

# CoinShares Equally Weighted Crypto Index (COINCECI)

## Benchmark Statement

4th of October 2021

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## 1. General information

*Index Name:*

- CoinShares Equally Weighted Crypto Index (COINCECI)

*Initial date of publication:*

- CoinShares Equally Weighted Crypto Index (COINCECI): 4<sup>th</sup> of October 2021

*Index Owner:* CoinShares (Holdings) Limited (Jersey)

*Index Administrator:* Compass Financial Technologies (France)

*Index Calculation Agent:* Compass Financial Technologies (France)

## 2. Index description and objective

The CoinShares Equally Weighted Crypto Index has been designed to provide a diversified exposure to the 5 most liquid cryptoassets. The index is based on equal weights and rebalances once a month on the first business day of each month.

We believe there are several advantages to an equal weighted index over a market capitalization index. Evidence suggests that equal weighted indices have historically produced superior returns (Qin, Nan and Singal, Vijay, Equal-Weighting and Value-Weighting: Which One is Better? (July 27, 2021) - Review of Quantitative Finance and Accounting (2021)).

Equal weighting makes an index more diversified, rather than heavily concentrated by a dominant player, this is particularly problematic in the digital asset world where Bitcoin has dominated for so many years. While equal weighted methodologies can lead to greater volatility and drawdowns, on balance, we believe capturing the ascendance of smaller, upcoming digital assets is more important in the rapidly growing digital asset class.

The CEI is designed with the aim of providing diversified exposure to the alternative asset space. Accordingly, the Index must:

- Be comprised of a small number of liquid, investable constituent assets
- Exhibit a relatively stable composition in terms of constituents with asset weights that do not vary dramatically between rebalancing periods, leading to low turnover
- Be specified in a clear and unambiguous manner to facilitate validation and reproducibility
- Hold constituent assets on a long basis only
- Not make use of leverage

## 3. Regulatory information

The Benchmark is non-significant benchmark according to EU Regulation 2016/1011 given:

(a) it is not used directly or indirectly within a combination of benchmarks as a reference for financial instruments or financial contracts or for measuring the performance of investments funds having a total average value of at least EUR 50 billion on the basis of all the range of maturities or tenors of the benchmark, where applicable, over a period of six months; and



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(b) it has market-led substitutes and, in the event that the benchmark ceases to be provided or is provided on the basis of input data no longer fully representative of the underlying market or economic reality or unreliable input data, the benchmark administrator do not anticipate a significant and adverse impact on market integrity, financial stability, consumers, the real economy or the financing of households or businesses in the EU.

## 4. Index Methodology

### 4.1. Constituents and Market Data

#### 4.1.1. Constituent Eligibility and Selection

The CECI is composed of a fixed number of constituents including five cryptoassets. The cryptoasset constituents of the Index are the top five eligible cryptoassets based on the 6-month rolling average of free-float market capitalisation.

#### 4.1.2. Data Sources

The daily price levels of the crypto-constituents in the Index are calculated using historical tick-by-tick trade data provided by Kaiko. Kaiko is an independent digital assets market data provider based in Paris since 2014. Kaiko collects, normalizes, stores, and delivers raw, normalized trade and quote data on 74 exchanges and more than 9'000 pairs. Kaiko has worked with over 300 customers globally, including, funds, institutions, regulators, academics and crypto start-ups. Kaiko's methodology is fully public and can be found on their website. Their data collection runs on multiple redundant global centers, which ensures the consistency of data delivery, and their data is versioned to avoid being impacted by breaking changes.

The 6-month rolling mean market capitalisation is computed through the daily market capitalisation figures, calculated by multiplying the daily price of each constituent by its daily liquid supply. Liquid supply data is provided by Messari and prices are obtained through the process explained in the index methodology. We define an asset's liquid supply as the number of units that currently exist on-chain and which are not known to be encumbered by any contracts. Note that an encumbering contract could be both an on-chain smart-contract, or a traditional human-space legal contract. Thus, this figure takes into account both on-chain-lockups and founder/investor vesting and lockup periods.

Messari, Inc. is a market intelligence company focused on the digital asset ecosystem. The company's tools and research provide customers with actionable insights to confidently make decisions in a fast moving space.

#### 4.1.3. Index Disruption – Extraordinary events

“Index Disruption Event” or “Extraordinary Event” means, in the determination of the Index Administrator, the occurrence of any of the following events affecting the Index:

- Temporary loss of sufficient data
- Index Contributor default to provide the input data on time
- the Index Administrator considers that the Index Contributor cannot pursue its role as Index Contributor

If an Index disruption or an Extraordinary event occurs, the Index Administrator will take any appropriate action to remedy the disruption.



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## 4.2. Amendment to the Index methodology

This methodology may be supplemented, amended in whole or in part, revised or withdrawn at any time. Supplements, amendments, revisions and withdrawals may also lead to changes in the way the Index is compiled or calculated or affect the Index in another way.

In the absence of exceptional circumstances affecting the Index calculation or methodology, the Index is reviewed annually in November to ensure that:

- The Index continues to measure the market interest under consideration
- The methodology and computation are in line with the original purpose of the Index
- The quality and quantity of the input data remain sufficient

Changes will be subject to the review and approval of the CECI Steering Committee which will receive all the information related to the change. In case of material changes, a notice will be provided at least two weeks in advance.

Changes made to the Index methodology or with computation parameters decided during the annual review are published after the review date and implemented on the first rebalancing date following the review.

The results of the CECI Steering Committee will be published in a press release on Compass Financial Technologies and The CoinShares Group websites and distributed in a timely manner to data vendors and news sources.

The Index Administrator shall inform Index licensees of any amendment to the Index methodology with reasonable prior notice. The notification document shall provide Index licensees with the amendments, the reasons for making such amendment and the effective date of the changes.

## 5. Cessation of the Index

The Index Administrator has established procedures to be followed for termination of a Compass Index. Any termination of a Compass Index must be approved in advance by the Index Committee. A notice to licensees will be published in advance of the termination.

Before disactivating an index, the Index Administrator always determines whether there are any listed financial products issued on that index as the underlying. The Index Administrator terminates indices only provided that:

- a) All existing commercial customers have been consulted, and commercial relationships have been terminated or transitioned accordingly.
- b) Consultations with stakeholders have not led to the decision to continue the index.

The Index Administrator is not responsible for determining or offering an alternative index to its subscribers or other stakeholders when the Index is terminated. However, the Index Administrator may recommend an alternative index if it considers, based on various criteria, that this alternative index could be a credible substitute index.



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