CoinDesk Indices Seeks Feedback on Changes to the CoinDesk 20 Index Methodology

November 26, 2024 (Update): CoinDesk Indices ("CDI") has amended the consultation issued on November 19, 2024 to provide additional details on the Reference Rates that are being proposed to price CoinDesk 20 Index constituents.

CoinDesk 20 Index Consultation Amendment
The CoinDesk 20 Index consultation issued on November 19, 2024, discussed the creation of dedicated reference rates for the CoinDesk 20 Index. The index currently has two versions:

- **CoinDesk 20 Spot (CD20SPOT):** Uses Spot Reference Rates.

- **CoinDesk 20 (CD20):** Uses Settlement Reference Rates.

Proposal: Update Calculation of Spot and Settlement Reference Rates
Current Methodology:

- **CD20 Spot Index:** Pricing for constituents is based on Spot Reference Rates, which use an exponentially weighted volume-weighted median price during a 30-second lookback period to price each index constituent.

- **CD20 Index:** Pricing for constituents is based on Settlement Reference Rates, which use a Volume Weighted Average Price (VWAP) during a rolling 60-minute lookback period to price each index constituent.

For more details on these Reference Rates, please refer to the CoinDesk Reference Rate Methodology.

Proposed Changes:

- **CD20 Spot Index:** The new "Spot" pricing will be based on CCData's CCIX pricing methodology, with modifications to the list of contributing exchanges as defined in the consultation (see Proposed Exchanges). CCIX is calculated using the most recent trades on each contributing exchange, weighted by its 24-hour volume.

- **CD20 Index:** The new "Settlement" pricing will use a Volume Weighted Average Price (VWAP) of trades across all contributing exchanges that occurred during the hour of calculation. At the end of each hour, the VWAP will represent a 60-minute look-back for the current hour and will be reset at the start of the new hour. For example, a VWAP at 9:40 AM would use 40 minutes of trading activity starting at 9:00 AM.

For more details on CCIX, please refer to the CCIX Methodology.

CoinDesk Indices is seeking feedback on proposed changes to the CoinDesk 20 Index Methodology and the Reference Rates used to price its constituents.

Objectives: The proposed changes are part of an initiative to create dedicated Reference Rates to support CoinDesk 20 and future related products. These changes also reflect an initiative to improve liquidity by incorporating /USDC pairs in some Reference Rates, exclude certain exchanges, and adjust the rebalancing calendar in response to client feedback. Finally, we propose to incorporate certain CCData content to support CDI methodologies. (CoinDesk purchased CCData in November 2024.)

Proposed Changes to the CoinDesk 20 Index Methodology

1. **Update Eligible Universe:** Eliminate requirement that a digital asset must be included in the CoinDesk Market Index to be eligible for the CoinDesk 20 Index.

2. **Update Timing of Index Reconstitutions:** Shift reconstitution implementation to the last business day of January, April, July and October.

Proposed Changes to Reference Rates

1. **Include USDC Pairs:** Consider both USD and USDC pairs on Eligible Exchanges.

2. **Update Exchange Eligibility Criteria:**
   a. Utilize CCData's Exchange Benchmark for additional screening of Eligible Exchanges.
   b. Exclude exchanges that are defined as "Excluded Exchanges" in the CoinDesk Digital Asset Indices Policy Methodology.

Summary of Proposed Changes:

Proposal 1: Remove Dependency on the CoinDesk Market Index

Propose removing these eligibility requirements:

- Must be a constituent of the CoinDesk Market Index
- Has a CoinDesk Reference Rate with three contributing Eligible Exchanges with at least **two** of the contributing exchanges able to service U.S. investors

Propose adding these eligibility requirements:

- Must be within the top 250 by market capitalization
- Must be listed and trading on one or more Eligible Exchanges for the past 90 days
- Has a CoinDesk Reference Rate with three contributing Eligible Exchanges with at least **one** of the contributing exchanges able to service U.S. investors

Proposal 2: Update Reconstitution Schedule

- **Current Timing**: Effective on the 2nd business day of January, April, July, and October.

- **Proposed Timing**: Effective on the last business day of January, April, July, and October.

Current and Proposed Timing:

Activity Description	Current Timing	Proposed Timing
Reconstitution Reference Date	2 business days prior to Announcement Date (e.g. March 17, 2025)	2 business days prior to Announcement Date (e.g. April 14, 2025)
Announcement Date	14 calendar days prior to Effective Date (e.g. March 19, 2025)	14 calendar days prior to Effective Date (e.g. April 16, 2025)
Weighting Reference Date	7 calendar days prior to Effective Date (e.g. March 26, 2025)	7 calendar days prior to Effective Date (e.g. April 23, 2025)
Effective Date	4pm Eastern Time on the 2nd business day of Jan/Apr/Jul/Oct (e.g. April 2, 2025)	4pm Eastern Time on the last business day of Jan/Apr/Jul/Oct (e.g. April 30, 2025)

Proposal 3: Include USDC Pairs in Reference Rates

- **Current Requirement**: Only USD denominated trading pairs on Eligible Exchanges are considered.

- **Proposed Requirement**: USD and USDC denominated trading pairs on Eligible Exchanges are considered, with USDC to USD conversion applied.

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Proposal 4: Update Exchange Eligibility

In addition to the criteria defined in the CoinDesk Digital Asset Indices Policy Methodology, ensure each Eligible Exchange meets the following criteria:

1. Is a centralized spot exchange ranked BB or higher in CCData's latest published Exchange Benchmark report. For more information on the Exchange Benchmark, click here.
2. Is not classified as an Excluded Exchange[1] as defined in the CoinDesk Digital Asset Indices Policy Methodology.

Proposed Eligible Exchanges	CCData Exchange Benchmark Ranking
Bitfinex	BB
Bitstamp	AA
Bullish	A
Bybit	A
Coinbase	AA
Crypto.com	BB
Gemini	A
itBit	BB
Kraken	AA
LMAX Digital	A
OKX	A

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[1] Excluded Exchange Definition: Certain CoinDesk Indices products support derivatives and other exchange-listed financial products that may require additional cooperation and support from contributing exchanges. The Benchmark Oversight Committee may designate one or more exchanges as an Excluded Exchange as it deems necessary or prudent to ensure adequate support. Excluded Exchanges will be ineligible to contribute to relevant Single Digital Asset Price Indices and Reference Rates as specified in their respective methodologies.

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Index Impact

To illustrate the impact of the changes resulting from the proposals outlined above, a reconstitution was simulated, including applicable buffers, using the current CoinDesk 20 Index constituents and data available as of the October 2024 reconstitution reference date. Below are the results:

Asset	Name	Current Selection	New Selection
BTC	Bitcoin	30.00%	30.00%
ETH	Ethereum	20.00%	20.00%
SOL	Solana	18.26%	16.13%
XRP	XRP	9.76%	8.62%
TON	Toncoin	0.00%	3.64%
TRX	TRON	0.00%	3.37%
ADA	Cardano	3.51%	3.10%
AVAX	Avalanche	2.82%	2.49%
LINK	Chainlink	1.90%	1.68%
DOT	Polkadot	1.86%	1.64%
BCH	Bitcoin Cash	1.82%	1.61%
LTC	Litecoin	1.39%	1.23%
NEAR	NEAR Protocol	1.30%	1.15%
UNI	Uniswap	1.14%	1.01%
ICP	Internet Computer	1.12%	0.99%
APT	Aptos	0.85%	0.75%
XLM	Stellar	0.83%	0.73%
POL	Polygon Ecosystem Token	0.80%	0.70%
RENDER	Render (Solana)	0.73%	0.64%
FIL	Filecoin	0.59%	0.52%
ETC	Ethereum Classic	0.78%	0.00%
HBAR	Hedera	0.54%	0.00%

Timing of Changes

Any changes resulting from this consultation for Proposal 1 and/or Proposal 2 will be implemented at a future reconstitution date after results are announced, subject to CDI providing sufficient lead time.

Changes resulting from Proposal 3 and/or Proposal 4 will be implemented with sufficient lead time and may not coincide with a reconstitution effective date.

Consultation Questions:

1. Do you agree with Proposal 1 to modify the eligible universe to remove the requirement that a digital asset must be a constituent of the CoinDesk Market Index to be eligible for the CoinDesk 20 Index.
2. Do you agree with Proposal 2 to update the reconstitution schedule?
3. Do you agree with Proposal 3 to include USDC pairs on Eligible Exchanges for the Reference Rates used to calculate the CoinDesk 20 Index.
4. Do you agree with Proposal 4 to update the Exchange Eligible to: i) use CCData's Exchange Benchmark ranking as part of the criteria and, ii) remove Excluded Exchanges?
5. Do you agree with the creation of new Reference Rates as described in the Consultation Amendment?
6. Do you agree with the timing of changes.

All responses to this consultation should be sent to <u>indexservices@coindesk-indices.com</u>. This consultation will close on December 13, 2024. Once closed, the Index Committee will review the feedback and announce the results within 30 days.

Regards,

CoinDesk Indices

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