

# UNDERSTANDING IC15, INDIA'S FIRST CRYPTO INDEX

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Banking, NPAs and RBI

Superapp CryptoWire recently launched India's first cryptocurrency index, IC15, which will measure the performance of the 15 most widely traded cryptocurrencies listed on leading crypto exchanges by market capitalization. Mint explains its working and significance

Superapp CryptoWire recently launched India's first cryptocurrency index, IC15, which will measure the performance of the 15 most widely traded cryptocurrencies listed on leading crypto exchanges by market capitalization. Mint explains its working and significance

## How is IC15 constructed?

CryptoWire constituted an Index Committee of domain experts, industry practitioners, and academicians that will select cryptocurrencies from the top 400 coins in terms of market capitalization. The eligible cryptocurrency should have traded on at least 90% of the days during the review period and be among the 100 most liquid cryptocurrencies in terms of trading value. Also, the cryptocurrency should be in the top 50 in terms of the circulating market capitalization. The committee will then select the top 15 cryptocurrencies. The index will be reviewed quarterly.

## What is its significance?

According to CryptoWire, IC15 can be replicated for creating index-linked products such as index funds or exchange-traded funds (ETFs). Usually, the performance of a mutual fund scheme is assessed with reference to a benchmark, which could be a total return index of the Nifty or the Sensex. IC15 is the first index in India that can act as a benchmark of the underlying cryptocurrency market and the performance benchmark for fund managers. Moreover, robo-advisors, which provide financial advice with moderate to minimal human intervention, can use this index to create investment products at lower costs.

## How does IC15 correlate with other market indicators?

IC15's base value as on 1 April 2018 was 10,000, meaning the index has gained 615% in absolute terms to 71,475.48 till 31 December 2021. IC15 has risen 138% in 2021 compared with a 24% return by the Nifty 50, -3% by gold, and 27% by the S&P 500. The index has a low correlation with other asset classes—gains in IC15 would not mirror gains in other asset classes.

## Can index-based crypto investing reduce risks?

Index investing can be an effective way to diversify against risks as a fund invests in a basket of assets against a few limited coins. However, index-based investing may not fully remove risks associated with investing in crypto assets. Case in point: IC15 saw a 50% plunge in 2018, whereas other asset classes have seen a maximum drop in the range of 3-4%. Further, bitcoin and ethereum have a combined weightage of 77% in the index, making it highly vulnerable to any volatility in these two coins.

## Can crypto funds be launched in India?

Securities and Exchange Board of India chairman Ajay Tyagi recently asked mutual fund houses not to launch crypto-based funds until the Centre comes out with clear regulations. This means asset management companies for now won't be able to launch crypto funds based on IC15.

However, in the absence of any regulations, crypto platforms can offer products based on the index. Global crypto investment platform Mudrex last year launched Coin Sets—crypto funds based on themes such as decentralized finance or market cap.

Never miss a story! Stay connected and informed with Mint. [Download](#) our App Now!!

Log in to our website to save your bookmarks. It'll just take a moment.

Oops! Looks like you have exceeded the limit to bookmark the image. Remove some to bookmark this image.

Your session has expired, please login again.

You are now subscribed to our newsletters. In case you can't find any email from our side, please check the spam folder.

This is a subscriber only feature [Subscribe Now](#) to get daily updates on WhatsApp

**END**

Downloaded from **crackIAS.com**

© **Zuccess App** by crackIAS.com

CrackIAS