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Introduction

Index Objective

The CoinDesk Select Sector Index series are designed to measure the market-capitalization weighted performance of some of the largest and most liquid digital assets classified in eligible DACS sectors that meet certain trading and custody requirements.

Additional Details

The CoinDesk Select Sector Index series (the “Indices”) are based on the Digital Asset Classification Standard (DACS). Constituents of each index must be included in DACS and assigned to the appropriate Sector. For more information on DACS including Sector definitions, please refer to the DACS Glossary.

This methodology was created by CoinDesk Indices (“CDI”) to achieve the Index Objective stated above. There may be circumstances or market events which require CDI, in its sole discretion, to deviate from these rules to ensure each Index continues to meet its Index Objective. This document should be read in conjunction with the CoinDesk Digital Asset Indices Policy Methodology.

Table 1: List of Indices

<table>
<thead>
<tr>
<th>Index Name</th>
<th>Index Ticker</th>
<th>Launch Date</th>
<th>Base Date</th>
<th>Base Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>CoinDesk Smart Contract Platform Select Index</td>
<td>SCPX</td>
<td>03/15/2022</td>
<td>03/10/2022</td>
<td>1000.00</td>
</tr>
<tr>
<td>CoinDesk Smart Contract Platform Select Ex ETH Index</td>
<td>SCPXX</td>
<td>03/15/2022</td>
<td>03/10/2022</td>
<td>1000.00</td>
</tr>
</tbody>
</table>

Eligibility criteria

Universe Eligibility

To be included in an Index Universe, a digital asset must meet the following criteria as of the Reconstitution Reference Date:

1. The digital asset must be ranked in the top 200 in the most recently published DACS report and assigned to the appropriate DACS Sector as defined in Table 2.
2. Custodian services for the digital asset must be available from Coinbase Custody, a division of Coinbase Global Inc. and must be accessible by U.S. investors.
3. The digital asset must not be a stable coin or categorized as a meme coin as determined by CDI.
4. The digital asset must have been listed on an Eligible Exchange for a minimum of 30 days leading up to the Reconstitution Reference Date. For details on Eligible Exchanges, refer to the CoinDesk Digital Asset Indices Policy Methodology.

Table 2: DACS Sector Eligibility

<table>
<thead>
<tr>
<th>Index Name</th>
<th>DACS Sector Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>CoinDesk Smart Contract Platform Select Index</td>
<td>Smart Contract Platform</td>
</tr>
</tbody>
</table>

Index Construction

Constituent Selection

The constituent selection process targets the largest and most liquid digital assets from the Selection Universe subject to a final constituent count between 5 and 10 and buffer rules designed to reduce unnecessary turnover.

All digital assets that pass the Eligibility Criteria will be ranked by market capitalization, as of the Reconstitution Reference Date, in descending order. The 20 highest ranked digital assets that meet the Eligibility Criteria form the Selection Universe. In the event there are fewer than 20 digital assets in the Selection Universe, the Index Committee reserves the right to include digital assets ranked beyond the top 200 as described in the Eligibility Criteria.

Constituents will be selected from the Selection Universe as follows:

1. For each digital asset in the Selection Universe, calculate the Median Daily Value Traded (MDVT) across eligible exchanges over the previous 30-day calendar period leading up to the Reconstitution Reference Date.
2. For each digital asset in the Selection Universe, determine the closing market capitalization as of the Reconstitution Reference Date.
3. Based on the results from Step 1 and Step 2, the market cap and liquidity requirements are determined as follows:

   a. Non- Constituent Liquidity Requirement = 1.20 times the median MDVT of the Selection Universe
   b. Non- Constituent Market Cap Requirement = 1.20 times the median closing market cap of the Selection Universe.
   c. Constituent Liquidity Requirement = median MDVT of the Selection Universe
   d. Constituent Market Cap Requirement = median closing market cap of the Selection Universe
4. Following the determination of the market cap and liquidity requirements, all digital assets that traded on fewer than 3 eligible exchanges as of the Rebalance
Reference Date, will be considered ineligible and, therefore, removed from the Selection Universe.

5. All digital assets in the Selection Universe following Step 4 that were included in the Watchlist (as determined during the last reconstitution) will be evaluated against the Non- Constituent Liquidity and Non-Constituent Market Cap Requirements. All current constituents in the Selection Universe will be evaluated against the Constituent Liquidity and Constituent Market Cap Requirements. Digital assets that meet or exceed these requirements will be selected as index constituents (see Table 3). Based on the following results:
   a. If fewer than 6 digital assets are selected, the market cap and liquidity requirements for non- constituents will be relaxed to the requirements for constituents (Note: the digital asset must be included on the Watchlist and in the Selection Universe to be selected).
   b. If more than 10 digital assets are selected, the digital asset(s) with the smallest market cap will be removed until 10 digital assets remain.

6. If Step 5 results in at least 5 digital assets selected as constituents, the selection process is complete. Otherwise, the buffers for market cap and liquidity will be relaxed further starting with current constituents until a minimum of 5 constituents are selected.

Table 3: Selection Requirement:

<table>
<thead>
<tr>
<th>Requirement for Inclusion</th>
<th>Non-Constituents</th>
<th>Constituents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Included in Selection Universe</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Included on latest Watchlist</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Minimum Markets Test</td>
<td>3 eligible exchanges</td>
<td>3 eligible exchanges</td>
</tr>
<tr>
<td>Closing Market Cap</td>
<td>&gt;= median Market Cap of the Selection Universe * 1.20</td>
<td>&gt;= median Market Cap of the Selection Universe</td>
</tr>
<tr>
<td>30-day Median Daily Value Traded (MDVT)</td>
<td>&gt;= median 30-day MDVT of the Selection Universe * 1.20</td>
<td>&gt;= median 30-day MDVT of the Selection Universe</td>
</tr>
</tbody>
</table>

Constituent Weighting

Constituents are market capitalization weighted subject to a minimum weight requirement of one percent. The following process is used to weight constituents at each reconstitution:

1. Determine the preliminary weights of each constituent based on its market capitalization as a percentage of the total market capitalization of all constituents.
2. A minimum weight of one percent is required for all constituents. The preliminary constituent weights from Step 1 will be reviewed against the minimum weight. Any constituent with a preliminary constituent weight below the minimum weight requirement will be removed and its weight will be redistributed proportionally to the remaining constituents. A constituent will not be dropped, if its removal results in the constituent count dropping below 5.
3. The results determined in Step 2 will be the final constituents and weights.

Circulating Supply

At each reconstitution, the circulating supply for each constituent is determined based on the latest circulating supply on the Weighing Reference Date (see Index Maintenance). The circulating supply is not updated between reconstitutions.

Index Calculation

The indices are calculated in real-time using reference rates for each underlying constituent as described below.

Constituent pricing

Real-time “spot” reference rates for constituent digital assets are calculated approximately every 5 seconds by CDI using a volume weighted average price (VWAP) across three contributing exchanges over the prior 60 minutes. Price and volume inputs are sourced and normalized from the contributing exchanges. Additional validations on the data inputs, such as outliers, are not performed.

Contributing exchanges for each constituent digital asset are determined each quarter based on the following process:

1. Determine the 90-day notional volume in the USD quoted market on each Eligible Exchange.
2. Rank the results of Step 1 in descending order.
3. The top two exchanges from Step 2 are automatically selected as contributing exchanges.
4. The third contributing exchange will be selected from the remaining exchanges based on the following buffer rules:
   a. The highest ranked current non-contributing exchange will be selected if its volume determined in Step 1 is 1.20 times the volume of the highest ranked current contributing exchange not selected in Step 3.
   b. Otherwise, the highest ranked remaining current contributing exchange is selected.

The process above is repeated for each digital asset.

Calculation Formula

The weight of each constituent digital asset will be calculated each day at 4PM NY time based on the circulating supply determined at the prior reconstitution and the latest 24-hour VWAP of the applicable reference rate. Once calculated, this weight will be used for the following 24-hour calculation period.
\[ W_i = \frac{(VWAP_{i,4PM} \times \text{Supply}_{PR})}{\sum_{i=1}^{N}(VWAP_{i,APM} \times \text{Supply}_{PR})} \]

where:
- \( W_i \) = Weight of constituent \( i \)
- \( VWAP_{i,4PM} \) = Latest 24-hour VWAP of constituent \( i \) at 4PM
- \( \text{Supply}_{PR} \) = Circulating Supply as determined at the prior reconstitution
- \( N \) = Number of constituents

The index will be calculated based on the following formula:

\[ Index_t = Index_{t-1} \times (1 + \sum_{i=1}^{N}(W_{i,4PM} \times \frac{\text{Constituent Price}_{i,t}}{\text{Constituent Price}_{i,t-1}} - 1)) \]

where:
- \( Index_{t} \) = Index Value at time \( t \)
- \( Index_{t-1} \) = Index Value calculated just prior to time \( t \)
- \( W_{i,4PM} \) = Latest weight of constituent \( i \) as determined at 4PM NY time
- \( N \) = number of constituents
- \( \text{Constituent Price}_{i,t} \) = Reference Rate for constituent \( i \) at time \( t \)
- \( \text{Constituent Price}_{i,t-1} \) = Reference Rate for constituent \( i \) used to calculate \( Index_{t-1} \)

### Index Maintenance

#### Index Reconstitution

Each index is reviewed on a quarterly basis based on the rules described above. Any index changes resulting from the quarterly review are announced two weeks prior to the effective date and implemented on the second business day of January, April, July and October. Please see Table 4 for the reconstitution timing.

**Table 4: Reconstitution Timing**

<table>
<thead>
<tr>
<th>Activity Description</th>
<th>Timing</th>
<th>Example Reconstitution Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reconstitution Reference Date</td>
<td>Announcement Date minus 2 business days</td>
<td>03/17/2022</td>
</tr>
<tr>
<td>Announcement Date</td>
<td>Effective Date minus 14 calendar days (following business day if this is a holiday)</td>
<td>03/21/2022</td>
</tr>
</tbody>
</table>
Lock-down Circulating Supply (Weighting Reference Date) | Effective Date minus 2 business days | 03/31/2022
---|---|---
Effective Date | 4PM on the 2nd business day of the start of each quarter | 04/04/2022

In addition to the quarterly process, constituents are monitored for potential anomalies and trading disruptions. Out-of-review monitoring, which would require an index modification, only applies in extraordinary circumstances. Incident types that would require one or more index modifications are outlined in the CoinDesk Digital Asset Indices Policy Methodology.

**Deletions**

If a constituent is removed from an index outside of the schedule reconstitution process, its weight will be set to zero on the removal effective date and it will no longer contribute to index returns. The impacted constituent will be considered for inclusion at future reconstitutions if it meets the Eligibility and Selection Criteria.

**Additions**

There will be no additions to the index between reconstitutions unless the constituent count drops below 5. If the constituent count drops below 5, the Index Committee will review the eligible universe and determine the appropriate action.

**DACS Sector Reclassification**

In the event the DACS sector is modified for an existing index constituent between reconstitutions, the impacted constituent will remain in the index until the next scheduled reconstitution. Based on the new sector assignment, the impacted digital asset will be added automatically to the Watchlist for the relevant Select Sector index, if one exists, and be reviewed at the next reconstitution for possible inclusion.

**Watchlist**

Following the Constituent Selection and Weighting processes, a new Watchlist will be created that will be used for the Constituent Selection process for the next Reconstitution. The process to create the Watchlist is as follows:

1. All digital assets in the Selection Universe that were not selected as constituents for the current reconstitution are evaluated against the Constituent Liquidity Requirement and Constituent Market Cap Requirements determined in Step 3 of the Constituent Selection process.
2. All digital assets in Step 1 that meet or exceed both requirements will form the new Watchlist.
Data Distribution

Index values are calculated 24x7 and follow UTC convention. Real-time index values are available publicly at https://tradeblock.com and/or https://coindesk.com/indices/ and are also available to subscribers via REST, WebSocket APIs, and scheduled email updates.

Index Governance

The CoinDesk Index Committee provides ongoing oversight of the Index and this Methodology. For more details on the Index Committee, please refer to the Index Governance section of the CoinDesk Digital Asset Indices Policy Methodology.
Appendix 1: Data sources

This section describes data sources used to maintain, reconstitute, and calculate the Indices. If data is not available for any reason from the sources described in this appendix, other data sources may be used.

**Price data**

Prices used to calculate VWAPs are sourced from Eligible Exchanges.

**Volume data**

Volume data used to calculate VWAPs are sourced from Eligible Exchanges.

**Reconstitution Data**

Market capitalization and circulating supply data are provided by CoinMarketCap.com. Notional volume is sourced from eligible exchanges.

**Other data**

The availability of requisite custodian services for digital assets is obtained directly from the custody provider(s).
Appendix 2: Reference Rate Details

The table below is a summary of the three contributing exchanges for each constituent reference rate.

<table>
<thead>
<tr>
<th>Constituent</th>
<th>Binance.US</th>
<th>Bitstamp</th>
<th>Coinbase Pro</th>
<th>Kraken</th>
<th>LMAX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Algorand (ALGO)</td>
<td>X</td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Avalanche (AVAX)</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cardano (ADA)</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cosmos (ATOM)</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethereum (ETH)</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Polkadot (DOT)</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Polygon (MATIC)</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Solana (SOL)</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stellar Lumens (XLM)</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Appendix 3: CoinDesk Smart Contract Platform Select Ex ETH Index

The CoinDesk Smart Contract Platform Select Ex ETH Index (“SCPXX”) measures the market capitalization weighted performance of the constituents of the CoinDesk Smart Contract Platform Select Index (“SCPX”) excluding Ethereum.

SCPXX follows the same maintenance and reconstitution schedule as SCPX.

At each reconstitution, the new list of constituents for SCPX, excluding Ethereum, are selected and form the index. The weight of Ethereum is proportionally redistributed to the remaining constituents. The final constituents are weighted by market capitalization.
## Appendix 4: Methodology Changes

The table below provides a summary of material changes, if any, to this Index Methodology.

<table>
<thead>
<tr>
<th>Effective Date</th>
<th>Prior Treatment</th>
<th>Updated Treatment</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# Appendix 5: Document Revision History

<table>
<thead>
<tr>
<th>Description</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Version</td>
<td>March 12, 2022</td>
</tr>
<tr>
<td>Revision: Update Reference Rate Contributing Exchanges</td>
<td>April 4, 2022</td>
</tr>
</tbody>
</table>
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