

# HKVAC Index Operation Guide

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**July 2023**

## Version History

Date	Version	Change
21 <sup>st</sup> June, 2023	1.0	Publication
14 <sup>th</sup> July, 2023	1.1	<ul style="list-style-type: none"><li>- Updated index coverage</li><li>- Updated exchange or cryptocurrency action and adjustment</li><li>- Added methodology for weight capping</li></ul>

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# 1. INTRODUCTION

- 1.1. This document provides instructions for maintaining the HKVAC indexes. The purpose of these policies and guidelines is to ensure accurate and consistent maintenance of the indexes.
- 1.2. HKVAC reserves the right to decide on the most appropriate implementation method. The method will be announced prior to the changes taking effect as soon as reasonably possible.

*Please refer to the specific index methodology for further details on each index.*

# 2. INDEX COVERAGE

- 2.1. HKVAC Cryptocurrency Large Market Cap Index (Ex-BTC, ETH and Stablecoin)
- 2.2. HKVAC Cryptocurrency Global Large Market Cap Index
- 2.3. HKVAC Cryptocurrency Risk Rating Based Index (Coming Soon)

# 3. ADDITIONS AND DELETIONS

The addition and removal of cryptocurrency constituents may be necessary due to various factors, as outlined below.

## 3.1. Hard Fork

The determination of which of the post-fork cryptocurrency corresponds to the original cryptocurrency will follow the treatment applied by the majority of the exchanges.

## 3.2. Soft Fork

No impact to the indexes.

## 3.3. Staking Rewards / Other Rewards

During the index rebalancing, a case-by-case review will be conducted.

## 3.4. New Listings

New cryptocurrencies that meet the index eligibility criteria will be reviewed for addition during the index rebalancing.

## 3.5. Others

During the index rebalancing, a case-by-case review will be conducted.

## 4. EXCHANGE OR CRYPTOCURRENCY ACTION AND ADJUSTMENT

- 4.1.** In the event of exchange or cryptocurrency actions, the HKVAC indexes will be adjusted in order to maintain continuity.
- 4.2.** A minimum notice period of five trading days prior to implementation will be given to index users for any index changes resulted from exchange or cryptocurrency actions.

	Event	Description	Adjustment
1	Delisted	Delisting of a cryptocurrency from majority of the exchanges	The cryptocurrency in concern will be removed from the relevant index as soon as practicable.
2	Suspension	Trading of a cryptocurrency has been suspended from the majority of exchanges for any reason.	<p>The last valid price will be used for index calculation during the suspension period.</p> <p>Suspended constituents will be reviewed during the index rebalancing.</p>
3	Any other event impacting index calculation	Any other event impacting index calculation	<p>The last valid price will be used for index calculation during the period.</p> <p><u>For Indexes without Replacement</u> The impacted constituent(s) will subsequently be removed from the index as soon as practicable.</p> <p><u>For Indexes with Replacement</u> The impacted constituent(s) will be replaced by the highest rank candidate on the latest rebalancing as soon as practicable.</p>

## 5. METHODOLOGY FOR WEIGHT CAPPING

The cap levels for weight capping in indexes are determined based on the number of constituents present on the index rebalancing day. The specifics of the cap levels are outlined below:

Number of Constituents	Cap Level
$\geq 15$	15%
$\geq 6$ to $\leq 14$	20%
$\leq 5$	100% / number of constituents

*Please refer to the specific index methodology for any special handling.*

## 6. REBALANCING

- 6.1.** Rebalancing will be reviewed quarterly at the end of the calendar quarters in March, June, September and December.
- 6.2.** The results of the rebalancing will be announced within two weeks of the end of the corresponding calendar quarter and will be implemented on the Friday following the announcement. If the Friday implementation date falls on a public holiday in Hong Kong, implementation will take place on the next business day.
- 6.3.** A minimum notice period of two trading days will be provided to index users prior to the effective date for all ad-hoc rebalances. However, the index committee has the final decision to shorten the notice period in case of any urgent matters that require immediate action.

## 7. DISSEMINATION

- 7.1.** Indexes will be calculated on all calendar days with no holiday.
- 7.2.** Indexes will be disseminated at a predefined time.

## 8. DATA DEFINITION

- 8.1.** The cryptocurrency price is provided by exchanges and/or vendors.

## 9. EXCEPTIONS TREATMENT

### 9.1. Cryptocurrency Price

- 9.1.1. If the price of a cryptocurrency constituent used to calculate an index deviates from its last valid price by more than a predetermined threshold, it is considered abnormal and will not be used for index calculation. Instead, the last valid price in the system will be used.
- 9.1.2. Predetermined threshold: 25%. Please refer to the specific index methodology for further details on any special handling of each index.
- 9.1.3. If an abnormal cryptocurrency price persists for over five minutes, it will be considered normal again and used for index calculation.
- 9.1.4. The abnormal cryptocurrency price treatment will not be applied to opening and closing index calculations.

## 10. RECALCULATION AND CORRECTION

**10.1.** HKVAC has the right to recalculate and correct an index if any of the following events occur, including but not limited to:

- Incorrect or revised price of one or more cryptocurrency constituent.
- Incorrect calculation or data error.
- Incorrect application of an index methodology.

The decision to recalculate or correct an index is made at the discretion of the Index Manager and/or Index Committee. Consideration is given to factors such as potential market impact and disruption resulting from a recalculation or correction.

## 11. INDEX GOVERNANCE

### 11.1. Index Committee

HKVAC Index Committee is composed of professional members of HKVAC staffs and/or advisors. The committee is responsible for overseeing the integrity and effectiveness of HKVAC Indexes over time. The main function of HKVAC Index Committee include but not limited to:

- Determining index methodologies and rules governing the index publication.
- Handling extraordinary events.
- Reviewing constituent changes to indexes.

Discussion within HKVAC Index Committee is confidential.

### 11.2. Quality Control

Quality control processes and procedures are implemented to ensure that index calculation and maintenance are of the high standard. Any incidents or errors are logged into HKVAC's internal system to ensure proper monitoring and resolution.

### 11.3. Annual Review Process

HKVAC Index Committee reviews each index methodology and procedure at least once within any 12-month period to ensure that indexes are aligning with its objective and the methodology and the procedure remain effective.

*Please refer to the specific index methodology for any special handling.*

## 12. INDEX POLICY

### 12.1. Event Report

All events impacting index calculation will be announced to index users via Index Events Report.

### 12.2. Pro-forma File

A pro-forma file containing all constituents and corresponding weights will be provided in advance of the rebalancing date. The actual weight of each constituent at the rebalancing will differ from the weight in the pro-forma file due to market movements.

*Please refer to the specific index methodology for any special handling.*

## 13. INDEX SERVICE FAILURE

If the HKVAC index service is disrupted for any reason, HKVAC will follow the Recalculation and Correction section, and an index notice will be published on the HKVAC website.



## 14. CONTACT INFORMATION

Website: [www.HKVAC.io](http://www.HKVAC.io)  
Email: [enquiry@hkvac.io](mailto:enquiry@hkvac.io)

## DISCLAIMER

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