

Guide to the Vetting of Digital Assets and Digital Asset Exchanges: Update

27 May 2021

FTSE Russell would like to inform clients that the Guide to the Vetting of Digital Assets and Digital Asset Exchanges has been updated with changes effective immediately.

Section 3: Exchange Eligibility Criteria and Digital Asset Pricing Sources

The following rules have been updated - updates shown in bold

3.1 Exchange Eligibility Criteria

3.1.4 (c) Technical Assessment

- i. Have no significant downtime, defined as more than **24** cumulative hours in any **one quarter**;
- ii. No meaningful security lapse or breach in the last 12 months which resulted in the loss of client or Exchange funds exceeding 1% of its total holdings;
- iii. Have no known deficiencies in operational security.

3.2 Digital Asset Pricing Sources

3.2.1 Loss of Eligibility at Quarterly Review

DAR will review the list of eligible digital asset Exchanges on a quarterly basis. In circumstances where an eligible Exchange fails relevant inclusion criteria during a quarterly review, the Exchange will be demoted to the watchlist **or the enhanced review list (if a vetted Exchange), demoted to the Penalty List (if a watchlist Exchange) or disqualified according to the criteria failed. Eligibility of the Exchange will be assessed at the next quarterly review, unless on the Enhanced Review List. If an Exchange is on the enhanced review list it will be assessed monthly.**

3.2.2 Immediate Loss of Eligibility

In circumstances where pricing fidelity is in doubt (e.g. Rule 3.1.4 d), there is a significant security breach, or some other deleterious event that questions the validity of an Exchange, then the Exchange may lose eligibility.

The offending Exchange will be removed as a digital asset pricing source used in the calculation of the FTSE DAR Digital Asset Prices and the FTSE DAR Reference Prices with immediate effect.

3.2.3 Enhanced Review Process

An exchanged that has passed vetting may be placed on Enhanced Review status if

subsequent diligence reveals conflicting or new information that is material to the vetting process.

Exchanges placed on Enhanced Review status are vetted on a monthly basis and are subject to review by DAR and FTSE to determine whether they will remain on the Vetted Exchanges list.

3.2.4 Penalty List

An exchange that fails certain vetting criteria, including preliminary data science tests, is placed on the Penalty List.

An exchange can be removed from the Penalty List and added to the Vetted Exchanges list after the following criteria are met:

- i. One year must pass from the date on which the exchange was placed on the Penalty List**
- ii. The exchange must pass the Exchange Vetting Methodology criteria that is current at that time**
- iii. The exchange must provide satisfactory answers to the Due Diligence Questionnaire that is current at that time**
- iv. The exchange must be approved by the DAR Review Committee.**

At the discretion of the Review Committee, an exchange removed from the Penalty List may be placed on Enhanced Review status (see Rule 3.2.3).

An updated copy of the Guide to the Vetting of Digital Assets and Digital Asset Exchanges (v1.1) is now available using the following link:

[Guide_to_the_Vetting_of_Digital_Assets_and_Digital_Asset_Exchanges.pdf](#)

Or on the FTSE Russell website: www.ftserussell.com

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