



Digital Asset Classification Standard (DACS) Glossary

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Introduction

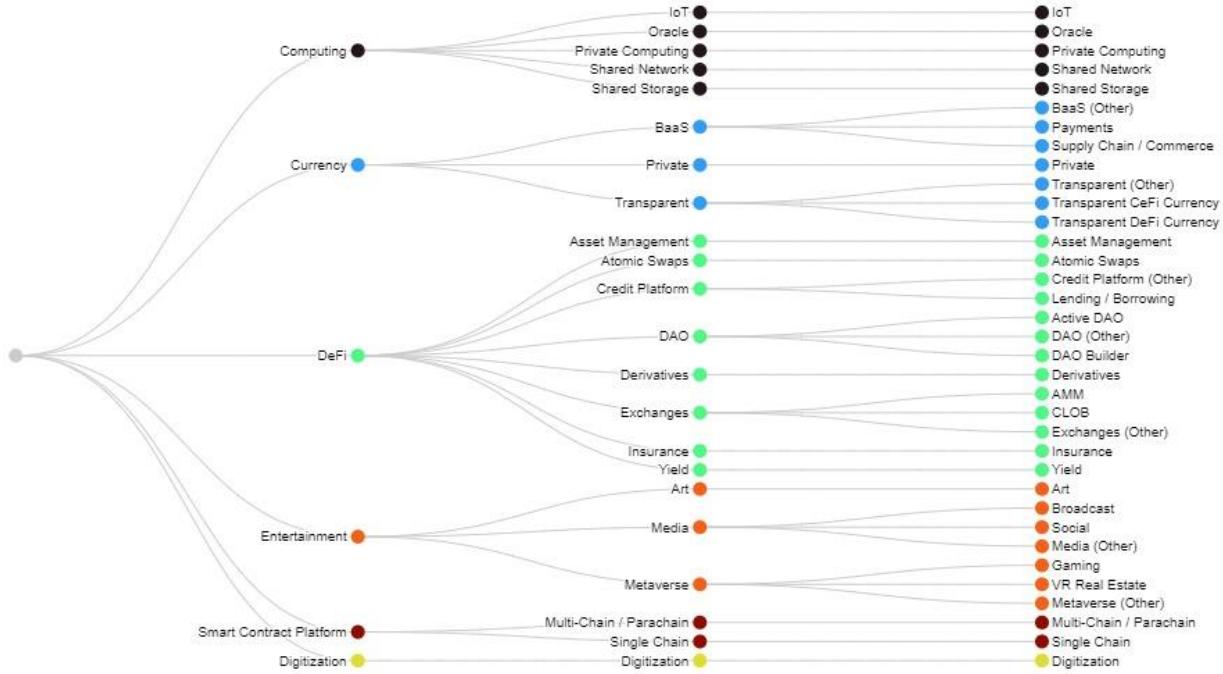
The digital asset industry has grown at a rapid pace since the inception of bitcoin in 2008, accelerating greatly over the few years. This booming new asset class has produced thousands of different projects with a wide variety of use cases and applications.

That extraordinary growth has created a commensurate amount of complexity. To help investors better understand the digital asset space, CoinDesk Indices is introducing the Digital Asset Classification Standard (DACS). The DACS will provide the market with structure and transparency to help classify and simplify the industries inside the asset class.

Using a classification standard to define markets is not a new concept. The Global Industry Classification Standard (GICS), developed by MSCI and Standard & Poor's in 1999, is widely used by equity investors to classify over 26,000 publicly traded companies globally. Research shows GICS explains stock return co-movements within sectors, helping investors determine important drivers for company valuations, identify relative value opportunities by comparing companies in the same sector and develop macro insights on sectors to make asset allocation decisions.

Furthermore, sector indices developed based on GICS have become the backbone for investors' allocation, risk and performance-evaluation models. According to a recent IIA benchmark survey, nearly half of the equity indices are sector- or industry-based, which really speaks to the power of GICS to modernize equity investing.

While DACS is unique to digital assets, it will serve many of the same functions as classification systems used for traditional asset classes. Among other things, DACS provides the market with a transparent and standardized method to determine sector and industry exposure, facilitates portfolio attribution analysis and will help pinpoint investment opportunities.



DACS Structure

6 Sectors, 22 Industry Groups, 35 Industries

Computing

The Computing sector consists of projects that aim to decentralize the sharing, storing, and transmission of data by removing intermediaries and ensuring privacy for all users. All projects that aim to gather, transmit, store and share data and web services in a decentralized manner are a key factor of building the infrastructure of Web 3.0. This includes on-chain and off-chain data transmission, social data platforms, peer-to-peer secure data transactions, open networks, free market private computation and decentralized file storage and file sharing.

- **IoT**: IoT projects aim to add to the development of the Internet of Things and Web 3.0 real world, off-chain connections. IoT platforms allow for application interoperability between IoT networks and blockchain DApps. IoT allows interconnectivity on a trustless network with no reliance on any central entity or centralized database of user info that can be subject to manipulation. IoT can allow the execution of smart contracts using oracles and real-world data.
- **Oracle**: Any project with the primary ability to gather, organize, and transmit either on-chain to on-chain data or off-chain to on-chain data in

real time. It typically operates with a native token to cover transaction costs and governance rights.

- **Private Computing:** Private computing refers to the free market buying and selling of cloud computing power, surplus bandwidth, and other computational services. Private computing markets are decentralized, global, and pseudonymous with no barrier to entry.
- **Shared Network:** Shared Network refers to an open-source market of distributed cloud computing that allows participants (miners) to offer energy and computation resources at a variable cost to pseudonymous buyers. Shared Network also includes open networks that provide miners with a low cost, decentralized alternative to the existing web service providers. The decentralized upholding of the network and its growth aligns with Metcalfe's law of networks, and relinquishes the need for large, centralized cloud service providers.
- **Shared Storage:** Shared storage refers to the decentralization of storage servers which are traditionally owned and operated by a central organization. Shared storage decentralizes the storage responsibilities across an open-source network of miners with a system of economic incentives. This allows for pseudonymous, private file sharing on a decentralized network. The centralization of data storage is a high risk for potential hacks and bad actors to access sensitive information. Shared storage platforms increase security of data storage by running on a blockchain network that allows for privacy and pseudonymity of data transmitters.

Currency

Currency sector refers to any digital asset acting primarily as a medium of exchange and unit of account running on a blockchain network with the ability to complete cross-border transactions without restriction. Digital assets in the Currency sector do not necessarily act as a store of value.

- **Blockchain as a Service (BaaS):** BaaS allows businesses, entrepreneurs, or governments to leverage cloud-based, permissioned blockchain services to build, use, and host various blockchain applications and develop permissioned blockchains with a closed-source node selection structure sometimes referred to as master nodes. All BaaS projects lack the Byzantine Fault Tolerant (BFT) consensus mechanism that most projects utilize to ensure a trustless, decentralized network.
 - **BaaS (other):** All permissioned Blockchain as a Service providers with use cases that could not be further classified at the industry level at this time.

- **Payments:** Blockchain based BaaS services intended purely for the unbarred global transaction of digital assets. Under BaaS Payments, native BaaS tokens are transferred between parties via a permissioned, master node validated blockchain.
 - **Supply Chain / Commerce:** Blockchain based BaaS services allow producers, distributors, and consumers to grow their customer and client networks by utilizing permissioned blockchains for the purpose of tracking, processing, and distributing goods and services while relying on a central entity to ensure the security and legitimacy of the master-node validated blockchain.
- **Private:** Any digital asset whose ledger does not display the deposit addresses of the sender or the receiver. In addition, the ledger does not reveal the wallet balances of any holder. This can include blockchains utilizing Zero Knowledge Proofs (zksnarks, zkrollups), Schnorr signatures, and any similar innovations that hide the addresses of users, while maintaining trust.
- **Transparent:** Any digital asset whose ledger displays the deposit addresses of both senders and receiver and may reveal wallet balances publicly.
 - **Transparent (Other):** All Transparent digital asset with use cases that could not be further classified at the industry level at this time.
 - **Transparent Cefi Currency:** Any digital asset distributed by a central entity and backed by a centralized reserve treasury (i.e., corporation, government, CBDC's, centralized exchange), or created for direct use on a centrally controlled platform such as a centralized exchange or centralized hot wallet. All tokens must be minted and transacted on a BFT smart contract platform.
 - **Transparent Defi Currency:** Includes all digital assets either mined or minted on a smart contract platform backed by a decentralized reserve treasury.

Decentralized Finance (DeFi)

Defi refers to digital assets that support financial products and services that are not facilitated or controlled by any central entity. These financial products and services are accessible without any barrier to entry or identification requirements. All DeFi tokens must be created on the Smart Contract Platforms and offer open-sourced liquidity with the ability for token holders to reserve governance rights.

- **Asset Management:** Protocols that provide access to different investment strategies on a single platform with no barrier to entry.

- **Atomic Swaps:** Cross-chain peer-to-peer trading enabling trustless, atomic trade execution with smart contracts.
- **Credit Platforms:** Decentralized credit programs where participants can lend out their tokens and earn an interest rate determined by an automated protocol.
 - **Credit Platforms (Other):** All DeFi Credit Platform tokens with use cases that could not be further classified at the industry level at this time.
 - **Lending / Borrowing:** Decentralized automated credit protocols that enable participants to lend their assets to earn yield and borrow from those staked assets from other liquidity providers.
- **Decentralized Autonomous Organization (DAO):** DAOs are open source blockchain protocols governed by a set of rules, embedded in smart contracts created by its elected members, that automatically execute certain actions without the need for intermediaries. A DAO can be defined as a protocol with the intended goal of securing a basket of digital assets while allowing the contributors to that basket to have direct governance rights over that basket. The governance rights allow contributors to vote to approve or deny proposals.
 - **Active DAO:** The Active DAO industry includes all Decentralized Autonomous Organizations currently operating with a group of participants or voters with the goal of decentralizing the decision making and operating processes of the DAO treasury.
 - **DAO (Other):** All DAO projects with use cases that could not be further classified at the industry level at this time
 - **DAO Builder:** Includes all platforms designed to help users build Decentralized Autonomous Organizations with customized governance settings and voting principles.
- **Derivatives:** Derivatives include tokens that support options, futures, perpetual swaps, margin trading, and leverage. Derivatives can also include synthetic derivatives that tokenize real-world assets.
- **Exchanges:** Decentralized exchanges allow token holders to do peer-to-peer trading that cannot be controlled, censored, or altered by any central authority.
 - **AMM:** Exchanges backed by a decentralized liquidity pool where prices are determined by an algorithm defined in a smart contract running on a single blockchain.

- **CLOB:** Exchanges backed by an order book for decentralized peer-to-peer trading on a single blockchain.
- **Exchanges (Other):** All decentralized exchanges and DeFi Trading Protocols with use cases that could not be further classified at the industry level at this time.
- **Insurance:** DeFi Insurance protocols allow users to hedge risk within a decentralized governance framework by purchasing insurance through a staking protocol that can match lost funds in case of a claim.
- **Yield:** Includes all DeFi vaults in which depositors can stake assets in a yield bearing vault that aggregates a positive yield from various defi platforms and assets.

Entertainment

Entertainment includes all projects aiming to decentralize social medias, create decentralized gaming worlds, and increase direct peer-to-peer interaction between content creators and their audience. while maintaining user privacy, security, and ownership of data and digital assets.

- **Art:** All platforms for minting Non-Fungible Tokens (NFTs) intended for digital artistic creations and collectibles. This industry also includes decentralized marketplaces for NFT artwork as well as native tokens for NFT Marketplaces.
- **Media:** All projects aiming to decentralize social media platforms including broadcast streaming and video sharing as well as create direct links between content creators, consumers, and advertisers.
 - **Broadcast:** All platforms that allow for broadcasting on a decentralized platform that is not centrally governed, have no barrier to entry, and are censorship resistant. Broadcasting platforms that qualify for Web 3.0 do not utilize traditional advertiser to consumer strategy, but establish direct connections between advertiser, content creators, and audiences.
 - **Social:** All platforms that allow for uncensored interaction between peer-to-peer users and/or users and content creators and sponsors. Social also includes platforms designed for the minting of social tokens for various intended use cases such as decentralized governance.
 - **Media (Other):** All Media projects with use cases that could not be further classified at the industry level at this time.

- **Metaverse:** Blockchain based virtual worlds and augmented realities including gaming realms (also referred to as GameFi) and virtual real estate. Virtual worlds must maintain a decentralized marketplace and the ability to tokenize and trade digital assets within the metaverse.
 - **Gaming:** Video games that allow for free market trading and decentralized ownership of in-game digital assets. Assets must be able to be custodied via decentralized wallets as NFT's or native game token currencies. Also includes peer-to-peer gambling AMM platforms.
 - **VR Real Estate:** All virtual worlds that have a limited supply of real estate, allowing for the authenticable ownership of virtual plots of land that are traded on a free market with no barrier to entry.
 - **Metaverse (Other):** All Metaverse projects with use cases that could not be further classified at the industry level at this time.

Smart Contract Platforms

Smart contracts are computerized blockchain protocols that execute terms of a contract. Smart Contracts represent computer code that ensures when the terms of the contract are met by both parties, it will execute automatically, allowing for trustless transactions peer-to-peer. Smart Contract Platforms are designed for the building of decentralized applications, layer 2 scaling solutions, DAO's, and custom protocols. Each platform has a unique open source user and miner incentive structure and utilizes BFT consensus mechanism. Each platform utilizes a native token for the payment towards building on the platform, providing liquidity, and allowing interoperability between the native token and newly created tokens built on the platform.

- **Multi-Chain / Parachain:** A smart contract platform that allows for multiple parallel blockchains and cross-chain interoperability. Can be structured with a relay chain that allows slots for external parallel chains or parachains. The relay chain allows for pooled security and pooled block execution allowing each parachain to be an isolated, independently validated blockchain that can achieve its own levels of scalability.
- **Single Chain:** A Layer 1 blockchain in which all transactions are recorded on the primary distributed ledger. Single chain allows for layer 2 scaling solutions that remain tied to the primary blockchain for transactional competency.

Digitalization

Digitalization refers to the process by which real world documents, contracts, public names, etc. are uploaded to a blockchain for the purpose of

transparency, publicly verifiable ownership, and immutability. Proof of ownership, identity, and authenticity are both valuable traits that blockchain technology has enabled for the digitization of real-world subjects.

Appendix 1: Historical Changes

Effective Date	Type	Previous	Current
2/1/2022	Industry Name Change	DEX	CLOB
2/1/2022	Structure Modification	Atomic Swaps included as an Industry under Exchanges in DeFi Sector	Atomic Swaps included as its own Industry Group in DeFi Sector
1/1/2022	Industry Name Change	Transparent CeFi Token	Transparent CeFi Currency
1/1/2022	Industry Name Change	Transparent DeFi Token	Transparent DeFi Currency
1/1/2022	Industry Group & Industry Name Change	Indexers	Asset Management
1/1/2022	Definition Change for Indexers Industry (renamed Asset Management Industry)	Protocols that provide access to a diversified portfolio of digital assets with index rules defined by a smart contract. Indices that investors can gain exposure to by either depositing into an index vault/pool or buying the index native token that tracks the performance of the weighted index.	Protocols that provide access to different investment strategies on a single platform with no barrier to entry.
1/1/2022	Removal of Swaps Industry Group	Swaps is an eligible Industry in DACS	Swaps Industry is no longer eligible in DACS - digital assets previously classified in the Swaps Industry are re-classified.
1/1/2022	Definition Change for Atomic Swaps Industry	DEXs and AMMs that allows token exchange across multiple blockchains.	Cross-chain trading enabled by trustless, atomic trade execution with smart contracts without the use of a centralized exchange.

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