

Rules for the Construction and Maintenance of the  
**Nasdaq 7HANDL™ Index**

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# 1. Rules for the Construction and Maintenance of the Nasdaq 7HANDL™ Index

## 1.1 General Description

The Nasdaq 7HANDL™ Index seeks to produce 1.3x leveraged exposure to the daily return of the Nasdaq 7HANDL™ Base Index (the “Underlying Index”) after accounting for financing costs associated with daily leveraged exposure.

All methodological criteria governing the Underlying Index apply to the Nasdaq 7HANDL™ Index. This document addresses the specific rules associated with the leverage characteristics of the Nasdaq 7HANDL™ Index.

## 1.2 Index Rules for the Underlying Index

See the “Nasdaq 7HANDL™ Base Index Methodology”.

## 1.3 The Index Formula

The formula for calculating the Nasdaq 7HANDL™ index is:

$$I_t = (I_{t-1}) * (1.0 + U + R)$$

For 1.3x Leverage applied to the Nasdaq 7HANDL™ Base Index:

$I_t$  = Current value of the index

$I_{t-1}$  = Last closing value of the index

and

$$U = (C - 1.0) * LF$$

$$C = \frac{X_t}{X_{t-1}}$$

$X_t$  = Current value of underlying index

$X_{t-1}$  = Last closing of the underlying index

$$R = (r_{(t-1)} * \text{Interest Factor} + \text{SPR}_{t-1} * \text{Interest Factor}) * d/360$$

$$\text{Interest Factor} = 1 - LF$$

$LF$  = Leverage Factor

$r_{t-1}$  = Fed Fund Effective Rate at the previous calculation date

$d$  = number of calendar days between the day of the calculation and the previous calculation date

$SPR_{t-1} = \text{Liquidity Spread} =$

$1Y \text{ Long term rate (LIBOR 1Y)} - 1Y \text{ capitalized Overnight swap rate (Swap OIS vs 1Y)}$

### Index Parameters

The Nasdaq 7HANDL™ Index is calculated and disseminated on the same day as the Underlying Index. The calculation frequency for the Nasdaq 7HANDL™ Index is equal to the calculation frequency of the Underlying Index. If the Underlying Index is suspended or not available for a period of time, the Nasdaq 7HANDL™ Index will be suspended until Underlying Index is available.

The liquidity spread reflects the financing cost over the Fed Fund Effective rate at the previous calculation date. The liquidity spread parameter will be determined each calendar month using the average of the 5 trading days before the 5th to the last trading day of the month. The liquidity spread parameter will be incorporated into the index formula, prior to market open on the first trading day of each calendar month.

#### 1.3.1 Nasdaq 7HANDL™ Index

Index	Underlying Index	Symbol	Leverage Factor	Base Date	Base Value	Currency
Nasdaq 7HANDL™ PR Index	Nasdaq 7HANDL Base Index	NQ7HANDLL	+1.3	12/13/2017	1,000	USD
Nasdaq 7HANDL™ NTR Return Index	Nasdaq 7HANDL Base NTR Index	NQ7HANDLNL	+1.3	12/13/2017	1,000	USD
Nasdaq 7HANDL™ Index	Nasdaq 7HANDL Base TR Index	NQ7HANDLTL	+1.3	12/13/2017	1,000	USD

#### 1.3.2 Suspension of calculation and dissemination of leverage index

In order to handle extreme market movements, the Nasdaq 7HANDL™ has been equipped with protection towards very large differences in the current index value in comparison to the previous trading day's closing index value.

The total daily loss in the leveraged index is limited to 50% and the test of this is made intra-day. In this case the leveraged index will be suspended and the value to be considered as the index closing value for that calculation day.

In the event an Index is suspended intra-day, an announcement will be made to inform clients of this change through the Nasdaq Global Index Watch (GIW) website. The announcement will be issued as

soon as practicable, but it would not be sent out prior to the suspension taking place; by definition the Index has to be automatically stopped once the limit is reached.

### **1.3.3 Calculation and Dissemination Frequency**

The Indexes are calculated and disseminated during the trading day once per second from 09:30:00 to 17:16:00 Eastern Time (ET). The closing value of the Indexes may change up until 17:15:00 ET due to corrections to the closing value of the Underlying Indexes.

### **1.4 Discretionary Adjustments**

Nasdaq may, from time to time, exercise reasonable discretion as it deems appropriate to ensure Index integrity.

### **1.5 Limitations of liability**

Nasdaq shall not be liable for any direct, indirect, incidental, special or consequential damages or lost profits related to or arising out of the use of the index. Nasdaq expressly disclaims all warranties of accuracy, completeness, merchantability or fitness for any particular purpose, with respect to the index. Neither Nasdaq nor any third party make any warranty or representation whatsoever, express or implied, in respect of the index, the results to be obtained by the use thereof or the value of the index at any given time.