

How Web3 Measures Digital Ownership

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Introduction: A Power Shift

Web 3.0 – also known as “Web3” or “Web 3” is a term that has become increasingly popular and synonymous with the next stage of internet technologies. The new stage is exemplified by advances in the development of digital assets. Web 3.0 describes the next generation of the internet that allows users to participate beyond reading, enabled by Web 1; and writing; enabled by Web 2.0. For example, in the 1990’s, Web 1 was comprised mostly of a collection of links and homepages that were readable but not particularly interactive. In 2004, Web 2.0, the next evolution of the internet, allowed people to not only read content, but also create their own and publish it on blogs and various social media channels. As people became better informed on how their personal data was collected and used by the publishing, social media, and the big tech, a greater awareness and need arose for more privacy, ownership, and control of individual information and content. Therefore, Web 3.0 emerged as the next iteration of the internet that aims to reduce dependency on large technology companies using decentralized protocols. Web 3.0, therefore, can be seen as a power shift from big tech to consumers and the greater public.

Evolving Stakeholder Dynamics

The digital assets that represent Web 3.0 are characterized by open, autonomous, and decentralized technologies within internet ecosystems that enable trustless infrastructure and remove intermediaries and central monopolies. This gives individual users power and ownership over their data, identity, digital assets, security, and transactions. They can participate in the governance and operation of protocols as participants and shareholders, not just customers or products.

Web 3.0 technologies can run autonomously with no need for a centralized organization to maintain their operation; this frees up creative resources to build out a universe of decentralized financial tools and applications (dApps). Using decentralized applications, users can leverage their digital ownership and online footprint through their Web 3.0 interactions.

Web 3.0 Digital Assets in CoinDesk DACS

According to the CoinDesk Digital Asset Classification Standard (DACS), the standard for defining the industries of digital assets, Web 3.0 is not defined as an industry, industry group or sector. Rather, it is comprised of a diverse set of digital assets across industry groups. The index that represents digital assets within the Web 3.0 ecosystem is called CoinDesk Industry Group Select Equal Weight Index (DIGS). DIGS measures the performance of the largest digital asset in each industry group defined by DACS that meets certain market capitalization, trading, and custody requirements. It also excludes stablecoins and meme coins.

Web 3.0 covers a broad range of applications that extends beyond one industry, industry group, or sector within DACS. So, a digital asset is eligible for inclusion in the DACS Index Universe, if it is ranked in the top 200 in the most recent DACS report. But this is not the only requirement for inclusion in the

Index. There are two critical criteria that directly impact eligibility for inclusion in the Index: investability and liquidity. Based on these two criteria, eligible digital assets must:

- have an average market cap of \$1.5 billion over the seven days leading up to the reconstitution;
- be listed on three eligible exchanges with custodian services available from Coinbase Custody; and
- be accessible by U.S. investors

Key Assets in DIGS

In the spirit of size, liquidity, and diversification across Industry Groups, the Index constituent selection process, which reconstitutes quarterly, targets the largest digital asset from each Industry Group, subject to a buffer rule to reduce turnover. At its inception date of 4/4/2022, the index is made of ten digital assets included in DIGS, each representing a unique Industry Group: Oracle (LINK); Shared Storage (FIL); Private (ZEC); Transparent (BTC); Credit Platform (AAVE); DAO (MKR); Exchanges (UNI); Metaverse (MANA); Multi-Chain / Parachain (AVAX); and Single Chain (ETH).

Conclusion

Web 3.0 is an extremely important advancement to the functionality of the internet that allows users to participate in it beyond reading and writing by owning their personal content to reduce dependency on large technology companies. This has become possible through the use of decentralized protocols. It gives individual users power over their data, identity, digital assets, security, and transactions. Although Web 3.0 is not defined by DACS, it nevertheless helps investors navigate the full stack of Web 3.0 applications through its sector, industry group, and industry taxonomy.

The CoinDesk Industry Group Select Equal Weight Index (DIGS) gives investors greater transparency into the value of digital ownership in the world of Web 3.0 and offers a framework to them to access the most liquid and investable assets in this space.

Relevant Indices

CoinDesk Industry Group Select Equal Weight Index (DIGS)

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