

# FTSE Grayscale Crypto Sector Index Series

Capturing the expanding crypto universe



## FTSE Russell and Grayscale

Merging our expertise in crypto asset management and digital asset indexing, Grayscale and FTSE Russell, an LSEG business, have partnered on the development of an innovative index series to help investors understand the sector exposures of the broader digital asset market.

We have embarked on this partnership to provide investors with a trusted source for up-to-date information to help navigate developments in the crypto ecosystem.

## Features

### Structured and Organized

Structured quarterly reviews are undertaken on this index series to reflect the dynamic nature of the crypto universe and to ensure the index series is organised in a timely and accurate manner that is reflective of industry standards.

### Monitored

Given the nascent state of regulation available in this space, enhanced governance and oversight is provided to oversee the index and its development framework, including vetted pricing to check that assets and exchanges meet robust review criteria before they appear in the data.

### Transparent

Index methodologies and ground rules are freely available on the FTSE Russell website. Information around index maintenance and price returns calculated on an end of day basis also serves to ensure the index is tradeable. FTSE Russell also maintains records of the index weightings of all constituents, making changes to those constituents, carrying out periodic index reviews and publishing changes to index constituent weightings.



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## The Index Series

The FTSE Grayscale Crypto Sector Index Series offers a new way of thinking about the crypto market. It provides a comprehensive classification framework, allowing index users to measure the performance of five distinct sectors, covering an expansive universe of crypto protocols. Index collaboration is clearly defined:

### Grayscale

Grayscale created the sectors in consultation with FTSE Russell, and participates in ongoing maintenance of the FTSE Grayscale Crypto Sector Index Series, ensuring classification of constituents are aligned to their objectives and the evolving crypto landscape.

### FTSE Russell

FTSE Russell is responsible for the calculation, production, and operation of the index series, for maintaining records of the index weightings of all constituents, for making changes to the constituents and their weightings in accordance with the Ground Rules.

FTSE Russell's digital asset indices are constructed in association with Digital Asset Research (DAR), a specialized provider of crypto data.

DAR contributes pricing, classification, and other crypto data, as well as the vetting of assets and exchanges according to FTSE Russell's methodology; a fundamental value embedded into FTSE DAR Reference Price.

## The Sectors

The FTSE Grayscale Crypto Sector Index Series systematizes Grayscale's specialist view of the crypto landscape, creating a framework accompanied by five corresponding indices that cover an expansive universe of asset and exchange vetted assets.

- Currencies
- Smart Contract Platforms
- Financials
- Consumer and Culture
- Utilities and Services.

FTSE Russell and Grayscale will reassess the sectors and their constituents quarterly to reflect the dynamic nature of the crypto asset class.

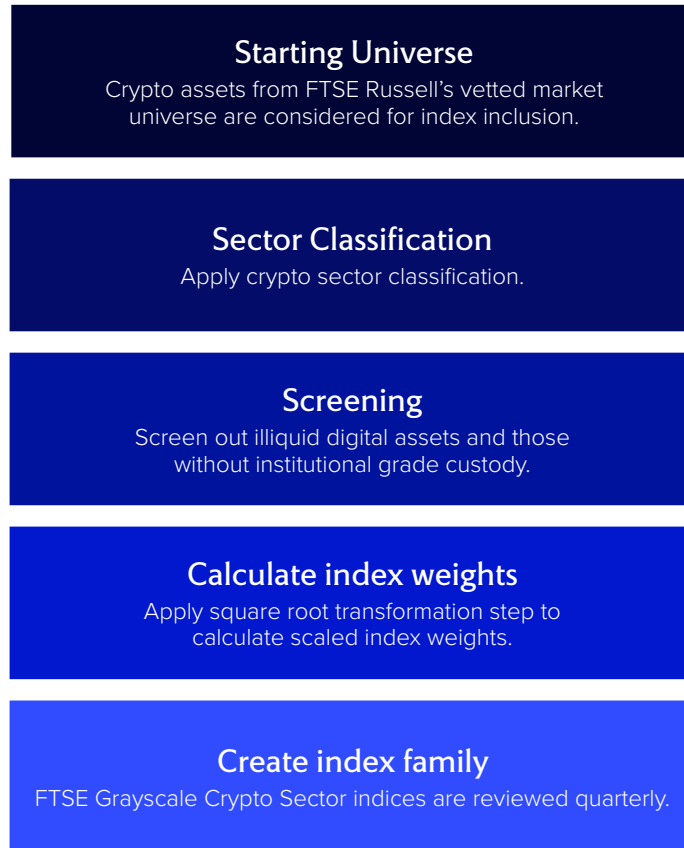
## Sector Exposures

FTSE Grayscale Currencies Crypto Sector Index	FTSE Grayscale Smart Contract Platforms Crypto Sector Index	FTSE Grayscale Financials Crypto Sector Index	FTSE Grayscale Consumer and Culture Crypto Index	FTSE Grayscale Currencies Utilities and Services Crypto Sector Index
<p>Crypto assets that serve three fundamental roles – medium of exchange, store of value and unit of account.</p> <p><b>Includes</b></p> <ul style="list-style-type: none"> <li>- Default Privacy Coins</li> <li>- Optional Privacy Coins</li> <li>- Standard Monetary Protocols</li> </ul>	<p>Crypto assets that are general purpose networks with programmable functionalities, enabling self-executing contracts.</p> <p><b>Includes</b></p> <ul style="list-style-type: none"> <li>- General Purpose Smart Contract Platforms</li> <li>- Security-Focused Smart Contract Platforms</li> <li>- Privacy Focused Smart Contract Platforms</li> <li>- Scalability-Focused Smart Contract Platforms</li> </ul>	<p>Crypto asset networks, protocols and applications that seek to deliver financial transactions and services.</p> <p><b>Includes</b></p> <ul style="list-style-type: none"> <li>- Retail Payments &amp; Point of Sale</li> <li>- Exchange Tokens</li> </ul>	<p>Crypto asset networks, protocols and applications that seek to deliver and support consumption centric activities.</p> <p><b>Includes</b></p> <ul style="list-style-type: none"> <li>- Digital Art, Collectibles &amp; Non-Fungible Tokens</li> <li>- Video Games</li> <li>- Social Networks</li> </ul>	<p>Crypto asset networks, protocols and applications that seek to deliver enterprise level applications and functionalities.</p> <p><b>Includes</b></p> <ul style="list-style-type: none"> <li>- Cloud-Computing Intermediary</li> <li>- Crowdsourced Computation Platform</li> <li>- Crowdsourced Data Storage Platform</li> <li>- Advertising Platforms</li> <li>- Tokenized Wallet Applications</li> <li>- Smart Contract Oracles</li> </ul>

## Innovative weighting methodology

The FTSE Grayscale Crypto Sector indices take a new approach to increasing diversification and reducing concentration to such digital asset giants, bitcoin and ethereum. We apply a square root transformation to the respective market capitalizations of the index constituents to reduce the dominance of the largest index holdings while maintaining proportional weights for all constituents.

## Index construction process



## Governance and oversight

As an emerging asset class, digital assets can be difficult for traditional investors to assimilate into their portfolio thinking. The differences from traditional asset and the nascent state of regulation in this space require an enhanced approach to governance and oversight. An overarching governance framework has been established to effectively oversee FTSE Russell digital asset index development from pricing data to index maintenance. In addition to standard index governance requirements, a number of additional steps are taken to better manage the complexities of the crypto market.

### Vetted pricing

As with all FTSE Digital Asset Indices, the FTSE Grayscale Crypto Sector Index Series draws its constituents from a universe of crypto assets established by the FTSE DAR Reference Price<sup>1</sup>. These prices were created specifically for index construction and apply a process to check that assets and exchanges meet robust review criteria before they appear in the data.

### Sector review

FTSE Russell, in partnership with Grayscale, has established a process to review eligible digital asset classification within this index series. FTSE Russell employs oversight that encompasses product, service, and technology governance, which incorporates the London Stock Exchange Group's three lines of defense risk management framework and is designed to meet the requirements of the IOSCO Principles for Financial Benchmarks.

<sup>1</sup> See "Guide to the Calculation of the FTSE DAR Digital Asset Prices and FTSE DAR Reference Prices".

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For over 35 years we have been at the forefront of driving change for the investor, always innovating to shape the next generation of benchmarks and investment solutions that open up new opportunities for the global investment community.

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