

# FTSE Global Digital Asset Index Series – Guide to Calculation Method for the Median Liquidity Test

v1.0



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## Section 1

# Purpose of the Guide

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## 1. Purpose of the Guide

- 1.1 The aim of the guide is to describe how the liquidity test is conducted in order to assist users in their ability to replicate the liquidity test.

## Section 2

# Liquidity screening process

## 2. Liquidity screening

### Volume Data

Volume data will only be taken from the Participating and Watchlist Exchanges as defined by the Guide to the Vetting of Digital Assets and Digital Asset Exchanges.

### 2.1 Liquidity Screening Process

- A. Each digital asset will be tested for liquidity quarterly in March, June, September and December by calculation of its weekly median of daily trading volume. At each quarterly review, liquidity will be tested from the Wednesday 12 weeks prior to the Wednesday before the second Friday of the review month.
- B. Digital assets volume data will be taken on trading days from Sunday to Friday each week.
- C. The daily trading volume of a digital asset is calculated using the traded US dollar volume accumulated over the previous 24 hours at 22:00 UTC divided by its the 22:00 UTC FTSE DAR Reference Price of the same day.
- D. When calculating the median of daily trades per week excluding Saturday a minimum of 3 trading days in each week must exist, otherwise the week will be ignored and not used in the count. The liquidity test will be applied on a pro-rata basis where the testing period is less than 12 weeks. Please refer to Appendix A.
- E. For each week, the daily trading volume for each digital asset is calculated as a percentage of the circulating supply for that day<sup>1</sup>. These daily values are then ranked in descending order and the median is taken by selecting the value for the middle ranking day if there is an odd number of days and the mean of the middle two if there is an even number of days (see Section 4).
- F. Daily totals with zero trades are included in the ranking, therefore a security that fails to trade for more than 3 days in a week excluding Saturday will have a zero median trading volume for that week.
- G. For a newly eligible digital asset where the testing period is less than 12 weeks, the liquidity test will be applied on a pro-rata basis

<sup>1</sup> For historical reviews before 2022 September, review effective date circulating supply is used.

## Section 3

# Liquidity thresholds

## 3. Liquidity thresholds

### 3.1 Newly eligible

- Newly eligible digital assets which do not have a twelve-week trading record must have a minimum three-week trading record as of Wednesday before second Friday of the review month and will be tested from the date of eligibility. Trading records prior to the eligible date will not be taken into account.
- A non-constituent of the FTSE Global Digital Asset Index Series must pass at least 10 out of 12 weeks with a weekly median turnover of at least 0.05%\* of their circulating supply based on their median daily trading volume each month \*\*, on a pro-rata basis since becoming eligible.

#### Notes:

\* subject to adjustment as per 2.1(G).

\*\* When calculating the median of daily trades per week a minimum of 3 trading days excluding Saturday in each week must exist, otherwise the week will be ignored and not used in the count. For clarification purposes, daily totals with zero trades are included. Therefore the week will be tested and included in the count even where a stock has 6 trading days of which 4 are zero trades.

A new issue that fails the liquidity test will not be eligible for inclusion to the FTSE Global Digital Asset Index Series until the next quarterly review.

### 3.2 Existing constituents of the FTSE Global Digital Asset Index Series

- Existing constituents of the FTSE Global Digital Asset Index Series are required to pass at least 8 out of 12 weeks with a weekly median turnover of at least 0.04%\* of their circulating supply. Those identified as failing this test (step 1) will proceed to the next step.
- Step 2: Those existing constituents of the FTSE Global Digital Asset Index Series which fail step 1 will be subject to a further test whereby the last 6 weeks of the testing period will be assessed on a pro-rata basis. If the constituent passes at least 4 out of the last 6 weeks (equating to 8 out of 12 weeks on a pro-rata basis), it will be considered to have passed the liquidity test.

## Section 4

# Liquidity test calculation method

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## 4. Liquidity test calculation method

- 4.1 For each week the daily trading volumes, as a percentage against circulating supply, are ranked and the median value selected.

### **Example Calculation of Daily Trading Volume %:**

Digital Asset A has 20m circulating supply, a 24-hour accumulated trading dollar volume of \$30,000, and the UTC 22:00 reference price of same day is \$1.5.

$$\begin{aligned} \text{Daily volume (\%)} &= \text{daily dollar trading volume} / \text{reference price} / \text{circulating supply} \\ &= 30,000 / 1.5 / 20,000,000 = 0.1\% \end{aligned}$$

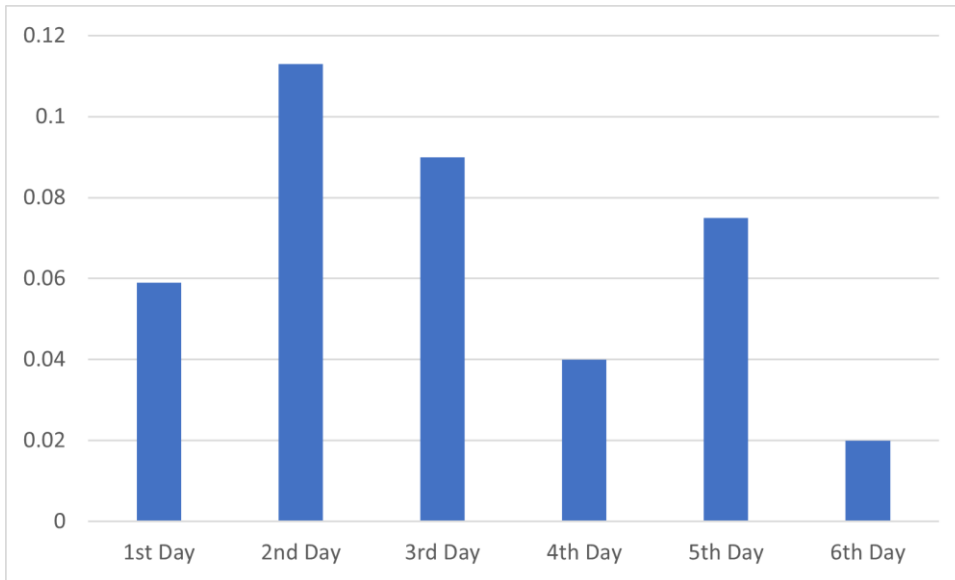
### **Please Note:**

Circulating supply used for the calculation is that as of the date of volume traded.

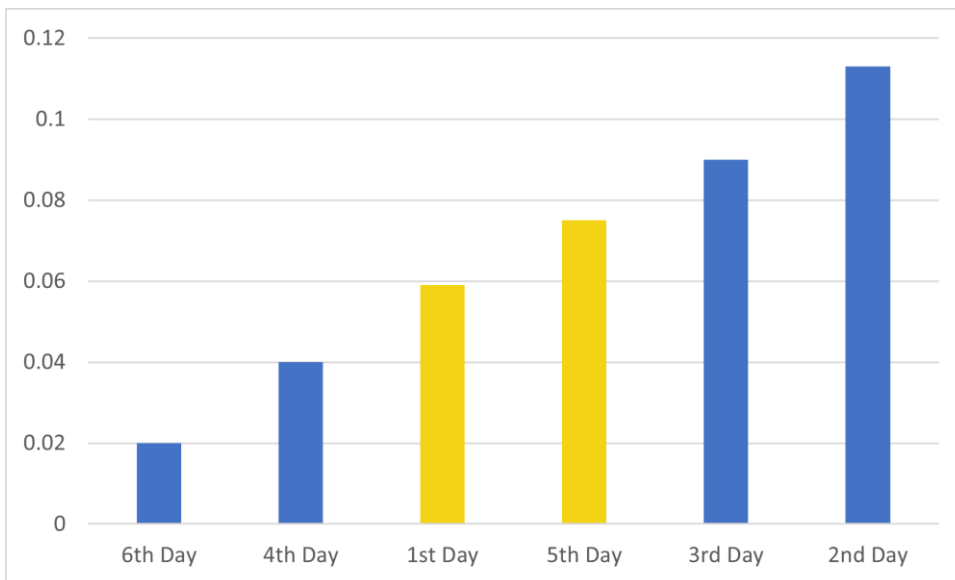
## 4.2 Weekly Median Liquidity Test

The tables below illustrate the ranking of the daily trading volumes % and the calculation of the median weekly value.

## Step 1: Daily traded volume (%)



## Step 2: Daily traded volume (%) - RANKED



$$\begin{aligned} \text{Weekly median (\%)} &= (1^{\text{st}} + 5^{\text{th}} \text{ day}) / 2 \\ &= (0.059\% + 0.075\%) / 2 = \mathbf{0.067\%} \end{aligned}$$

## Appendix A

# Pro-rata pass requirements

### New Issues

Weeks Tested	Minimum Weekly Pass Rate Required
1 week	Not eligible
2 weeks	Not eligible
3 weeks	3 weeks <sup>2</sup>
4 weeks	4 weeks
5 weeks	5 weeks
6 weeks	5 weeks
7 weeks	6 weeks
8 weeks	7 weeks
9 weeks	8 weeks
10 weeks	9 weeks
11 weeks	10 weeks
12 weeks	10 weeks

### Current Constituents

Weeks Tested	Minimum Weekly Pass Rate Required
1 week	1 week
2 weeks	2 weeks
3 weeks	2 weeks
4 weeks	3 weeks
5 weeks	4 weeks
6 weeks	4 weeks
7 weeks	5 weeks
8 weeks	6 weeks
9 weeks	6 weeks
10 weeks	7 weeks
11 weeks	8 weeks
12 weeks	8 weeks

<sup>2</sup> Minimum 3 weeks trading record required



## Appendix B

# Further information

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A Glossary of Terms used in FTSE Russell's Ground Rule documents can be found using the following link:

[Glossary - Digital Assets.pdf](#)

Further information on the FTSE DAR Digital Asset Prices and the FTSE DAR Reference Prices is available from FTSE Russell.

For contact details please visit the FTSE Russell website or contact FTSE Russell client services at [info@ftserussell.com](mailto:info@ftserussell.com).

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