

Nasdaq Crypto™ Index (NCI™)

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What is the Nasdaq Crypto Index (NCI)?

Launched in February 2021, NCI is Nasdaq's first Digital Asset Index offering*. The index measures the performance of a significant portion of the digital asset market and provides a benchmark for institutional investment in this new and emerging asset class. The Index is specifically designed to be dynamic in nature, broadly representative of the market, and readily trackable by investors.

Index Overview:

- Tracks the performance of a diverse basket of USD-traded digital assets
- Applies rigorous liquidity, exchange and custody standards for asset eligibility
- Rebalanced and reconstituted on a quarterly basis
- Free float market cap weighted
- Governed by a robust methodology and the Nasdaq Cryptocurrency Index Oversight Committee (CIOC)

*In June 2021, Nasdaq launched additional digital asset indexes including the Nasdaq Bitcoin Reference Price™ Index (NQBTC™) and the Nasdaq Ether Reference Price™ Index (NQETH™).

Index Design Principles



Representative

Provides a representative benchmark for institutional investment into the asset class



Investible

Utilizes exhaustive selection criteria to include digital assets available at vetted core exchanges and custodians



Adaptable

Adjusts index composition at each reconstitution to ensure that it remains a flexible representation of the asset class as it evolves

How does it work?

I. Asset Eligibility Determination

I. Determining Eligibility

The universe of eligible assets initially filtered on the basis of USD trading availability on approved “Core Exchanges” and with consideration of custody solution support by “Core Custodians”

Specifically, eligible assets must:

- Meet minimum liquidity standards outlined in the methodology with USD trade pair
- Be traded on at least three core exchanges
- Be supported by at least two core custodians, and
- Have free-floating price

These filters allow the Index to remain neutral and passive while ensuring constituents possess sufficient liquidity and appropriate custody options required for institutional grade investment products.

II. Constituent Selection from Eligible Assets

II. Constituent Selection

When all eligible assets are identified, the market capitalization of each asset is calculated.

Market capitalization of assets is calculated by multiplying the price of the asset across Core Exchanges by the free-float supply of the asset as defined in the methodology and calculated by Nasdaq's calculation agent, CF Benchmarks.

Assets that exceed 0.5% of the full market capitalization of all eligible assets are selected for inclusion.

III. Index Weights Applied

III. Weighting Constituents

Constituent assets selected for entry into the Index will be weighted according to their relative free float market cap.

This is calculated by dividing the free float market cap of a digital asset divided by the total free float market cap of all constituent assets included in the Index at the time of rebalancing.

Weighting according to Circulating Supply of an asset without the application of capping is important to maintain an investable and accurate representation of the asset class.

Overview of Asset Selection Process



Core Exchanges

With almost 500 crypto exchanges globally and varying degrees of user protection, it is important to source pricing only from vetted exchanges in order to form a trusted and accurate index price.

Nasdaq's pricing methodology requires a minimum of 3 Core Exchange pricing inputs as part of mechanisms to reduce the impact of potential manipulation in the index price.

Limiting inclusion to assets supported by at least 3 Core Exchanges ensures inclusion only of those assets that have been on-boarded by a critical mass of “institutional-ready” infrastructure.

Core Exchanges

Key Selection Criteria¹

1. Effective AML/KYC controls in place
2. Licensed by independent public governing body
3. Effective trade monitoring, surveillance and enforcement procedures
4. Demonstrate robust IT infrastructure and capacity management
5. Policy and track record of cooperating with regulators and law enforcement

Approved Core Exchanges

1. Coinbase
2. BitStamp
3. Gemini
4. itBit
5. Kraken

Core Custodians

Custodians hold digital assets for safekeeping against theft and loss and ensure that digital asset transactions and trades are secure.

Limiting inclusion to assets supported by at least 2 Core Custodians ensures an asset pool with superior market maturity as they evaluate security and legal risks as well as market demand when deciding to provide custody services to an asset.

Core Custodians

Key Selection Criteria¹

1. Licensed by a reputable and independent governing body
2. Provide independent segregated client accounts
3. Utilize advanced security infrastructure to include private key segmentation, multi-signature capabilities & geographic distribution
4. Insurance policy that covers, at least partially, theft or loss of private keys
5. Offers timely and secure redemption process
6. Demonstrate comprehensive risk management and risk mitigation processes
7. Evidence of third party security audits

Approved Core Custodians

1. Coinbase
2. BitGo
3. Fidelity
4. Gemini

Nasdaq Crypto Index Oversight Committee

Comprised of senior members across Nasdaq's Legal, Risk, Compliance, Trading, Surveillance, IT, and Index teams to ensure varying viewpoints and expertise.

Responsible for the implementation, administration, and general oversight of the Index, including the selection of Core Exchanges and Core Custodians, adjustments to account for regulatory changes, and periodic methodology reviews.

Committee conducts a final review of all eligible assets prior to entry at the quarterly reconstitution wherein it reserves the right to exclude any assets based on one or more factors, including, but not limited to, its review of general reputational, fraud, manipulation, or security concerns connected to any asset.

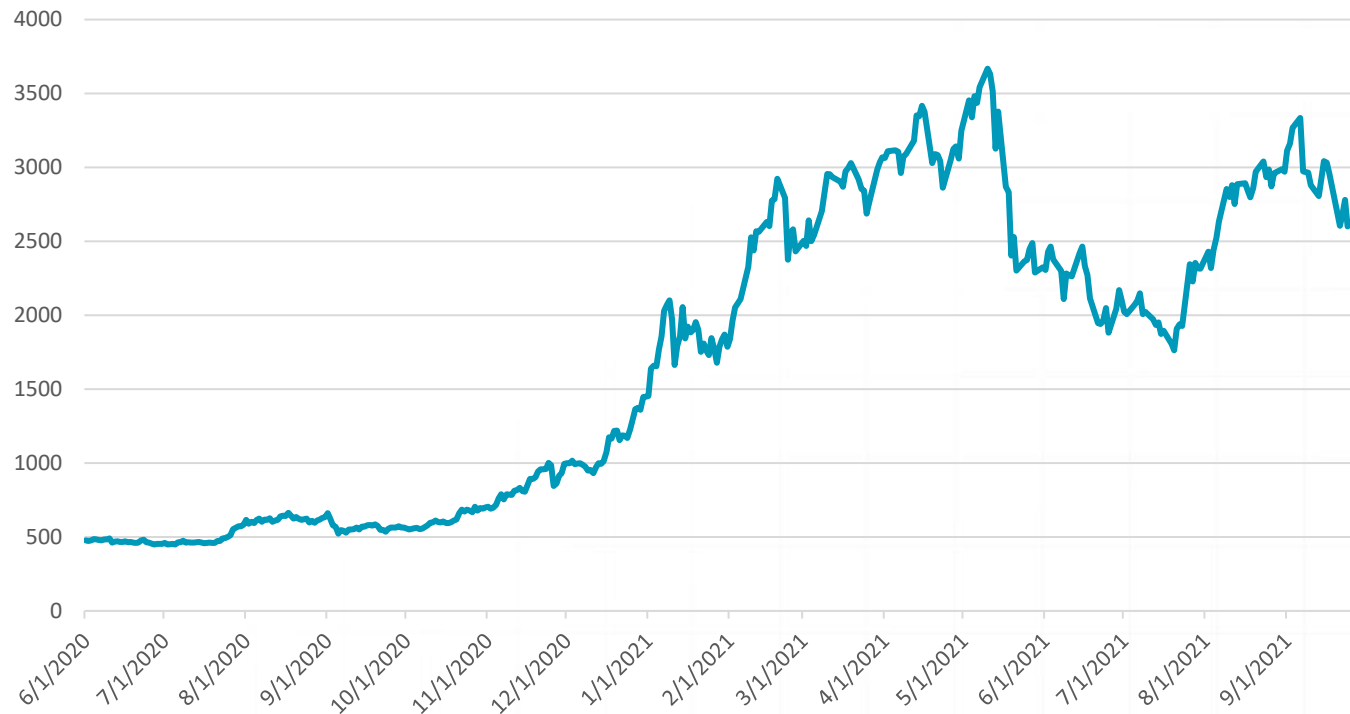
Core Exchanges and Core Custodians are recertified or reviewed for new additions annually with changes effective at the December 1st reconstitution.

Index Weights and Components (as of 9/2/2021)

Component	Weight
Bitcoin (BTC)	63.07%
Ethereum (ETH)	32.52%
Litecoin (LTC)	1.01%
Chainlink (LINK)	0.87%
Uniswap (UNI)	0.76%
Bitcoin Cash (BCH)	0.73%
Filecoin (FIL)	0.56%
Stellar Lumens (XLM)	0.48%

Historical Performance

Nasdaq Crypto Index Settlement Price™ Index (NCIS™)



	NCIS	S&P 500
Q3 (2021)	29.1%	0.2%
YTD	87.1%	14.7%
Total History ¹	467.7%	41.0%

Portfolio Performance with NCIS Allocation

For a typical investor portfolio consisting of a standard basket of equities, small allocations to NCIS would have made noticeable improvements to performance

	S&P 500	Portfolio with 1% NCIS	Portfolio with 2% NCIS	Portfolio with 5% NCIS
Q3 (2021)	0.2%	0.5%	0.8%	1.7%
YTD	14.7%	15.4%	16.1%	18.3%
Total History ¹	41.0%	45.2%	49.5%	62.3%

Additional Information

Ticker Symbol	NCI (Real-Time) and NCIS (Daily Settlement)
Calculation Agent	The Index is calculated by CF Benchmarks Limited
Reconstitution and Rebalancing Frequency	Reconstitution and rebalances occur quarterly (First business day March, June, September and December)
Index Back-test Start Date	June 1, 2020
Index Launch Date	February 2, 2021
Daily Index Publication (NCIS)	The level of the Settlement Index is calculated once a day on Business Days at 3:00:00 PM ET and is published on the Nasdaq Global Index Data Service (GIDS)
Real-Time Index Level (NCI)	Real-time calculation of the Index is available on the CF Benchmarks website at https://www.cfbenchmarks.com/
Currency	USD

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