



ixCrypto Index Step Capping Rule Explain

Background

In response to the Press Release issued on 15 January 2021, the ixCrypto Index Step Capping Rules are explained as follows:

Step Capping Rules

The rationale behind the Step Capping is that we do not want the second largest constituent to have the same weight as the largest one if their market caps differ so much. Therefore, the Step Capping Rule implies changing from the current 40% capping rule on single constituents to a step cap of 40%/30%/20% in extreme scenarios. Before the change was made, single constituents could represent at most 40% weight in the index. After the change, only the largest weight constituent weighted by market capitalization can represent 40% of the index weight and the second largest constituent can only represent 30% and the remaining constituents with 20% maximum weight.

How Do We Define Extreme Scenario?

The Step Capping Rule will be triggered only when the following two conditions occur simultaneously:

- 1) the market cap gap between the largest constituent and the second largest constituent is too big with the ratio between the two falls below 30%;
- 2) the weight of the remaining constituents is too small and falls below 9% of the total market cap.

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