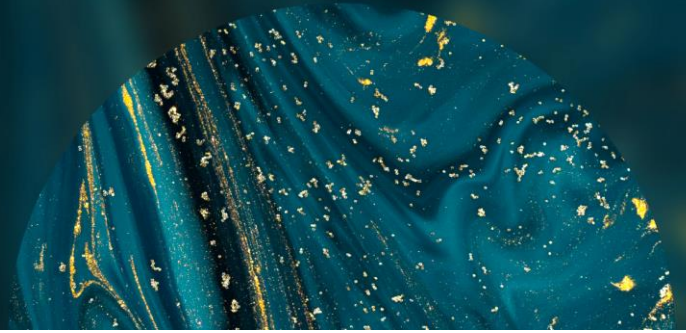


# Digital asset indices developed in collaboration with HashKey Capital



*“We are excited to have collaborated with HashKey Group in the development of these new custom indices. The indices start with our rigorous vetting and monitoring process, setting standards for asset and exchange inclusion to meet institutional demand for investability and regulatory integrity in this new asset class.”*

Chris Williamson, Head of Asia-Pacific, Index Investments Group, FTSE Russell

## HASHKEY Capital

### About the client

#### Profile

Based in Singapore, HashKey Capital is a global leader in digital assets and blockchain technologies, helping institutions, founders and talents advance the blockchain industries across 17 countries.

#### Objective

HashKey wished to offer innovative and diversified index solutions to Asian digital asset investors, while navigating regional standards and access requirements.

#### Solution

FTSE Russell developed three new custom digital asset indices to meet HashKey's client needs, providing a bespoke methodology tailored to HashKey's tradeability parameters.



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## Client profile

HashKey Capital, the investment arm of the HashKey Group, is a digital asset and blockchain leader helping institutions, founders and talents advance the blockchain industries.

As one of the largest managers of crypto funds and the earliest institutional investor in Ethereum, HashKey Capital has managed over US\$1 billion in client assets since its establishment, with over 500 investments in infrastructure, tools, and applications.

With its deep knowledge across the blockchain ecosystem, HashKey Capital has built a robust network connecting founders, investors, developers, and regulators.

## Screening digital assets for index inclusion

Digital assets are new. With the potential opportunities in this market come investor risks and challenges. FTSE Russell's involvement in this area relies on rigorous governance and oversight, including a defined process for the vetting of assets and exchanges.

### Index governance and oversight

While regulated equity exchanges have long-tested controls in place to ensure the quality of listings, in digital assets there are no equivalent barriers to entry. We as index providers look to align index development to the needs of the investment market.

While we continue to apply our rigorous governance framework, we have also had to develop new processes tailored to the specifics of this emerging asset class. To address the regulatory gap, FTSE Russell started from the most basic need for quality, aggregated pricing, setting a standard for asset and exchange consideration.

### Asset and exchange vetting

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

Constituents for the FTSE digital asset indices are derived from a starting universe where assets have been screened by FTSE Russell using a set of vetting criteria developed by FTSE Russell and DAR. This provides a better starting investment universe – a digital asset dataset that filters out questionable platforms, assets and trade information to meet demand for market liquidity and regulatory integrity.

The FTSE/DAR asset and exchange vetting process aims to identify those digital assets we consider investable for the purpose of index development for institutional use cases.

### FTSE Custom Digital Asset Top 20 Index

### FTSE Custom Digital Asset Infrastructure Index

### FTSE Custom Digital Asset Application Index

These three new FTSE Custom digital asset indices cover: the top 20 digital assets by market capitalisation; digital assets involved in crypto infrastructure (Layer 1 networks, along with protocols that offer storage, scaling and data services); and digital asset applications (DeFi, Games, Metaverse and other DApps).

The indices are subject to exclusion lists compiled by HashKey: for example, constituents of the FTSE Custom Digital Asset Top 20 index must be tradeable on an eligible cryptocurrency exchange in Hong Kong.

## Designing digital asset indices for Asian investors

FTSE Russell worked with Digital Asset Research and HashKey to develop three new custom digital asset indices for Asian investors. The three firms have the following management responsibilities:

- FTSE Russell is responsible for the daily calculation, production and operation of the index series, maintaining records of the index weightings of all constituents, making changes to the constituents and their weightings in accordance with the index ground rules, carrying out periodic reviews of the index series, implementing any resulting changes and disseminating the indices;
- Digital Asset Research (DAR) assesses the quality of pricing data, qualifies pricing sources, calculates the FTSE DAR Digital Asset Prices, supplies FTSE Russell with price feeds, advises on the eligibility of assets in the FTSE Custom Digital Asset Indices, vets digital assets and the broker dealers/exchanges of digital assets, and collects and validates the data it obtains, ensuring both digital assets and broker dealers/exchanges of digital assets pass a strict set of rules.
- HashKey is responsible for the submission of exclusion lists, as set out in the ground rules. For example, constituents of the FTSE Custom Digital Asset Top 20 index must be tradeable on an eligible cryptocurrency exchange in Hong Kong. And digital assets in sector indices that do not align with the overall sector objective are screened out.

The European Benchmark Regulation and the UK Benchmark Regulation do not apply to the index series. The indices are not intended to be used by supervised entities in the European Union or United Kingdom.

## Three new custom digital asset indices

### FTSE Custom Digital Asset Top 20 Index

The FTSE Custom Digital Asset Top 20 Index consists of the largest 20 digital assets by market capitalisation in the eligible universe. An asset will be excluded if it cannot be traded on eligible cryptocurrency exchange in Hong Kong. Monthly capping is applied so that any single asset does not exceed 40% of the index by weight.

### FTSE Custom Digital Asset Infrastructure Index

The FTSE Custom Digital Asset Infrastructure Index consists of assets primarily comprised of crypto infrastructure chains such as Layer 1 networks, along with protocols that offer storage, scaling and data services for these infrastructures. The index is equal-weighted on a monthly frequency. Sectors included (from the DAR Digital Asset Taxonomy) are:

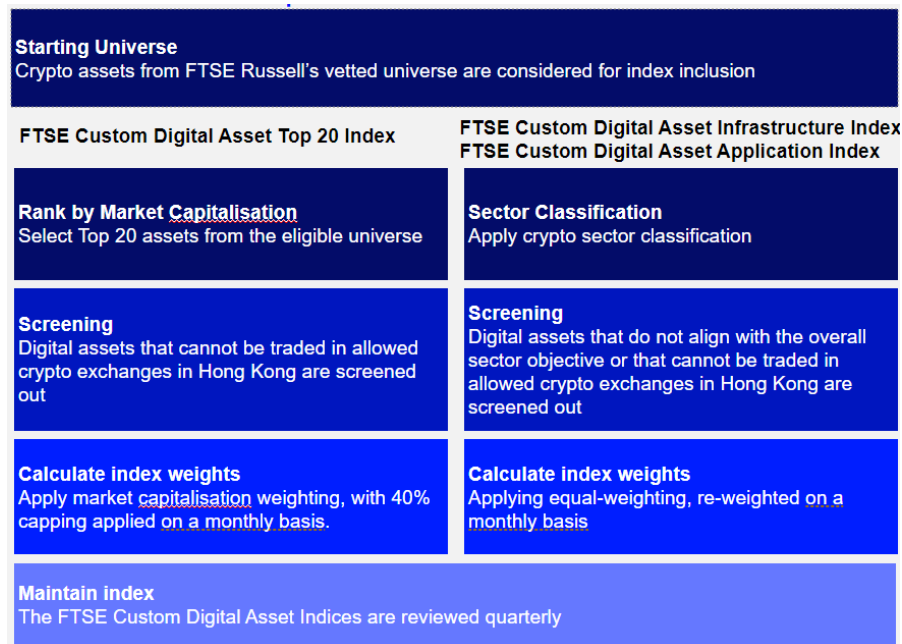
- Smart Contract Platforms (702020)
- Protocol Interoperability (702030)
- Notarisation and Supply Chain Management (702040)
- Distributed Computation and Storage (702050)

## FTSE Custom Digital Asset Application Index

The FTSE Custom Digital Asset Application Index consists of assets that encompasses DeFi, Games, Metaverse, and other Decentralised Apps that are directly accessible to web3 users and allow them to interact with the applications directly. The index is equal-weighted on a monthly frequency. Sectors included (from the DAR Digital Asset Taxonomy) are:

- Application Tokens (702010)
- Staking Instruments and Decentralised Autonomous Organisations (703010)

### Index customisation process



Source: FTSE Russell, January 2024

## Meeting regional investors' digital asset index needs

In this fast-developing area of the financial markets, the FTSE Custom digital asset indices meet Asian clients' needs for a bespoke methodology, tailored to local tradeability parameters.

## ABOUT FTSE RUSSELL

FTSE Russell is a leading global provider of index and benchmark solutions, spanning diverse asset classes and investment objectives. As a trusted investment partner we help investors make better-informed investment decisions, manage risk, and seize opportunities.

Market participants look to us for our expertise in developing and managing global index solutions across asset classes. Asset owners, asset managers, ETF providers and investment banks choose FTSE Russell solutions to benchmark their investment performance and create investment funds, ETFs, structured products, and index-based derivatives. Our clients use our solutions for asset allocation, investment strategy analysis and risk management, and value us for our robust governance process and operational integrity.

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.

## CONTACT US

To learn more, visit [lseg.com/ftse-russell](https://www.ftserussell.com); email [info@ftserussell.com](mailto:info@ftserussell.com); or call your regional Client Service team office:

**EMEA** +44 (0) 20 7866 1810

**Asia-Pacific**

**North America** +1 877 503 6437

**Hong Kong** +852 2164 3333

**Tokyo** +81 3 6441 1430

**Sydney** +61 (0) 2 7228 5659

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