\exp} + D_{\exp}\right) + P_{\exp}}{I_{prev\exp} + P_0'} \times AEXP_{prev\exp}$$

Whereby

$AEXP_{prev\exp}$ = AEX Protective Put settlement price index at the previous expiry day

$P_{\exp}$ = settlement price of the AEX put option at the current expiry date (exp)

$I_{prev\exp}$ = AEX settlement price index at the expiry date (prevexp), that is the date of the previous expiry before the current expiry

P_0' = inclusion price of the AEX Put option defined as the arithmetic average of the best asks quoted on Euronext Liffe from 16:15:00 to 16:45:00 CET

$f_{prev\exp,\exp}$ = factor dividend reflecting the holding period dividend yield since the previous expiry

2.4 *Calculation on the rolling day after the rolling time*

On the expiry day, and after the rollover time, the AEX Protective Put index is calculated according to the formula previously described in the section 2.1. The parameters $f_{\exp+1,j-1}$ and D_j are, however, reset to 1 and 0 respectively.

3. Rollover procedure of the AEX Protective Put index

3.1 *Purpose of the procedure*

On the expiration date of the option included in the calculation of the AEX Protective Put index, a monthly adjustment that entails the inclusion of a new put option with a remaining lifetime of one month is required to make sure that the AEX Protective Put will continue to reflect the strategy on which is based.

3.2 *Rollover procedure*

The rollover procedure of the AEX Protective Put index is carried out according to the following steps:

1. The calculation of the AEX Protective Put index stops temporarily at the option expiration on the rolling date (at 16:00 CET).

2. The expiry or settlement value of the AEX Protective Put index $AEXP_{\exp}$ is calculated on the basis of the AEX settlement price index $I_{\exp}$ and the AEX put option value at the expiration, $P_{\exp}$.

3. The new 5% out-of-the-money put option is selected on the basis of the settlement price of the AEX index. The relevant strike is the lowest strike equal or above 95% the settlement price of the AEX index.

4. The inclusion price of the new put option is determined. It is defined as the arithmetic average of the best bids quoted between 16:15:00 and 16:45:00 (CET).

5. The calculation of the AEX Protective Put index resumes at 16:45 with the new one-month put option.

4. Special circumstances of trading

4.1 *Unavailability of the AEX Put option*

1. Unavailability outside the rolling period

If the AEX put options prices are not available during regular daytime trading on Euronext Liffe, except during the rolling period, the AEX Protective Put index will be calculated with the last option price known.

2. Unavailability during the rolling period

If for any reason, the new AEX put option prices cease to be established during the averaging period (that takes place between 16:15 and 16:45 CET), only the ask prices quoted before the suspension of trading will be considered for the calculation of the inclusion price of the new option, provided that the ask prices available are deemed to be economically representative of the option premium.

If the AEX options contract prices cease to be established before the averaging period and trading does not resume before the end of the averaging period, the rollover procedure will be postponed until Euronext Liffe announces the resumption of the official trading.

If the AEX options are suspended until the end of trading, the rollover will be implemented during the next business day on the basis of a time schedule published by Euronext.

4.2 *Unavailability of the underlying*

1. Unavailability outside the expiry time

If the publication of the AEX index is suspended during regular daytime trading on Euronext markets, the AEX Protective Put index will be calculated with the last AEX index level known until the dissemination of the AEX index levels resumes.

2. Unavailability on the expiry date

If the level of the AEX index settlement price is not available on the expiry date, the calculation of the settlement value of the AEX Protective Put index value will be delayed until Euronext Liffe establishes the underlying settlement price that should prevail on the expiry date in question.
If the unavailability of the settlement price makes the determination of the inclusion price impossible, the rollover will be implemented according to conditions laid down in the article 4.1.