



# Statement of Cosmos Asset Management's Compliance with the IOSCO Principles for Financial Benchmarks

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## INTRODUCTION

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Cosmos Asset Management Pty Ltd (ABN 34 639 356 068) (**Cosmos**) is the benchmark administrator of the Global Digital Miners Index (the **Index**), as defined within the International Organization of Securities Commissions (**IOSCO**) “Principles for Financial Benchmarks” (the **Principles**).

Cosmos makes the following statement – this document - regarding its activities as a benchmark administrator.

Cosmos is aware of the risks posed by inadequate governance, conflicts of interest and a lack of transparency in the management of indices, and has built controls processes for the Index with these in mind.

Cosmos fully supports the objectives of the Principles and will both remain compliant and restate its compliance on at least an annual basis.

### **Benchmark**

The Global Digital Miners Index was created to serve as a benchmark of the investment performance of a portfolio of companies with a primary business focus on digital asset mining and infrastructure. This is the “economic interest” as defined in Principle 6.

Index reviews are carried out by Cosmos. The maintenance and calculation of the Index is carried out by an external Index calculation agent, S&P Dow Jones Indices.

### **The Cosmos Global Digital Miners Access ETF**

Cosmos is the investment manager of the Cosmos Global Digital Miners Access ETF ARSN 652 817 840 (the **Fund**). The responsible entity of the Fund is One Managed Investment Funds Limited (ABN 47 117 400 987 AFSL 297042) (**OMIFL**). The investment objective of the Fund is to provide investment returns, before fees and other costs, which track the performance of the Index.

### **Proportionality and extent of compliance with the IOSCO Principles**

Cosmos devised the rules for the management of the Index. The Index is managed by its Index Management Committee, comprised of Cosmos staff. The Index Management Committee reports to an Index Oversight Committee, comprised of Cosmos staff, a representative of OMIFL and external compliance and markets governance experts.

Cosmos is confident it is compliant with the IOSCO Principles for Financial Benchmarks, given its understanding of the use of its Index and consideration of the nature of the investment products based upon it, other than that certain Principles are not relevant to its business. These are discussed in the relevant section below.

## GENERAL MATTERS

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### Benchmarks Regulation

Cosmos is aware of the imposition of benchmark regulations around the world, including in Australia via ASIC media release MR 18-171. At present its administration of the Global Digital Miners Index is not a regulated activity under that regulation, however Cosmos intends to monitor developments in this area and is confident it will be compliant with the Australian requirements should they be extended to its Index.

### Cosmos's Control Framework

Cosmos has in place a control and oversight framework, as required under the Principles, which is designed to promote the quality and integrity of the determination process for the Index and any future benchmarks. The standards that have been set by Cosmos are designed to ensure that:

- Potential conflicts of interests which arise out of the benchmarks are appropriately identified and addressed.
- Each benchmark adequately reflects the interest for which it has been established.
- There are procedures designed to mitigate the market impact of methodology changes or cessations of any of the benchmarks.

Cosmos's compliance with each of the Principles is set out in more detail below.

## IOSCO PRINCIPLES REGARDING GOVERNANCE

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### Principle 1 – Overall Responsibility of the Administrator

*The Administrator should retain primary responsibility for all aspects of the Benchmark determination process.*

The Index rules and methodology were developed by Cosmos.

As administrator of the Index, Cosmos understands it has primary responsibility for the development, calculation, publication and maintenance of the Index. Ultimately therefore this is the responsibility of the board of directors of Cosmos (**Cosmos Board**).

Cosmos's Index Management Committee has been given responsibility for the management of the Index.

Oversight of the management of the Index is carried out by the Index Oversight Committee.

The Charters of the Index Management Committee and the Index Oversight Committee are available on request.

Index maintenance, calculation and publishing is carried out by Cosmos's calculation agent, S&P Dow Jones Indices. (S&P Dow Jones Indices is a US-based regulated benchmark administrator.)

Index reviews are carried out by the Index Management Committee, confirmed by the Index Oversight Committee, and changes communicated to the calculation agent.

## **Principle 2 – Oversight of Third Parties**

*Where activities relating to the Benchmark determination process are undertaken by third parties - for example collection of inputs, publication or where a third-party acts as Calculation Agent - the Administrator should maintain appropriate oversight of such third parties.*

Cosmos recognises the importance of monitoring the performance of third parties and has considered the management of operational risk deriving from their use.

### **S&P Dow Jones Indices**

Cosmos outsources the calculation of its Index and the dissemination of the Index values, to its calculation agent, S&P Dow Jones Indices.

Daily operational matters regarding Index maintenance are delegated to S&P Dow Jones Indices, which follows the Index methodology in calculating the Index. Where a deviation is necessary, documentation in place requires it to be communicated to Cosmos after the event and confirmed by the Index Oversight Committee.

S&P Dow Jones Indices is a respected provider of index calculations with appropriate systems for managing its operational risk, however Cosmos's Index Oversight Committee Charter requires it to keep the use of S&P Dow Jones Indices under review.

- Cosmos maintains a record of all errors, data dissemination delays or other issues and will provide a review of all such events at each Index Oversight Committee.
- S&P Dow Jones Indices maintains a comprehensive due diligence framework to manage the risks to the indices that they calculate.
- A calculation agreement is in place between Cosmos and S&P Dow Jones Indices, to maintain and calculate the Index.

## **Principle 3 – Conflicts of Interest for Administrators**

*To protect the integrity and independence of Benchmark determinations, Administrators should document, implement and enforce policies and procedures for the identification, disclosure, management, mitigation or avoidance of conflicts of interest. Administrators should review and update their policies and procedures as appropriate.*

### **Policies**

Cosmos maintains policies and procedures that address how current and potential conflicts of interest are or will be identified, recorded, managed, mitigated, prevented and disclosed. These are documented as follows:

- The Index Management Committee Charter (regarding conflicts in that committee.)
- The Index Oversight Committee Charter (regarding conflicts in that committee.)
- The Cosmos Code of Conduct.
- The Cosmos Insider Trading and Staff Dealing Policy.
- The Cosmos Conflicts of Interest Policy, and Conflicts Register (covering corporate and director conflicts relevant to the provision of financial services).

Cosmos tables the conflicts of interest register at each Index Management Committee meeting and each Index Oversight Committee meeting.

## **Potential Conflicts of Interest at Company and Board level**

Although in principle it could, Cosmos itself is not an investor in the Fund. It is therefore not conflicted in this respect.

The chief executive officer of Cosmos, Mr Dan Annan, and two directors of Cosmos, Mr Josh Best and Mr James Manning, are also members of the Index Management Committee, and Mr Annan and Mr Best are also members of the Index Oversight Committee. A potential conflict of interest therefore exists, in common with many index companies where senior management also serve on index committees. Cosmos has mitigated this conflict, as detailed within its conflicts register.

## **Conflicts of Interest Resulting from Mawson's Potential Index Inclusion**

The parent company of Cosmos' major shareholder, Mawson Infrastructure Group, Inc. (**Mawson**), is proposing to become listed on NASDAQ. Mawson engages in digital asset infrastructure business and therefore may potentially become eligible for inclusion in the Index. The Index Oversight Committee reviews the benchmark methodologies regularly.

Two potential modes of conflict exist:

- First, Cosmos could in principle be conflicted in having the theoretical ability to adjust the methodology to favour Mawson as a listed company that could be an Index constituent.
- Secondly, Cosmos could be conflicted in having the theoretical opportunity to influence Index constituent reviews themselves.

Cosmos is aware of this conflict and has clearly considered it in detail. Two conflict mitigations have been put in place:

- The Index Oversight Committee, as the Oversight Function, has been given a responsibility to agree in advance the dissemination and implementation of any review at which Mawson is a proposed addition to the Index. Additionally the Index Oversight Committee has policies in place to ensure the identification and management of conflicts of interest.
- The inclusion of Index Oversight Committee members from OMIFL and external compliance and markets governance experts (together constituting a majority of the Index Oversight Committee) allows clear dissent to be expressed and documented if an inappropriate action is proposed.

## **Potential Directors / Staff Conflicts of Interest**

Cosmos initially built the Index's methodology such that there is no element of judgement or discretion in the day-to-day determination of the benchmarks, which is often a key driver of conflicts.

Director and staff remuneration is not dependent on the published Index values.

Cosmos has strict anti-corruption and bribery policies and provides all staff with regular training on them.

Although there is no day-to-day judgement or discretion in the determination of the Index, there are three particular circumstances which Cosmos notes, in relation to which conflicts of interest could arise:

- Constituent relationships

Cosmos or its staff may have contact with companies that are, or may become, potential Index constituents, and therefore inducements may be offered to influence their inclusion in the Index. Cosmos has managed this conflict (as noted within the conflicts register) via:

- Obligations on staff and directors to report gifts, inducements etc.
  - The inclusion of staff from OMIFL and external compliance and markets governance experts on the Index Oversight Committee.
  - The involvement of the Index Oversight Committee in overseeing Cosmos's benchmark administration activities.
- Constituent changes

Some directors, representatives and external entities assisting in the administration of the Index have advance knowledge of prospective and, following the review, actual planned Index constituent changes. To provide the best possible security therefore, all directors and representatives (not only those with potential advance knowledge of changes) are subject to Cosmos's Insider Trading and Staff Dealing Policy and are expressly prohibited from using such knowledge to gain from movements in the Index or its constituents. Pursuant to this Policy, all directors, representatives, and their associates must seek pre-clearance for their own financial product trading. Cosmos will also publish a Restricted List of securities which strictly prohibits personal trading on the securities named in that list.

#### **Principle 4 – Control Framework for Administrators**

*An Administrator should implement an appropriate control framework for the process of determining and distributing the Benchmark.*

Cosmos considers that its control framework for the administration of benchmarks meets the requirements of the Principles. In particular:

- It seeks to ensure that compliance is maintained at both an individual and company level.
- It details the bodies responsible for the management, quality and integrity of the Index and for the management of operational risk.
- It incorporates clear and appropriate management of conflicts of interest.
- It incorporates an effective whistleblowing mechanism that allows both early internal reporting of possible, known or intended misconduct, and for external whistleblowing if necessary.

All directors and employees are made responsible for reading, understanding and complying with all procedures applicable to them. The Cosmos Code of Conduct makes clear the serious consequences of failing to do so: anyone departing from the policies and procedures set out in the Cosmos Code of Conduct without the prior clearance would be in breach of their contract of employment and have committed a disciplinary offence. Any such breach could be treated as a matter of serious misconduct which could result in dismissal.

In addition, Cosmos maintains plans for controlling and managing operational, business continuity, disaster recovery and other risks.

## **Principle 5 – Internal Oversight**

*Administrators should establish an oversight function to review and provide challenge on all aspects of the Benchmark determination process.*

In general, smaller benchmark administrators operate a single “oversight function”, commonly termed an Index Management Committee or similar.

Cosmos has put in place a more extensive structure in order to ensure proper administration and governance given its relatively recent entry to benchmark administration, and to manage relatively rare potential conflicts, primarily the role of the CEO, and the potential inclusion of Mawson within the Index.

### **Cosmos Board**

Ultimate responsibility for the Index lies with the Board, with day-to-day control delegated to the Index Management Committee.

### **Index Management Committee**

The Index Management Committee’s responsibilities, set out fully in its Charter, are in summary:

- Reviewing Index constituents to ensure they are performing in align with the set rules in the Index methodology.
- Discussing prospects for additions to or deletions from the Index for recommendation to the Index Oversight Committee.
- Reviewing the digital asset and infrastructure industry sector and associated data availability in alignment with the Index methodology.
- Informing the Index maintenance and calculation agent, S&P Dow Jones Indices, in a timely manner for any changes (3-5 business days) prior to the Index’s rebalance date.

### **Index Oversight Committee**

The Index Oversight Committee fulfils the key role of oversight of Cosmos’s index administration, in summary:

- Overseeing Cosmos’s control framework and the management and operation of the Index.
- Investigating and acting upon (if appropriate) potential breaches of conflicts of interest.
- Assessing internal and external audits or reviews, and monitoring the implementation of identified remedial actions.
- Reviewing the Index’s definition and methodology at least annually.
- Discussing and agreeing changes to the methodology where appropriate.
- Organising external consultations, if appropriate, on matters relating to the Index.
- Considering and where appropriate, approving any actions recommended by Index Management Committee members or the calculation agent in the event of a lack of clarity in the Index methodology.

- Reviewing and approving procedures for cessation of the Index, including any consultation about a cessation.
- Overseeing any third party involved in the provision of the Index, including calculation or dissemination agents.
- Ensuring Index staff comprise individuals with appropriate levels of expertise, who are suitably trained, and that appropriate training is carried out at regular intervals.
- Additionally, the committee monitors the performance of Cosmos's benchmarks relative to that of similar indices.

## **IOSCO PRINCIPLES REGARDING QUALITY OF BENCHMARKS**

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### **Principle 6 – Benchmark Design**

*The design of the Benchmark should seek to achieve and result in an accurate and reliable representation of the economic realities of the Interest it seeks to measure, and eliminate factors that might result in a distortion of the price, rate, Index or value of the Benchmark.*

The Index Methodology details how the Index is designed to ensure an accurate and reliable representation of the “economic interest”, and to ensure that Index constituents are sufficiently liquid to provide transparent, accurate pricing.

Key points regarding the Index design:

- As regulated exchange data is used to calculate the Index, and the methodology is entirely transparent and objective, the veracity of the Index can be proven at any time through an independent historical reconstruction.
- The periodic review of the Index uses regulated exchange data.
- Cosmos has stated its commitment to continually monitor the methodology to ensure it continues to reflect both the economic interest, and best practice in Index administration. It is therefore reviewed by the Index Oversight Committee on an annual basis, or more often as circumstances require.
- Cosmos conducted analysis of liquidity in the potential and historical constituents of the Index and has implemented a methodology screen that removes potential constituents that have a relatively low value of trading.
- The number of constituents in the benchmarks is not fixed. Rather, the Index comprises all eligible constituents, post the removal of ineligible companies from the underlying universe index. This will ensure the most accurate representation of the economic interest.

The Index methodology for the Global Digital Miners Index is a public document, available on [www.cosmosam.com.au](http://www.cosmosam.com.au) and <https://www.spglobal.com/spdji/en/custom-indices/solutions/> (Client Proprietary) and from Cosmos.

### **Principle 7 – Data Sufficiency**

*The data used to construct a Benchmark determination should be sufficient to accurately and reliably represent the Interest measured by the Benchmark*

The Index is an equity index, priced using regulated exchange data, with no estimations used. Therefore, the data used in the calculation of the Index directly reflects the competitive forces of supply and demand in the relevant market, being formed from transactions in the shares of companies forming the underlying interest.

### **Principle 8 – Hierarchy of Data Inputs**

*An Administrator should establish and Publish or Make Available clear guidelines regarding the hierarchy of data inputs and exercise of Expert Judgment used for the determination of Benchmarks.*

As stated within Principle 7 above, the Index is an equity index, priced using regulated exchange data, with no estimations used.

This Principle is therefore met.

### **Principle 9 – Transparency of Benchmark Determinations**

*The Administrator should describe and publish with each Benchmark determination, to the extent reasonable without delaying an Administrator publication deadline:*

- a) A concise explanation of how the determination was developed;*
- b) A concise explanation of the extent to which and the basis upon which Expert Judgment if any, was used in establishing a Benchmark determination.*

As it is built from a published methodology and derived from regulated exchange data, the Index meets the requirements of Principle 9, including as elaborated in Annex C of the Principles. However, for information:

- The Index is published in “real time”.
- Daily files detailing Index constituents, prices, shares in issue and other information are published, together with daily files showing Index values and divisors used in the Index calculations.
- Forward-looking Index “open” files are published daily, showing the impact of overnight corporate event changes on the Index, and the subsequent composition of the Index at the open on the following trading day.
- The Index methodology is built to ensure that all eligible, suitably liquid companies are included in the Index, which therefore represents 100% of the economic interest.

There is no discretion or expert judgement used in the normal process of calculating the Index. Where a complex corporate action or other event occurs and the methodology does not provide a clear guide to its handling, the Index follows S&P Dow Jones Indices’ standard corporate actions methodology.

### **Principle 10 – Periodic Review**

*The Administrator should periodically review the conditions in the underlying Interest that the Benchmark measures to determine whether the Interest has undergone structural changes that might require changes to the design of the Methodology. The Administrator also should periodically review whether the Interest has diminished or is non-functioning such that it can no longer function as the basis for a credible Benchmark.*

Cosmos understands its responsibility for reviewing the underlying economic interest, and the data that is available upon it, in order that Principle 11 can be fulfilled. To this end, the Index

Management Committee is required to review the digital asset and infrastructure industry sector and associated data availability at least annually, as per its Charter.

If the Index Management Committee and Index Oversight Committee determine that conditions in the digital asset and infrastructure industry sector, data availability or other such factor imply that the Index may require modification or termination, the committees will seek outside consultation and act accordingly in the best interests of stakeholders (ie investors in the Fund). If a decision is taken to modify the Index methodology or terminate the Index, Cosmos will notify stakeholders accordingly, including an explanation of the rationale for the decision.

## **IOSCO PRINCIPLES REGARDING QUALITY OF METHODOLOGIES**

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### **Principle 11 – Content of the Methodology**

*The Administrator should document and Publish, or Make Available the Methodology used to make Benchmark determinations. The Administrator should provide the rationale for adopting a particular Methodology.*

#### **Rationale**

The Index methodology was created by Cosmos. The content of the methodology will be reviewed by the Index Oversight Committee on an annual basis, or more often as circumstances require, to ensure it represents the defined economic interest, and provides a suitable underlying for investible investment products. Internal procedures have been developed for assessing whether the Index fulfils these requirements.

Cosmos' index maintenance and calculation agent calculated the appropriate history of Index performance to indicate possible achievable performance had the Index existed prior to its launch.

#### **Transparency**

Cosmos has fully documented, and publishes, its Index methodology. It contains all the necessary information for stakeholders to understand the methodology and objectives of the Index, in order to assess its suitability for their purposes.

The methodology document, together with various other Cosmos documents, fulfils the relevant requirements of IOSCO Principle 11. (Certain requirements, such as to explain the management of situations where inputs are concentrated, are not relevant to the Index.)

### **Principles 12 and 13 – Changes to the Methodology and Possible Cessation of Benchmarks**

*(12) An Administrator should Publish or Make Available the rationale of any proposed material change in its Methodology, and procedures for making such changes.*

*(13) Administrators should have clear written policies and procedures, to address the need for possible cessation of a Benchmark, due to market structure change, product definition change, or any other condition which makes the Benchmark no longer representative of its intended Interest.*

Cosmos has established procedures to be followed in respect of amendments to its Index methodology, which define materiality, and the process to be followed when either a material change or cessation is required.

All material amendments require the approval of the Index Oversight Committee before implementation.

Following a consultation, the procedures require Cosmos to provide a summary of comments and Cosmos' response to each. Following a decision to change the methodology, advance notice of changes must be given, wherever possible.

Due to the nature of Cosmos' Index, Cosmos has determined that it is not possible to set out criteria to guide the selection of alternative benchmarks or to identify alternative benchmarks. However, if the Index is discontinued, Cosmos will consult with its stakeholders in order to attempt to ensure a smooth transition.

#### **Principle 14 – Submitter Code of Conduct**

*Where a Benchmark is based on Submissions, the Administrator should develop guidelines for Submitters ("Submitter Code of Conduct"), and should only use inputs or Submissions from entities which adhere to the Submitter Code of Conduct.*

Cosmos' Index is not based on submissions, and therefore Principle 14 does not apply to Cosmos.

#### **Principle 15 – Internal Controls over Data Collection**

*When an Administrator collects data from any external source the Administrator should ensure that there are appropriate internal controls over its data collection and transmission processes.*

The calculation of the Index uses regulated exchange data, and the Index is calculated by S&P Dow Jones Indices, a well-renowned index provider..

No other external data is sourced for the purposes of calculating the Cosmos benchmarks.

## **IOSCO PRINCIPLES ON ACCOUNTABILITY**

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#### **Principle 16 – Complaints Procedures**

*The Administrator should establish and Publish or Make Available a written complaints procedures policy.*

Cosmos has established and publishes a Complaints Handling Policy that can be obtained from Cosmos's website or from Cosmos. The Policy sets out:

- What constitutes a complaint.
- How a complaint can be made.
- How it will be investigated.
- What actions may follow its investigation.
- How a complainant can request that the results of the investigation are reviewed, if unsatisfied.

Any changes to the Index methodology that are considered as a result of a complaint will be subject to the engagement processes and approvals processes detailed as per Principles 12 and 13.

## **Principle 17 – Audits**

*The Administrator should appoint an independent internal or external auditor with appropriate experience and capability to periodically review and report on the Administrator's adherence to its stated criteria and with the Principles.*

Cosmos arranges a yearly audit of its compliance with the IOSCO Principles for Financial Benchmarks.

## **Principle 18 – Audit Trail**

*Written records should be retained by the Administrator for five years.*

Cosmos has developed a suitable Recordkeeping and Audit Trail Policy. In summary:

- Cosmos's calculation agent, S&P Dow Jones Indices, retains a record of end of day calculation input data, supporting documentation and Index calculation decisions made.
- S&P Dow Jones Indices maintains a record of all data provided for the purposes of conducting Index reviews.
- Cosmos retains a record of all decisions taken by the Index Management Committee and the Index Oversight Committee, including any exercise of expert judgement or deviations from the published Index methodology. Changes to the methodology are recorded within that document itself.
- No records are kept of individuals involved in daily Index calculations, as these calculations are automated and do not require manual involvement.
- Index reviews are signed off by identified Cosmos staff and approved by the Index Oversight Committee.
- Both S&P Dow Jones Indices' and Cosmos' records are retained for a period of not less than five years.

## **Principle 19 – Cooperation with Regulatory Authorities**

*Relevant documents, Audit Trails and other documents subject to these Principles shall be made readily available by the relevant parties to the relevant Regulatory Authorities in carrying out their regulatory or supervisory duties and handed over promptly upon request.*

Cosmos has committed to responding promptly and appropriately to enquiries and requests for information or documentation from regulatory authorities.