

MSCI Global Digital Assets Smart Contract Index Methodology

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1 Introduction

The MSCI Global Digital Assets Smart Contract Index (“the Index”) aims to represent the performance of a digital assets investment strategy that focuses on digital assets that are associated with technology platforms supporting “Smart Contracts” features. A Smart Contract is a digital program that runs on a blockchain; moreover, it is a collection of programs and data that resides at a specific address on the underlying blockchain. Digital assets that support Smart Contracts functionality are capable of being used by a wide range of decentralized applications across industries.

The Index is constructed by selecting and weighting underlying Indexes that represent individual digital assets.

2 Constructing the MSCI Global Digital Assets Smart Contract Index

2.1 Applicable Universe

All¹ individual digital assets benchmarks (herein, “Crypto Reference Indexes”) published by Compass Financial Technologies² (herein, “Component Index Administrator”).

2.2 Eligible Universe

Crypto Reference Indexes representing digital assets that are classified in the Smart Contracts category are eligible for inclusion in the Index.

Digital assets are classified³ in the Smart Contracts category if,

- The blockchain network to which the asset belongs supports Smart Contracts and offers the functionality capable of building decentralized applications
- The network ecosystem of the digital asset (including the main chain and any side chains or parachains) supports Smart Contracts and offers the functionality capable of building decentralized applications
- The digital asset exists on top of a non-native network and allows for the execution of Smart Contracts

Crypto Reference Indexes from the Applicable Universe satisfying following criteria are not eligible for selection in the Index,

- Indexes representing digital assets identified as Stable coins/Pegged coins/Privacy coins
- Indexes representing digital assets placed in the bottom 5% of the Applicable Universe when ranked in the descending order of volume⁴ in US Dollar at the time of rebalance.

¹ Crypto Reference Indexes published by Compass Financial Technologies at least 60 days prior to the Index Review date. Refer to “Compass Crypto Reference Indices - Codes - Rounding” section for a detailed list of available Indexes.

² Refer to Compass Crypto Reference Indexes methodology for details on the index construction, at https://www.compassft.com/wp-content/uploads/CCRI_Methodology.pdf

³ Data provided by CryptoCompare (<https://data.cryptocompare.com/>)

⁴ Amount in US Dollar of a digital asset traded over the course of a day for a set of exchanges as defined by CryptoCompare (<https://data.cryptocompare.com/>)

2.3 Final Universe

At each Quarterly Index Review, digital assets corresponding to Crypto Reference Indexes in the Eligible Universe are ranked in the descending order of their full market capitalization⁵ and the top 10 digital assets are identified. Crypto Reference Indexes representing these 10 digital assets are included in the Final Universe. If the Eligible Universe consists of fewer than 10 Crypto Reference Indexes, all constituents of the Eligible Universe are included in the Final Universe.

2.4 Index Weighting Scheme

The Crypto Reference Indexes included in the Final Universe (herein, “Component Indexes”) are assigned weights in proportion of the full market capitalization of their corresponding digital assets. The maximum weight to a Component Index will be capped at 30% at each Index Review.

2.5 Index Calculation

The Index daily price returns are calculated as weighted-average daily price returns in US Dollar (USD) of the Component Indexes. The latest available daily index returns of the Component Indexes will be used for calculation of the returns of the Index. The Index is available in price variant calculated as per the MSCI Index Calculation Methodology⁶.

⁵ Calculated as the product of the price of the digital asset, represented by the corresponding Crypto Reference Index level, and Circulating Supply. Prices as of the previous day and Circulating Supply as of end of previous month prior to the rebalancing date are used for the calculation.

⁶ MSCI Index Calculation Methodology available at <https://www.msci.com/index-methodology>

3 Maintaining the MSCI Global Digital Assets Smart Contract Index

3.1 Quarterly Index Reviews

The MSCI Index follows a quarterly rebalance schedule, effective as of the first business day of March, June, September, and December.

The weights of Component Indexes constituting Index will be announced five business days prior to the effective date of each Quarterly Index Review (QIR). In between the quarterly reviews, the weights of the Component Indexes in the Index will evolve based on the relative daily return performance in USD of the Component Indexes.

3.2 Ongoing Event-Related Maintenance

There will be no addition to the Component Indexes between two successive Index Reviews. If any Component Index is terminated⁷ by the Component Index Administrator, it will be deleted from the Index on the day of termination with an advance notification of two days.

⁷ Please refer to Compass Crypto Reference Indexes methodology (specifically, "Index Calculation" and "Methodology Changes - Maintenance" sections) for details on component index termination, at https://www.compassft.com/wp-content/uploads/CCRI_Methodology.pdf

Appendix 1 – Digital Assets Terminology

- **Circulating Supply:** Quantity of a digital asset that is publicly available for trading and circulating on the market.
- **Full Market Capitalization:** Calculated as the product of the price of the digital asset, represented by the product of the corresponding Crypto Reference Index level and Circulating Supply.
- **Pegged Coins:** Digital assets that are linked to the specific value of an asset or commodity, not necessarily a stable reserve one, as is the case for Stable Coins (see definition below).
- **Privacy Coins:** Digital assets that preserve anonymity by obscuring the flow of money across their networks.
- **Smart Contracts:** Digital program that runs on a blockchain; moreover, it is a collection of programs and data that resides at a specific address on the underlying blockchain.
- **Stable Coins:** Digital asset that is pegged to a stable reserve asset like the U.S. dollar. Are designed to reduce volatility relative to unpegged digital assets.

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The process for submitting a formal index complaint can be found on the index regulation page of MSCI's website at: <https://www.msci.com/index-regulation>.

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