DAR In Conversation: Q&A with Kristen Mierzwa

Our Co-Founder and COO Erin Friez had the chance to speak with Kristen Mierzwa, Head of Digital Assets at FTSE Russell, an LSEG Business, to ask a few questions about **the importance of indexing digital assets**.

Click to watch video highlights or scroll down to read the full transcript.

How does FTSE Russell think about indexing digital assets?

In 2018, FTSE was looking around the marketplace for a pricing provider to make an index with digital assets. We are an index provider covering many asset classes like equities and fixed-income and commodities. It made sense to expand our indexing capability into the digital asset space. We wanted to look at the assets themselves to ensure they qualify to be an investable product, so we thought about our pricing sources when we began creating digital asset indexes.

There are three major data components needed to build a crypto index:

1. Price
2. Tokens in issue (like shares in the equity space)
3. Liquidity constraints

Together with DAR, we created a framework that aggregates prices from various vetted sources and informs our main pricing indexes. We examine quantitative and qualitative criteria to measure a variety of factors including if an asset has enough developer activity, can be custodied, and if it runs on secure protocols. This data is aggregated and incorporated into our evaluation to ensure we are building tradeable indexes.

What are the differences between digital asset indexes and TradFi indexes?

In digital assets, there is no primary listing venue. An asset, like Bitcoin or Ethereum, can trade wallet-to-wallet and peer-to-peer, as well as through centralized and decentralized exchanges. Because you've got all these various venues, there's no one primary source. This is very different from equity indexes which are listed on either the New York Stock Exchange or NASDAQ to get transparency on the real price of an asset.

You also have to consider that digital assets are a global asset class that never closes. How trading activity performs throughout the day depends on which markets happen to be awake at that moment in time.

What trends do you see in the digital asset indexing space?

Global markets are identifying and systematically capturing traditional signals that apply to the digital asset class like momentum and volatility. We see this as markets are ready to think beyond Bitcoin and Ethereum. You can have baskets of digital assets together in an index - like a top twenty - and increase exposure.

We are also seeing the marketplace think about how to capture yield. It's much harder than in a traditional asset class where you just get a reported yield number and incorporate that into a total return. While the mechanics depend on the protocol, capturing yield can be done through staking rewards on proof-of-stake consensus mechanisms.

Additionally, European markets are also beginning to think about ESG. Many have to apply ESG principles to other asset classes, and they want to establish a minimum threshold on how to evaluate digital assets. This is very similar to the equity space, as both can look at data around energy consumption, protocol governance, and voting rights.

A few ways to learn more:

- Click for more [FTSE Digital Asset Indices](#)
- Read [Indexing Across The Digital Universe](#)
- Take a look at DAR's [Close Price Methodology](#)