



FTSE DAR Classification of Digital Asset Exchanges

Additional Clarification for June 2023 Eligibility Review Results

19 July 2023

Following the *publication* of the results of the June 2023 FTSE DAR Digital Asset Exchange Review, FTSE Russell provides further detail on the reclassification of *Binance.US* and *OKCoin*.

The classification status of digital asset exchanges that are eligible as a pricing source for the **FTSE DAR Reference Prices** is governed by the **FTSE DAR Digital Asset Exchange Vetting Process**. FTSE DAR Reference Prices for Benchmark Assets are used in the calculation of the FTSE Global Digital Asset Index Series.

The FTSE DAR Digital Asset Exchange Vetting Process is used to determine if a digital asset exchange qualifies as "Participating", "Watchlist" or "Unclassified". This allows for a pre-determined quarterly review of digital asset exchanges at each March, June, September and December month-end quarterly review, and details the instances in which there would be an immediate loss of eligibility based on published criteria.

FTSE Russell and DAR may also determine that a "Participating" Digital Asset Exchange will be subject to its Enhanced Digital Asset Exchange Vetting Process, which will take place on a monthly basis, between and in addition to the predetermined quarterly Digital Asset Exchange Vetting Reviews. The enhanced review process allows for the same statistical analysis of pricing data (i.e., volatility, correlation and number of filtered trades) that takes place at the predetermined quarterly reviews but uses data from the prior one month time period. Therefore, it is possible that a "Participating" exchange that is subject to the enhanced review process may fail the data review using data from the prior month but pass the data review using data from the prior quarter (for example, in instances where there is a sudden increase in volatility in advance of the quarterly review). In such situations, the exchange may be demoted to the "Watchlist" as part of the quarterly review. In the event that a "Participating" exchange fails the data science review over both a previous month and previous quarter timeframe at a scheduled quarterly review, it is considered "Unclassified". The enhanced review process can be applied to "Participating" OR "Watchlist" exchanges. On 11 April 2023, FTSE Russell **announced** that *Binance.US* and *OKCoin* would be subject to the Enhanced Digital Asset Exchange Vetting Process and confirmed that these two exchanges continued to be classified as "Participating" at that time. The monthly enhanced review was subsequently conducted from that point and in parallel with the June 2023 quarterly review for both exchanges.

As of the June 2023 review, *Binance.US* failed the enhanced data review using data from the prior month but passed the data review using data from the prior quarter, hence it was reclassified from "Participating" to "Watchlist". *OKCoin* failed the data science review over both the previous month and previous quarter timeframe at the June 2023 review, hence it was reclassified from "Participating" to "Unclassified".

The next Exchange Vetting will take place for all Exchanges as of 30 September 2023. Any Exchange that is part of the Enhanced Digital Asset Exchange Vetting Process will be assessed on 31 July 2023 and an announcement will only be published if there is a change of status at that time.

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