

# Bitwise Crypto Innovators 30 Index Methodology Document

Version 1.3

## Change History

| Version Number | Editor        | Date       | Comments   |
|----------------|---------------|------------|--|
| 1.0            | Gareth Parker | 05/05/2021 | Document first published   |
| 1.1            | Gareth Parker | 13/10/2021 | Reduction in liquidity requirement from \$1m to \$0.5m, as per committee decision at Q2 meeting.   |
| 1.2            | Gareth Parker | 09/03/2022 | Reduction of fast entry barrier from \$10bn to \$5bn, broadening of definition of "IPO" to "listings" and conversion of SPACs. Removal of 2.4.3(iv) - tier 2 eligibility criteria related to on-balance-sheet crypto asset holdings. |
| 1.3            | Gareth Parker | 10/06/2022 | Non-material change to the definition of Tier 2 Crypto Innovators.   |

## Distribution

| Name   | Firm/Department | Location |
|--------|-----------------|----------|
| Public |                 |          |

## 1. Introduction

### 1.1. The Bitwise Crypto Innovators 30 Index – Capturing the Crypto Economy

- 1.1.1. The Bitwise Crypto Innovators 30 Index is an equity index that provides focused exposure to companies that are building the future of the crypto-asset-enabled decentralized economy.
- 1.1.2. The index is divided into two tiers: not less than 80% of the index comprises a pure-play tier (“Tier 1”), composed of companies that are primarily focused on the crypto market, and a not more than 20% of the index comprises a supporting tier (“Tier 2”), composed of large-cap companies with diversified business interests that include at least one significant public business line focused on the crypto market.
- 1.1.3. Constituents are weighted by adjusted market capitalization (as described within this document), with adjustments made to focus exposure on Tier 1 companies, to ensure diversification, and to ensure tradability of each underlying constituent when traded as part of an index portfolio trade.

## 2. Governance

### 2.1. General

2.1.1. The indices are designed to be compliant with the IOSCO Principles for Financial Benchmarks<sup>1</sup>, the US Regulated Investment Company (RIC) rules, and the UK/EU UCITS "5/10/40" rules.

### 2.2. Bitwise Index Services

2.2.1. Bitwise Index Services is the index provider, administrator and owner of the Bitwise Crypto Innovators 30 Index.

### 2.3. Moorgate Benchmarks Limited

2.3.1. Moorgate Benchmarks Limited is calculator of the index. Moorgate is regulated by the Financial Conduct Authority as a registered benchmark administrator under the UK benchmarks regulation and by BaFin as a registered benchmark administrator under the EU benchmarks regulation.

### 2.4. Bitwise Crypto Innovators Classification Group

2.4.1. The Bitwise Crypto Innovators Classification Group determines which companies meet the criteria to be classified as a Crypto Innovator.

2.4.2. Generally speaking, Tier 1 Crypto Innovator must either:

- i) derive more than 75% of their revenue directly from servicing cryptocurrency markets, including crypto mining firms, crypto mining equipment suppliers, crypto financial services companies, or other financial institutions servicing primarily crypto-related clientele; or,
- ii) have more than 75% of their net assets accounted for by direct holdings of bitcoin, ethereum, or another liquid cryptoasset; and,
- iii) not be in bankruptcy proceedings.

2.4.3. Tier 2 Crypto Innovators are those companies determined by the Bitwise Crypto Innovators Classification Group as meeting the following criteria:

- i) not being classified as a Tier 1 Crypto Innovator; and,
- ii) being a large cap company, defined as having a full market capitalization of \$10bn or greater; and either,

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<sup>1</sup> A statement of compliance with the Principles can be found at [www.moorgatebenchmarks.com](http://www.moorgatebenchmarks.com).

- iii) having a significant revenue-generating dedicated business initiative explicitly focused on the crypto ecosystem that is reported in at least one of the company's official quarterly or annual filings from the past 12 months, including initiatives involving the purchase, sale, development, custody, mining, or trading, transacting in, processing transactions with, or holding of crypto assets or derivative instruments that track the value of crypto assets; or,
- iv) holding at least 0.05% of the current free float-adjusted market capitalization of the Bitwise 10 Large Cap Crypto Index.

2.4.4. The Bitwise Crypto Innovators Classification Group operates independently of the operation and management of the index.

## 2.5. Bitwise Equity Index Management Committee

- 2.5.1. The Bitwise Equity Index Management Committee is responsible for the management and implementation of these rules, for their continuing fitness for purpose, and therefore for any periodic amendments thereto. It is also responsible, in the event of the rules not providing a clear process for the management of any situation, for determining the process to be followed.
- 2.5.2. The committee is composed of a chairman appointed by Bitwise Index Services, a minimum of two additional members selected either from Bitwise Index Services or external index experts, and a representative of the index calculator, Moorgate Benchmarks Ltd.
- 2.5.3. Members of the Bitwise Equity Index Management Committee may not serve on the Bitwise Crypto Innovators Classification Group.
- 2.5.4. The Bitwise Equity Index Management Committee convenes on a quarterly basis, in the first week of March, June, September and December.
- 2.5.5. Full details of its responsibilities are detailed within the Committee's terms of reference.

## 2.6. Moorgate Benchmarks Index Management Committee

- 2.6.1. The Moorgate Benchmarks Index Management Committee oversees the day-to-day management of the index and the periodic reviews of the index.
- 2.6.2. Where an index-impacting event occurs the resolution of which is not clear from these rules, and that due to time constraints cannot be discussed with the Bitwise Index Management Committee, the Moorgate Benchmarks Index Management Committee is empowered to decide on the most appropriate action to take to resolve the event. The action will be disclosed to the Bitwise Index Management Committee for its review.

## 2.7. Index Methodology Changes

- 2.7.1. Members of the Bitwise Equity Index Management Committee, Moorgate Benchmarks Index Management Committee, and stakeholders may at any time recommend changes to these Rules (including the Index construction criteria) by submitting any proposed changes for consideration and approval in advance of the Bitwise Equity Index Management Committee's next meeting.

- 2.7.2. Proposed rules changes that the Committee deems material will be publicly consulted on, according to the policy detailed within the Moorgate Benchmarks Cessation or Material Change Policy, available from [www.moorgatebenchmarks.com](http://www.moorgatebenchmarks.com).
- 2.7.3. Following approval by the Bitwise Equity Index Management Committee, such changes shall be implemented by way of an update to these rules, which shall be published on [www.moorgatebenchmarks.com](http://www.moorgatebenchmarks.com) and [www.bitwiseinvestments.com](http://www.bitwiseinvestments.com).
- 2.7.4. Except in exceptional circumstances, new rules and rules adjustments will become effective after the following quarterly review of index constituents and weightings.

## 3. Index construction

### 3.1. Eligible shares

#### Theme eligibility

- 3.1.1. Securities of potentially eligible issuers identified by the Bitwise Crypto Innovators Classification Group as being either “Tier 1” Crypto Innovators, or “Tier 2” Crypto Innovators, represent the initial eligible universe of potential constituents for the index.

#### Geographic Eligibility

- 3.1.2. Eligible stock exchanges are evaluated annually by the Bitwise Equity Index Management Committee. In general, a stock exchange will qualify as an eligible stock exchange if there is not an undue burden for US investors to access and settle trades on that exchange in a timely fashion.
- 3.1.3. Potential constituents whose primary exchange is not one of the exchanges shown in Appendix A are removed from the eligible universe.

#### Size eligibility

- 3.1.4. Shares with a minimum full market capitalization of less than \$100m are removed from the eligible universe.<sup>2</sup>

#### Liquidity

- 3.1.5. Shares with a 3-month average daily traded value lower than \$0.5m are removed from the eligible universe.

Shares with a price above \$50,000 are removed from the universe.

#### Free float

- 3.1.6. Shares with a free float of less than 10% are removed from the universe.

### 3.2. Constituent Selection and RIC/UCITS-Compliant Weighting

#### Initial Constituent Selection

- 3.2.1. The Bitwise Crypto Innovators 30 Index comprises the largest twenty Tier 1 issuers and the largest ten Tier 2 issuers, measured by full market capitalization, that remain eligible after the application of the above screening criteria.
- 3.2.2. If the number of eligible Crypto Innovators falls below 25 (in Tier 1) or 15 (in Tier 2), the Bitwise Equity Index Management Committee reserves the right to adjust eligibility criteria to increase the number of identified Crypto Innovators.

#### Constituent weighting - Tier 1 constituents

- 3.2.3. Constituents that are Tier 1 Crypto Innovators will in aggregate comprise 85% of the index at index inception and at index reviews.

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<sup>2</sup> Note, during index quarterly reviews, existing constituents whose capitalization remains above \$75m will remain eligible with respect to their market capitalization.

- 3.2.4. Tier 1 Crypto Innovators will be weighted according to free float-adjusted market capitalization, and each constituent's weight then proportionally reduced so the cumulative weight of Tier 1 Crypto Innovators is 85%.

**Constituent weighting - Tier 2 constituents**

- 3.2.5. Constituents that are Tier 2 Crypto Innovators will in aggregate comprise 15% of the index at index inception and at index reviews.
- 3.2.6. Tier 2 Crypto Innovators will be equal weighted.

**RIC- and UCITS-compliant weighting**

- 3.2.7. Any individual constituent whose overall index weight is greater than 10% once the above calculations are complete will have its overall index weight capped at 10%. Weight removed from capped constituents will be distributed pro-rata across uncapped constituents from the same Tier.
- 3.2.8. Where the sum of individual index constituent weights that exceed 5% is greater than 35%, index constituents will be ranked in reverse order of previously-calculated index weight.
- 3.2.9. Commencing with the largest constituent, cumulative index weight is calculated, and the constituent whose added weight brings the cumulative weight above 35%, and all remaining constituents, will have their maximum allowable weight set to 4.5%.
- 3.2.10. Weight removed from each Tier will be redistributed pro-rata across the remaining uncapped constituents within that Tier.
- 3.2.11. The process above (3.2.7 to 3.2.10) is repeated, if necessary, until no constituent's weight is greater than 10% and the sum of individual index constituent weights that exceed 5% is not greater than 35%.



## 4. Quarterly review of the Bitwise Crypto Innovators 30 Index

### 4.1. Timings

4.1.1. The Bitwise Crypto Innovators 30 Index is reviewed quarterly, using the process described below.<sup>3</sup>

4.1.2. Dates applicable to reviews are detailed below:

| Date  | Name                |   |
|---|---------------------|---|
| On or before the first Friday of March, June, September and December  | Determination date  | Date on which data is collected for use in the index review.          |
| On or before the second Friday of March, June, September and December | Review release date | Date on which the results of the review are published to licensees.   |
| The third Friday of March, June, September and December               | Implementation date | Date on which the results of the review are implemented in the index. |

4.1.3. Where US markets are closed on a determination, review release or implementation date, the previous day on which US markets are open will be used instead of the indicated date.

### 4.2. Review process

4.2.1. As of the determination date, share prices, shares in issue, Bitwise Crypto Innovator classifications and related data is captured.

4.2.2. The eligible universe is created, as described in 3.1 above, other than that existing constituents whose full market capitalization remains above \$75m will remain eligible.

4.2.3. Eligible Tier 1 and Tier 2 companies (including both constituents and non-constituents) are ranked in two separate lists, in reverse order of full market capitalization.

4.2.4. The largest twenty eligible companies within Tier 1 will comprise the new Tier 1 index constituents.

4.2.5. The largest ten eligible companies within Tier 2 will comprise the new Tier 2 index constituents.

4.2.6. Constituents are reweighted according to the process described in section 3.2 above.

4.2.7. The results of the quarterly review process are published on the review release date.

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<sup>3</sup> Please note the possible exception scenario resulting from an intra-review tier reweighting, as detailed in section 5.5.

4.2.8. The results of the quarterly review process are implemented at the close of business on the implementation date.

## 5. Calculation of the Bitwise Crypto Innovators 30 Index

### 5.1. Index versions calculated

- 5.1.1. Price, net total return, and gross total return versions of each index are calculated.
- 5.1.2. The index is calculated in US dollars.
- 5.1.3. The index is an end of day index, calculated on all US business days using the closing auction price received from each constituent's primary listing exchange, converted (where necessary) using the WM/Refinitiv London 4pm closing spot values, and is published shortly after the close of US markets.

### 5.2. Index formula & divisor calculations

- 5.2.1. For details of the index calculation formula and related processes, please refer to the "Moorgate Benchmarks Equity Index Calculation Guide". The Bitwise Crypto Innovators 30 Index is treated as a market capitalization-weighted index.

### 5.3. Constituent fast entry

- 5.3.1. The index provider monitors for initial public offerings, new listings on an eligible market, and the completion of SPAC acquisitions, where the entity is classified as a Tier 1 company.
- 5.3.2. Subject to 5.3.33, and in the event that the entity has a full market capitalization at the close of its first day of full trading greater than \$5bn and is larger than the smallest Tier 1 constituent in the index, it will be included in the Bitwise Crypto Innovators 30 Index at the close of its second day of trading.
- 5.3.3. If the addition of a "fast entry" company would cause the index to have more than 25% of its weight in companies with less than six months of public trading activity, the company will not be added but instead will be eligible for inclusion at the following quarterly review, in the usual manner.
- 5.3.4. If its float-adjusted weight would otherwise be higher than 10%, a fast entry will be capped such that it would have represented 10% of the index at the close of its first day of trading.
- 5.3.5. The weight represented by the fast entrant will be taken, pro rata, from the other Tier 1 constituents.
- 5.3.6. In the event of a constituent entry under the fast entry process, no constituent will be removed and therefore the index will (presuming no companies have exited the index since the last review) comprise more than 30 constituents until the next index review.

### 5.4. Constituent exits between reviews

- 5.4.1. The handling of constituents who undergo takeover or mergers follows the policy detailed in the Moorgate Benchmarks Equity Index Calculation Guide.

- 5.4.2. Constituents removed due to takeovers or mergers, or for any other reason, are not replaced until the next index review.
- 5.4.3. Where a constituent is removed, the weight of the constituent is distributed pro-rata across the remaining constituents in its Tier. If the company is removed at a zero value, due to bankruptcy etc, no redistribution of weight is necessary.

## 5.5. Intra-review tier reweighting

- 5.5.1. The relative weights of Tier 1 and Tier 2 are monitored. If the cumulative index weight of Tier 1 constituents falls below 80% at close on any US business day, the weights of Tier 1 and Tier 2 constituents will be reset, using the process described in section 3.2, to 85% and 15% respectively, the new weights immediately announced and then implemented two business days later.<sup>4</sup>
- 5.5.2. If the weight of Tier 1 falls below 80% during an index review period, i.e. between an index determination date and implementation date, the implementation of that review will be brought forward and will take place two business days after the day on which the weight fell below 80%. No changes will occur on the previously-scheduled implementation date.

## 5.6. Other corporate actions and events

- 5.6.1. The constituents of the Bitwise Crypto Innovators 30 Index are proactively maintained to reflect changes that may result from corporate actions.
- 5.6.2. The management of corporate events follows the processes and procedures outlined in the Moorgate Benchmarks Corporate Actions Guide – Market Capitalization Weighted Indices.

## 5.7. Errors

- 5.7.1. If an error is discovered in an index value Moorgate Benchmarks will follow the process outlined in the “Moorgate Benchmarks Error Correction Policy”, available at [www.moorgatebenchmarks.com](http://www.moorgatebenchmarks.com).

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<sup>4</sup> For the avoidance of doubt, as part of this process individual constituents within tier 1 will have their weights capped as described in section 3.2, and tier 2’s constituents will be reset to equal weights.

## 6. Exceptions and amendments to these Rules

### 6.1. Exceptions

- 6.1.1. Moorgate Benchmarks shall apply the method described above for the composition and calculation of the indices. However, it cannot be excluded that the market environment, supervisory, legal, financial or tax reasons may require unforeseen changes to be made to the Bitwise Crypto Innovators 30 Index. Where possible, such changes will be made in conjunction with the Bitwise Equity Index Management Committee, and in all instances, reported to that committee.
- 6.1.2. Wherever exceptions are required, Moorgate Benchmarks will endeavour to ensure a calculation method is applied that is consistent with the method described in this document.

### 6.2. Amendments

- 6.2.1. Moorgate Benchmarks Limited and Bitwise Index Services notify users of the benchmarks that whilst it is the policy of Bitwise Index Services as administrator to consult fully on any material change to a benchmark, it is possible that circumstances, particularly external events beyond the control of Moorgate Benchmarks and Bitwise Index Services, may necessitate immediate changes to, or the cessation of, a benchmark and therefore, any financial contracts or other financial instruments that reference the benchmarks, or any market participants that use the benchmarks in valuations should plan to be able to manage the possibility of changes to, or cessation of, the benchmarks. Please consult the Moorgate Benchmarks Cessation or Material Change Policy for further details.
- 6.2.2. The Bitwise Equity Index Management Committee may prescribe changes to the selection criteria and other rules governing the indices and the method applied to calculate the indices, which it deems to be necessary and desirable in order to prevent material errors or to remedy, correct or supplement the rules currently described in these Guidelines.
- 6.2.3. Bitwise Index Services and Moorgate Benchmarks shall ensure that any amendments to the methodology are updated and published as soon as possible after any changes to the indices are implemented, and shall notify all persons who have licensed the use of the indices as far in advance of such implementation as reasonably practicable.

## 7. Data publication

### 7.1. Data distribution

- 7.1.1. The index values are published via various data vendors. Each vendor determines whether they will distribute/display the index data via their respective information systems. Values are also published at [www.bitwiseinvestments.com](http://www.bitwiseinvestments.com) and [www.moorgatebenchmarks.com](http://www.moorgatebenchmarks.com).
- 7.1.2. The composition of the index, as well as the respective weightings of index constituents, is published on a retrospective basis in respect of each review date on the business day immediately following the next review date, at [www.bitwiseinvestments.com](http://www.bitwiseinvestments.com) and [www.moorgatebenchmarks.com](http://www.moorgatebenchmarks.com).

## 8. Contact details

- 8.1.1. The index provider, Bitwise Index Services, can be contact at [indexes@bitwiseinvestments.com](mailto:indexes@bitwiseinvestments.com) More information is available at [www.bitwiseinvestments.com](http://www.bitwiseinvestments.com).
- 8.1.2. The index calculator, Moorgate Benchmarks Ltd, can be contacted at [info@moorgatebenchmarks.com](mailto:info@moorgatebenchmarks.com). More information is available at [www.moorgatebenchmarks.com](http://www.moorgatebenchmarks.com).

## 9. Legal

- 9.1.1. Bitwise Index Services or any successor thereto (the “Index Provider”) owns solely and exclusively the intellectual property rights in the Bitwise Crypto Innovators 30 Index and its methodology (excluding methodological elements not developed specifically for the creation of the Bitwise Crypto Innovators 30 Index). Any use or publication of such intellectual property, as well as of the Bitwise trademark or any other Bitwise related methodologies, provisions or values, must be with the prior written consent of the Bitwise Index Services.
- 9.1.2. Bitwise Index Services assumes no obligation, duty or liability to any person in relation to the Index save as provided in any written agreement with such person. Bitwise Index Services makes no express or implied warranty as to:
- a) the advisability of purchasing or assuming any risk in connection with any transaction related to the Index;
  - b) the levels at which the Index stands at any particular time on any particular date;
  - c) the results to be obtained by any party from the use of the Index or any data included in it for the purposes of issuing securities or carrying out any financial transaction;
  - d) any other matter.
- 9.1.3. Bitwise Index Services may assign the proprietary rights in the Index to a third party in its reasonable discretion.

## 9.2. Licensing

- 9.2.1. Licenses to use the indices as the underlying value for investment products and derivative instruments may be issued to stock exchanges, banks, financial services providers and investment houses by Bitwise Index Services.



## Appendix A: Eligible Exchanges

| Country     | Exchange Name                             | MIC  |
|-------------|---|------|
| USA         | New York SE Floor Equities                | XNYS |
| USA         | NYSE AMERICAN Floor Equities              | XASE |
| USA         | NASDAQ Capital Market                     | XNCM |
| USA         | NASDAQ Global Select Market Equities      | XNGS |
| USA         | Cboe BZX trading NYSE/NYSE AMRCN Eq       | BATS |
| USA         | NASDAQ Global Market Equities             | XNMS |
| Australia   | Australian Securities Exchange            | XASX |
| Austria     | Wiener Boerse AG                          | WBAH |
| Belgium     | Euronext Brussels                         | XBRU |
| Canada      | Toronto Stock Exchange                    | XTSE |
| Canada      | Canadian National Stock Exchange          | XCNQ |
| Canada      | TSX Venture Exchange                      | XTSX |
| Canada      | NEO Exchange                              | NEOE |
| Denmark     | Nasdaq Copenhagen                         | XCSE |
| Finland     | Nasdaq Helsinki Ltd                       | XHEL |
| France      | Euronext Paris                            | XPAR |
| Germany     | XETRA                                     | XETR |
| Hong Kong   | Hong Kong Stock Exchange and Clearing Ltd | XHKG |
| Ireland     | Euronext Dublin                           | XDUB |
| Israel      | Tel Aviv Stock Exchange                   | XTAE |
| Italy       | Borsa Italia                              | MTAA |
| Japan       | Tokyo Stock Exchange                      | XTKS |
| Netherlands | Euronext Amsterdam                        | XAMS |
| New Zealand | New Zealand Exchange                      | XNZE |
| Norway      | Oslo Bors                                 | XOSL |
| Portugal    | Euronext Lisbon                           | XLIS |
| Singapore   | Singapore Exchange                        | XSES |
| Spain       | Bolsa De Madrid                           | XMAD |
| Sweden      | Nasdaq Stockholm AB                       | XSTO |
| Sweden      | NASDAQ First North Growth Market          | FNSE |

|                |                       |      |
|----------------|-----------------------|------|
| Switzerland    | SIX Swiss Exchange AG | XSWX |
| United Kingdom | London Stock Exchange | XLON |

## Appendix B: Index Information

| Name  | Ticker   | Value | Inception Date |
|---|----------|-------|----------------|
| Bitwise Crypto innovators 30 Price Return Index     | XBITQ    | 5000  | 19/03/2021     |
| Bitwise Crypto innovators 30 Total Return Index     | XBITQTR  | 5000  | 19/03/2021     |
| Bitwise Crypto innovators 30 Net Total Return Index | XBITQNTR | 5000  | 19/03/2021     |