



## CoinDesk Indices Proposes Modifications to Index Eligibility for Assets Designated as Securities

**June 21, 2023:** CoinDesk Indices (“CDI”) is seeking feedback on a proposal to modify the Policy Methodology for digital assets that are designated as unregistered securities.

### Background

On June 6, 2023, CDI issued an announcement following the SEC lawsuit filed against Coinbase. In that announcement, CDI indicated that it would not remove the digital assets designated as securities by the SEC in its allegation. Instead, CDI monitored exchange activity for these assets as well as other eligibility criteria as detailed in its Index Methodologies to determine whether the designated tokens continued to qualify for its indices.

Based on this decision, CDI is proposing to modify its Policy to incorporate its approach to reviewing index eligibility in these situations. Below is the current and proposed language.

### Current Language

*Digital assets that are securities, as defined by the federal securities laws, or under such consideration by any U.S. government oversight agency, are not eligible for inclusion in a CoinDesk index with the exception of the CoinDesk Market Index family.*

*In the event a current constituent is designated as a security based on the above definition, it will generally be removed from the impacted index at a date to be determined by the Index Committee. If the impacted index is a Single Digital Asset Price Index, the impacted index will be reviewed by the Index Committee for potential termination. These events will be treated as a Type B index change as detailed in the Announcement Schedule for Index Changes below.*

*In the event a current constituent has not been officially designated as a security but is under consideration by any U.S. government oversight agency, it will generally remain an index constituent.*

### Proposed Language



*CDI's Indices are primarily intended to be replicable by investors, particularly from the perspective of a U.S.-based investor given the utilization of USD pricing pairs, which predominantly trade in the U.S. currently.*

*Digital assets that are determined to be unregistered securities under the U.S. securities laws may be delisted by Eligible Exchanges and not available for investment by U.S. persons. Accordingly, this Policy Methodology seeks to exclude such digital assets ("Excluded Digital Assets") from most CDI Indices. CDI may solicit feedback from stakeholders in certain circumstances. Exceptions may exist for certain indices, such as the CoinDesk Market Indices (CMI) Family, which do not have "Excluded Digital Assets" as part of the eligibility criteria and so are not impacted by a digital asset being designated as a security.*

*Digital assets that have been alleged to be securities by regulatory authorities but whose status is subject to dispute will generally remain eligible constituents of the Indices to the extent they continue to meet all other eligibility criteria in the applicable index methodology.*

*Any determination under this Methodology with respect to whether a digital asset is (or is not) an Excluded Digital Asset should in no way be construed as a determination as to whether or not such digital asset is (or is not) a 'security' for legal purposes.*

## Designated Assets

Table 1 provides a sample of digital assets that have been designated by U.S. authorities as unregistered securities ("**Designated Assets**"). This is not meant to be an exhaustive list.

**Table 1: Designated Assets**

Token	Name
ADA	Cardano
ALGO	Algorand
AMP	Amp
ATOM	Cosmos
AXS	Axie Infinity
BNB	BNB
BUSD	Binance USD
CHZ	Chiliz
COTI	COTI
DASH	Dash
DASH	Dash
DDX	DerivaDAO



DFX	DFX Finance
FIL	Filecoin
FLOW	Flow
ICP	Internet Computer
IHT	IHT RE Protocol
KROM	Kromatika
LCX	LCX
MATIC	Polygon
NEAR	NEAR Protocol
NEXO	Nexo
NGC	NAGA
OMG	OMG Network
POWR	Powerledger
RGT	Rari Governance
RLY	Rally
SAND	The Sandbox
SOL	Solana
TKN	Monolith
VGX	Voyager Token
XRP	Ripple
XYO	XYO

## Index Impact

Based on the Proposed Language above, **Designated** Assets (as well as future assets that may be designated as unregistered securities by the SEC) that are current index constituents may qualify for inclusion in CDI's indices if they meet all other eligibility criteria as defined in the applicable index methodology. In addition, digital assets that were previously excluded based on being a **Designated** Asset, may now qualify for inclusion in CDI's indices if they meet all other eligibility criteria as defined in the applicable index methodology.

## Timing

In the event this consultation leads to modifications to the methodology, CDI recommends the modifications for current constituents should be implemented immediately to avoid unnecessary turnover. For non-constituents, digital asset eligibility will be reviewed at the next scheduled reconstitution after the modifications are announced.

## Consultation Questions:



1. Do you agree with the Proposed Language above? If not, please provide your rationale.
2. Do you agree that digital assets previously excluded from a CoinDesk index based on the current language that now qualify based on the proposed language should be considered for index inclusion?
3. If modifications are implemented, do you agree with the timing of implementation as detailed above? If not, please provide rationale.

**All responses to this consultation should be sent to [indexservices@coindesk-indices.com](mailto:indexservices@coindesk-indices.com). This consultation will be closed on July 20, 2023. Once closed, the Index Committee will review the feedback and announce results within 30 days.**

**\*\* IMPORTANT ANNOUNCEMENT \*\***

*While any decisions related to this consultation will not be announced before July 21, 2023, CoinDesk Indices will apply the proposed language for current index constituents to reduce index turnover.*

For questions on this consultation, please email [IndexServices@coindesk-indices.com](mailto:IndexServices@coindesk-indices.com).

Regards,

CoinDesk Indices



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