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SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-102475; File No. SR-NYSEARCA-2025-12)

February 24, 2025

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change, as Modified by Amendment No. 2, to List and Trade Shares of the Grayscale Cardano Trust (ADA) under NYSE Arca Rule 8.201-E (Commodity-Based Trust Shares)

On February 10, 2025, NYSE Arca, Inc. (“NYSE Arca” or the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”), pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (“Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> a proposed rule change to list and trade shares of the Grayscale Cardano Trust (ADA) under NYSE Arca Rule 8.201-E (Commodity-Based Trust Shares). On February 20, 2025, the Exchange filed Amendment No. 2 to the proposed rule change, which replaced and superseded the proposed rule change in its entirety.<sup>4</sup> The proposed rule change, as modified by Amendment No. 2, is described in Items I, II and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change, as modified by Amendment No. 2, from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to list and trade shares of the following under NYSE Arca Rule 8.201-E: Grayscale Cardano Trust (ADA) (the “Trust”). This Amendment No. 2 to SR-NYSEARCA-2025-12 replaces SR-NYSEARCA-2025-12 and Amendment No. 1 thereto as originally filed and supersedes such filings in their entirety. The proposed rule change is available on the Exchange’s website at [www.nyse.com](http://www.nyse.com), at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

<sup>4</sup> On February 19, 2025, the Exchange filed Amendment No. 1 to the proposed rule change and on February 20, 2025, the Exchange withdrew Amendment No. 1.

## II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

### A. Self-Regulatory Organization’s Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

#### 1. Purpose

Under NYSE Arca Rule 8.201-E, the Exchange may propose to list and/or trade pursuant to unlisted trading privileges “Commodity-Based Trust Shares.”<sup>5</sup> The Exchange proposes to list and trade shares (“Shares”)<sup>6</sup> of the Trust pursuant to NYSE Arca Rule 8.201-E.

The sponsors of the Trust are Grayscale Operating, LLC and Grayscale Investments Sponsors, LLC (each, a “Sponsor” and, collectively, the “Sponsors”),<sup>7</sup> each a Delaware limited liability company. The Sponsors are indirect wholly owned subsidiaries of Digital Currency Group, Inc. (“Digital Currency Group”). The trustee for the Trust is Delaware Trust Company (“Trustee”). The custodian for the Trust is Coinbase Custody Trust Company, LLC (“Custodian”). The administrator and transfer agent of the Trust is expected to be BNY Mellon Asset Servicing, a division of The Bank of New York Mellon (the “Transfer Agent”). The distribution and marketing agent for the Trust is expected to be Foreside Fund Services, LLC (the “Marketing Agent”). The index provider for the Trust is CoinDesk Indices, Inc. (the “Index Provider”).

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<sup>5</sup> Commodity-Based Trust Shares are securities issued by a trust that represent investors’ discrete identifiable and undivided beneficial ownership interest in the commodities deposited into the Trust.

<sup>6</sup> The Shares are expected to be listed under the ticker symbol “GADA.”

<sup>7</sup> As of May 3, 2025, Grayscale Operating, LLC will cease to act as Sponsor of the Trust and Grayscale Investment Sponsors, LLC will be sole Sponsor of the Trust.

The Trust is a Delaware statutory trust, formed on January 26, 2018, that operates pursuant to a trust agreement between the Sponsor and the Trustee (“Trust Agreement”). The Trust has no fixed termination date.

### Operation of the Trust

According to the prospectus the Trust intends to file (the “Prospectus”), the Trust’s assets consist solely of Cardano (“ADA”).<sup>8</sup>

Each Share represents a proportional interest, based on the total number of Shares outstanding, in the Trust’s assets as determined by reference to the Index Price,<sup>9</sup> less the Trust’s expenses and other liabilities (which include accrued but unpaid fees and expenses). The Sponsors expect that the market price of the Shares will fluctuate over time in response to the market prices of ADA. In addition, because the Shares reflect the estimated accrued but unpaid expenses of the Trust, the number of ADA represented by a Share will gradually decrease over time as the Trust’s ADA are used to pay the Trust’s expenses.

The activities of the Trust are limited to (i) issuing “Baskets” (as defined below) in exchange for ADA transferred to the Trust as consideration in connection with creations, (ii) transferring or selling ADA as necessary to cover the “Sponsor’s Fee”<sup>10</sup> and/or certain Trust

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<sup>8</sup> The Trust may from time to time come into possession of Incidental Rights and/or IR Virtual Currency by virtue of its ownership of ADA, generally through a fork in the Cardano Blockchain, an airdrop offered to holders of ADA or other similar event. “Incidental Rights” are rights to acquire, or otherwise establish dominion and control over, any virtual currency or other asset or right, which rights are incident to the Trust’s ownership of ADA and arise without any action of the Trust, or of the Sponsor or Trustee on behalf of the Trust. “IR Virtual Currency” is any virtual currency tokens, or other asset or right, acquired by the Trust through the exercise (subject to the applicable provisions of the Trust Agreement) of any Incidental Right. Although the Trust is permitted to take certain actions with respect to Incidental Rights and IR Virtual Currency in accordance with its Trust Agreement, at this time the Trust will prospectively irrevocably abandon any Incidental Rights and IR Virtual Currency. In the event the Trust seeks to change this position, the Exchange would file a subsequent proposed rule change with the Commission.

<sup>9</sup> The “Index Price” means the U.S. dollar value of a ADA derived from the Digital Asset Trading Platforms (as defined below) that are reflected in the CoinDesk Cardano Price Index (ADX) (the “Index”), calculated at 4:00 p.m., New York time, on each business day. For purposes of the Trust Agreement, the term Cardano Index Price has the same meaning as the Index Price as defined herein.

<sup>10</sup> The Sponsor’s Fee means a fee, payable in ADA, which accrues daily in U.S. dollars at an annual rate of currently 2.5%, but which will be lowered in connection with the Trust becoming an ETP, of the NAV Fee Basis Amount of the Trust as of 4:00 p.m., New York time, on each day, provided that for a day that is not a business day, the calculation of the Sponsor’s Fee will be based on the NAV Fee Basis Amount from the most recent business day, reduced by the accrued and unpaid Sponsor’s Fee for such most recent business day and for each day after such most recent business day and prior to the relevant calculation date. The

expenses, (iii) transferring ADA in exchange for Baskets surrendered for redemption (subject to obtaining regulatory approval from the Commission and approval of the Sponsor), (iv) causing the Sponsor to sell ADA on the termination of the Trust, and (v) engaging in all administrative and security procedures necessary to accomplish such activities in accordance with the provisions of the Trust Agreement, the Custodian Agreement, the Index License Agreement, and the Participant Agreements (each as defined below).

The Trust will not be actively managed. It will not engage in any activities designed to obtain a profit from, or to ameliorate losses caused by, changes in the market prices of ADA.

The Trust is not a registered investment company under the Investment Company Act and the Sponsors believe that the Trust is not required to register under the Investment Company Act.

#### Investment Objective

According to the Prospectus, and as further described below, the Trust's investment objective is for the value of the Shares (based on ADA per Share) to reflect the value of the ADA held by the Trust, determined by reference to the Index Price, less the Trust's expenses and other liabilities. While an investment in the Shares is not a direct investment in ADA, the Shares are designed to provide investors with a cost-effective and convenient way to gain investment exposure to ADA. Generally speaking, a substantial direct investment in ADA may require expensive and sometimes complicated arrangements in connection with the acquisition, security and safekeeping of the ADA and may involve the payment of substantial fees to acquire such ADA from third-party facilitators through cash payments of U.S. dollars. Because the value of the Shares is correlated with the value of ADA held by the Trust, it is important to understand the investment attributes of, and the market for, ADA.

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"NAV Fee Basis Amount" is calculated in the manner set forth under "Valuation of ADA and Determination of NAV" below.

The Trust uses the Index Price to calculate its “NAV,” which is the aggregate value, expressed in U.S. dollars, of the Trust’s assets (other than U.S. dollars or other fiat currency), less the U.S. dollar value of the Trust’s expenses and other liabilities calculated in the manner set forth under “Valuation of ADA and Determination of NAV.” “NAV per Share” is calculated by dividing NAV by the number of Shares then outstanding.

#### Valuation of ADA and Determination of NAV

The following is a description of the material terms of the Trust Agreement as they relate to valuation of the Trust’s ADA and the NAV calculations.

On each business day at 4:00 p.m., New York time, or as soon thereafter as practicable (the “Evaluation Time”), the Sponsor will evaluate the ADA held by the Trust and calculate and publish the NAV of the Trust. To calculate the NAV, the Sponsor will:

1. Determine the Index Price as of such business day.
2. Multiply the Index Price by the Trust’s aggregate number of ADA owned by the Trust as of 4:00 p.m., New York time, on the immediately preceding day, less the aggregate number of ADA payable as the accrued and unpaid Sponsor’s Fee as of 4:00 p.m., New York time, on the immediately preceding day.
3. Add the U.S. dollar value of ADA, calculated using the Index Price, receivable under pending creation orders, if any, determined by multiplying the number of the Baskets represented by such creation orders by the Basket Amount and then multiplying such product by the Index Price.<sup>11</sup>
4. Subtract the U.S. dollar amount of accrued and unpaid Additional Trust Expenses, if any.<sup>12</sup>

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<sup>11</sup> “Baskets” and “Basket Amount” have the meanings set forth in “Creation and Redemption of Shares” below.

<sup>12</sup> A “Digital Asset Market” is a “Brokered Market,” “Dealer Market,” “Principal-to-Principal Market” or “Exchange Market,” as each such term is defined in the Financial Accounting Standards Board Accounting Standards Codification Master Glossary. The “Digital Asset Trading Platform Market” is the global trading platform market for the trading of ADA, which consists of transactions on electronic Digital Asset Trading Platforms. A “Digital Asset Trading Platform” is an electronic marketplace where trading participants may trade, buy and sell ADA based on bid-ask trading. The largest Digital Asset Trading Platforms are online

5. Subtract the U.S. dollar value of the ADA, calculated using the Index Price, to be distributed under pending redemption orders, if any, determined by multiplying the number of Baskets to be redeemed represented by such redemption orders by the Basket Amount and then multiplying such product by the Index Price (the amount derived from steps 1 through 5 above, the “NAV Fee Basis Amount”).
6. Subtract the U.S. dollar amount of the Sponsor’s Fee that accrues for such business day, as calculated based on the NAV Fee Basis Amount for such business day.

In the event that the Sponsor determines that the primary methodology used to determine the Index Price is not an appropriate basis for valuation of the Trust’s ADA, the Sponsor will utilize the cascading set of rules as described in “Determination of the Index Price When Index Price is Unavailable” below.

#### ADA and the Cardano Network<sup>13</sup>

According to the Prospectus, ADA is a digital asset that is created and transmitted through the operations of the peer-to-peer Cardano network, a decentralized network of computers that operates on cryptographic protocols. No single entity owns or operates the Cardano network, the infrastructure of which is collectively maintained by a decentralized user base. The Cardano network allows people to exchange tokens of value, called ADA, which are recorded on a public transaction ledger known as a blockchain. ADA can be used to pay for goods and services, including computational power on the Cardano network, or it can be converted to fiat currencies, such as the U.S. dollar, at rates determined on Digital Asset Exchanges or in individual end-user-to-end-user transactions under a barter system.

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and typically trade on a 24-hour basis, publishing transaction price and volume data.

<sup>13</sup> The description of ADA and the Cardano Network in this section was provided by the Sponsors and is based on the Prospectus.

The Cardano network was designed to allow users to write and implement smart contracts—that is, general-purpose code that executes on every computer in the network and can instruct the transmission of information and value based on a sophisticated set of logical conditions. Using smart contracts, users can create markets, store registries of debts or promises, represent the ownership of property, move funds in accordance with conditional instructions and create digital assets other than ADA on the Cardano network. When operational, smart contract operations are executed on the Cardano blockchain in exchange for payment of ADA. Like the Ethereum network, the Cardano network is one of a number of projects intended to expand blockchain use beyond just a peer-to-peer money system.

Cardano was founded by Charles Hoskinson, an early contributor of the Ethereum Network, as a proof-of-stake alternative to blockchains relying on proof-of-work. The proof-of-stake consensus mechanism is intended to provide lower energy consumption in the validation of the network and potentially faster transaction times. The Cardano Foundation, a Swiss non-profit organization that administered the original network launch and token distribution, contributes to the development of the Cardano network. The Cardano Foundation has contracted Input-Output Global (“IOHK”), a company founded by Hoskinson, to continue building and maintaining the Cardano network, as well as Emurgo Pte. Ltd. (“Emurgo”), a for-profit company responsible for building partnerships with developers of the Cardano Network. Additionally, twenty percent of Cardano transaction fees are currently allocated to the Cardano’s treasury (the “Cardano Treasury”) (with the rest of the fees being used for staking rewards). The Cardano Treasury allocates resources to develop the Cardano network and create new applications in the Cardano ecosystem.

The Cardano Network is decentralized and does not require governmental authorities or financial institution intermediaries to create, transmit or determine the value of ADA. Rather, ADA is created and allocated by the Cardano Network protocol through a “mining” process. The

value of ADA is determined by the supply of and demand for ADA on the Digital Asset Trading Platforms or in private end-user-to-end-user transactions.

Similar to the Ethereum Network, new ADA are created and rewarded to the validators of a block in the Cardano Blockchain for verifying transactions. The Cardano Blockchain is effectively a decentralized database that includes all blocks that have been validated, and it is updated to include new blocks as they are validated. Each ADA transaction is broadcast to the Cardano Network and, when included in a block, recorded in the Cardano Blockchain. As each new block records outstanding ADA transactions, and outstanding transactions are settled and validated through such recording, the Cardano Blockchain represents a complete, transparent and unbroken history of all transactions of the Cardano Network. Among other things, ADA is used to pay for transaction fees and computational services (i.e., smart contracts) on the Cardano Network; users of the Cardano Network pay for the computational power of the machines executing the requested operations with ADA. Requiring payment in ADA on the Cardano Network incentivizes developers to write quality applications and increases the efficiency of the Cardano Network while ensuring that the Cardano Network remains economically viable by compensating for contributed computational resources.

#### Smart Contracts and Development on the Cardano Network

Smart contracts are programs that run on a blockchain that can execute automatically when certain conditions are met. Smart contracts facilitate the exchange of anything representative of value, such as money, information, property, or voting rights. Using smart contracts, users can send or receive digital assets, create markets, store registries of debts or promises, represent ownership of property or a company, move funds in accordance with conditional instructions and create new digital assets. Development on the Cardano Network involves building more complex tools on top of smart contracts, such as decentralized apps (“DApps”); organizations that are autonomous, known as decentralized autonomous organizations (“DAOs”); and entirely new decentralized networks. For example, a company that

distributes charitable donations on behalf of users could hold donated funds in smart contracts that are paid to charities only if the charity satisfies certain pre-defined conditions.

Moreover, like the Ethereum network, the Cardano Network can also be used as a platform for creating new digital assets and conducting their associated initial coin offerings. However, a majority of digital assets are built on the Ethereum network, with such assets representing a significant amount of the total market value of all digital assets.

Like the Ethereum network, the Cardano Network is also used for decentralized finance (“DeFi”) or open finance platforms, which seek to democratize access to financial services, such as borrowing, lending, custody, trading, derivatives and insurance, by removing third-party intermediaries. DeFi can allow users to lend and earn interest on their digital assets, exchange one digital asset for another and create derivative digital assets such as stablecoins, which are digital assets pegged to a reserve asset such as fiat currency. As of the date hereof, approximately \$384 million worth of digital assets were locked up as collateral on DeFi platforms on the Cardano Network.<sup>14</sup>

IOHK has also partnered with several entities to apply Cardano products and ADA to real-world use cases, at various stages of development and maturity. For example, IOHK announced partnerships and launched projects with:

- The Ethiopian Ministry of Science and Technology (2018);
- The Georgia Ministry of Education (2019);<sup>15</sup>
- The Ethiopian Ministry of Education (2021) to use Cardano’s technology for agricultural and student educational applications, respectively;<sup>16</sup>

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<sup>14</sup> See DeFi Llama, Cardano, <https://defillama.com/chains>. Last visited: February 4, 2025.

<sup>15</sup> See Daniel Friedman, “IOHK Announces Partnership with Georgian Government and Universities,” IOHK, (June 18, 2019), available at <https://iohk.io/en/blog/posts/2019/06/18/iohk-announces-partnership-with-georgian-government-and-universities/>; Mariam Papidze, Georgia to be 1st country to put educational credentials on blockchain (Mar. 13, 2020), <https://agenda.ge/en/article/2020/12>.

<sup>16</sup> See Unocoin Blog, “Ethiopia uses Cardano for Blockchain in Agriculture,” Unocoin (July 9, 2018), available at <https://blog.unocoin.com/ethiopia-uses-cardano-for-blockchain-in-agriculture-658ebec94446>; Helen Partz, “Ethiopian Gov’t Signs Agreement With Cardano To Introduce Blockchain In Agritech,” Coin Telegraph (May 4, 2018), available at <https://cointelegraph.com/news/ethiopian-govt-signs-agreement->

- Dish Network (2021) to provide digital identity services to Dish customers;<sup>17</sup> and
- Samsung, as part of the Cardano-based project Veritree to track and verify tree plantings and reforestation efforts.<sup>18</sup>

### *Overview of the Cardano Network's Operations*

In order to own, transfer or use ADA directly on the Cardano Network (as opposed to through an intermediary, such as a custodian), a person generally must have internet access to connect to the Cardano Network. ADA transactions may be made directly between end-users without the need for a third-party intermediary. To prevent the possibility of double-spending ADA, a user must notify the Cardano Network of the transaction by broadcasting the transaction data to its network peers. The Cardano Network provides confirmation against double-spending by memorializing every transaction in the Cardano Blockchain, which is publicly accessible and transparent. This memorialization and verification against double-spending is accomplished through the Cardano Network validating process, which adds “blocks” of data, including recent transaction information, to the Cardano Blockchain.

### *Summary of a ADA Transaction*

Prior to engaging in ADA transactions directly on the Cardano Network, a user generally must first install on its computer or mobile device a Cardano Network software program that will allow the user to generate a private and public key pair associated with a ADA address. Each

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with-cardano-to-introduce-blockchain-in-agritech; Anna Baydakova, “Cardano in Africa: Inside IOHK’s Ethiopia Blockchain Deal,” CoinDesk (Apr. 30, 2021), available at <https://www.coindesk.com/markets/2021/04/30/cardano-in-africa-inside-iohks-ethiopia-blockchain-deal/>; Marc Hochstein, Ethiopian Education Minister Confirms Cardano Blockchain Partnership, CoinDesk (Apr. 30, 2021, updated Sept. 14, 2021), <https://www.coindesk.com/business/2021/04/30/ethiopian-education-minister-confirms-cardano-blockchain-partnership/>.

<sup>17</sup> Anthony Quinn, “US mobile operator calls on Cardano,” IOHK (Sept. 27, 2021), available at <https://iohk.io/en/blog/posts/2021/09/28/boost-mobile-and-dish-tv-call-on-cardano/>; Kevin Reynolds, “Cardano Announces Partnerships With Dish Network,” Chainlink, CoinDesk (Sept. 25, 2021, updated Sept. 27, 2021), available at <https://www.coindesk.com/business/2021/09/26/cardano-announces-partnerships-with-dish-network-chainlink/>.

<sup>18</sup> See Ekta Mourya, “Samsung partners with Cardano Based Project Veritree for its New Initiative,” FXStreet (Jan. 6, 2022), available at <https://www.fxstreet.com/cryptocurrencies/news/samsung-partners-with-cardano-based-project-veritree-for-its-new-initiative-202201061335>; Oluwapelumi Adejumo, “Samsung Continues Crypto Drive With new Cardano Exposure,” Yahoo! (Jan. 5, 2022), available at <https://www.yahoo.com/video/samsung-continues-crypto-drive-cardano-095930154.html>.

Cardano Network address, or wallet, is associated with a unique “public key” and “private key” pair. To receive ADA, the ADA recipient must provide its public key to the party initiating the transfer. This activity is analogous to a recipient for a transaction in U.S. dollars providing a routing address in wire instructions to the payor so that cash may be wired to the recipient’s account. The payor approves the transfer to the address provided by the recipient by “signing” a transaction that consists of the recipient’s public key with the private key of the address from where the payor is transferring the ADA. The recipient, however, does not make public or provide to the sender its related private key.

Neither the recipient nor the sender reveals their private keys in a transaction, because the private key authorizes transfer of the funds in that address to other users. Therefore, if a user loses his or her private key, the user may permanently lose access to the ADA contained in the associated address. Likewise, ADA is irretrievably lost if the private key associated with them is deleted and no backup has been made. When sending ADA, a user’s Cardano Network software program must validate the transaction with the associated private key. In addition, since every computation on the Cardano Network requires processing power, there is a transaction fee involved with the transfer that is paid by the payor. The resulting digitally validated transaction is sent by the user’s Cardano Network software program to the Cardano Network validators to allow transaction confirmation.

Cardano Network validators record and confirm transactions when they validate and add blocks of information to the Cardano Blockchain. In proof-of-stake, validators compete to be randomly selected to validate transactions. When a validator is selected to validate a block, it creates that block, which includes data relating to (i) the verification of newly submitted and accepted transactions and (ii) a reference to the prior block in the Cardano Blockchain to which the new block is being added. The validator becomes aware of outstanding, unrecorded transactions through the data packet transmission and distribution discussed above.

Upon the addition of a block of ADA transactions, the Cardano Network software program of both the spending party and the receiving party will show confirmation of the transaction on the Cardano Blockchain and reflect an adjustment to the ADA balance in each party's Cardano Network public key, completing the ADA transaction. Once a transaction is confirmed on the Cardano Blockchain, it is irreversible.

Some ADA transactions are conducted “off-blockchain” and are therefore not recorded in the Cardano Blockchain. These “off-blockchain transactions” involve the transfer of control over, or ownership of, a specific digital wallet holding ADA or the reallocation of ownership of certain ADA in a pooled-ownership digital wallet, such as a digital wallet owned by a Digital Asset Trading Platform. In contrast to on-blockchain transactions, which are publicly recorded on the Cardano Blockchain, information and data regarding off-blockchain transactions are generally not publicly available. Therefore, off-blockchain transactions are not truly ADA transactions in that they do not involve the transfer of transaction data on the Cardano Network and do not reflect a movement of ADA between addresses recorded in the Cardano Blockchain. For these reasons, off-blockchain transactions are subject to risks as any such transfer of ADA ownership is not protected by the protocol behind the Cardano Network or recorded in, and validated through, the blockchain mechanism.

### Creation of ADA

#### *Initial Creation of ADA*

Unlike other digital assets such as Bitcoin, which are solely created through a progressive mining process, 31.11 million ADA were created in connection with the launch of the Cardano Network in a series of public token sales that occurred between September 2015 and January 2017 to non-U.S. citizens. The initial 31.11 million ADA were distributed as follows:

- Tranche 1: 1,255,160,024 ADA sold, raising \$2.66M (9.08K BTC).
- Tranche 2: 7,729,842,852 ADA sold, raising \$16.49M (40.20K BTC).
- Tranche 3: 5,923,771,020 ADA sold, raising \$14.32M (24.28K BTC).

- Tranche 3.5: 721,948,412 ADA sold, raising \$19.36M (32.82K BTC).
- Tranche 4: 10,296,348,230 ADA sold, raising \$26.36M (32.82K BTC).

The remaining 5,185,414,108 ADA were received by the three legal entities that govern the Cardano network as follows:

- 648,176,761 ADA to the Cardano Foundation;
- 2,074,165,644 ADA to Emurgo;
- 2,463,071,701 ADA to IOHK, which voluntarily adopted the following vesting schedule:
  - a third of the holdings were made available to IOHK immediately;
  - a third were made available to IOHK on June 1, 2018; and
  - a third were made available to IOHK on June 1, 2019.<sup>2229</sup>

Neither the Cardano Foundation nor Emurgo adopted a vesting schedule.

In total, the Cardano Foundation, Emurgo and IOHK received 16.67% of the initial ADA distributed, and the public received 83.33% of the initial ADA distributed.

Following these distributions, the remaining 13.89 billion ADA tokens are scheduled to be issued over time, in the form of staking rewards.

### *Proof-of-Stake Process*

Unlike proof-of-work, in which miners expend computational resources to compete to validate transactions and are rewarded coins in proportion to the amount of computational resources expended, in proof-of-stake, miners (sometimes called validators) risk or “stake” coins to compete to be randomly selected to validate transactions and are rewarded coins in proportion to the amount of coins staked. Any malicious activity, such as validating multiple blocks, disagreeing with the eventual consensus, or otherwise violating protocol rules, results in the forfeiture or “slashing” of a portion of the staked coins. Proof-of-stake is viewed as more energy efficient and scalable than proof-of-work and is sometimes referred to as “virtual mining.” As of December 31, 2024, every 12 seconds, approximately, a new block is added to the Cardano

Blockchain with the latest transactions processed by the network, and the validator that generated this block is awarded ADA.

### *Limits on ADA Supply*

The Cardano Network is structured to allow a maximum of 45 billion ADA to be created, which are mined over time with the creation of each new block. The supply of new ADA is mathematically controlled so that the number of ADA grows at a limited rate pursuant to a pre-set schedule. This deliberately controlled rate of ADA creation means that the number of ADA in existence will increase at a controlled rate until the number of ADA in existence reaches 45 billion ADA.

As of the date hereof, approximately 35 billion ADA were outstanding, which are scheduled to be issued over time, in the form of staking rewards.

### Modifications to the ADA Protocol

Historically, the Cardano Network's development has historically been overseen by a core group of developers from the Cardano Foundation, IOHK and Emurgo. The core developers are able to access, and can alter, the Cardano Network source code and, as a result, they are responsible for quasi-official releases of updates and other changes to the Cardano Network's source code.

The Cardano network's development has been taking place in five phases. The first phase, known as Byron, began in 2015 and set the foundation of the Cardano Network for transitions in connection with the initial distribution and staking pools. The second phase, known as Shelley, began in 2019 introduced decentralization and saw the transition from staking pools being managed by IOHK and Emurgo to being community-owned. The third phase, known as Goguen, began in 2021 and introduced smart contract capabilities, enabling developers to build dApps and users to create new digital assets on the Cardano Network. The fourth phase, known as Basho, began in 2022 and seeks to improve scalability and interoperability of the Cardano Network through the introduction of sidechains. The fifth and final phase, known as Voltaire,

will transfer governance of the Cardano Network to the community of ADA holders. Specifically, Voltaire is expected to introduce a formal process for ADA holders to propose and vote on “Cardano Improvement Proposals.” Additionally, Voltaire phase is expected to provide more formal voting rights for ADA holders with respect to distributions of the Cardano Treasury. The release of updates to the Cardano Network’s source code does not guarantee that the updates will be automatically adopted. Users and validators must accept any changes made to the Cardano source code by downloading the proposed modification of the Cardano Network’s source code. A modification of the Cardano Network’s source code is effective only with respect to the Cardano users and validators that download it. If a modification is accepted by only a percentage of users and validators, a division in the Cardano Network will occur such that one network will run the pre-modification source code and the other network will run the modified source code. Such a division is known as a “fork.” Consequently, as a practical matter, a modification to the source code becomes part of the Cardano Network only if accepted by participants collectively having most of the processing power on the Cardano Network.

#### Custody of the Trust’s ADA

Digital assets and digital asset transactions are recorded and validated on blockchains, the public transaction ledgers of a digital asset network. Each digital asset blockchain serves as a record of ownership for all of the units of such digital asset, even in the case of certain privacy-preserving digital assets, where the transactions themselves are not publicly viewable. All digital assets recorded on a blockchain are associated with a public blockchain address, also referred to as a digital wallet. Digital assets held at a particular public blockchain address may be accessed and transferred using a corresponding private key.

#### *Key Generation*

Public addresses and their corresponding private keys are generated by the Custodian in secret key generation ceremonies at secure locations inside faraday cages, which are enclosures

used to block electromagnetic fields and thus mitigate against attacks. The Custodian uses quantum random number generators to generate the public and private key pairs.

Once generated, private keys are encrypted, separated into “shards,” and then further encrypted. After the key generation ceremony, all materials used to generate private keys, including computers, are destroyed. All key generation ceremonies are performed offline. No party other than the Custodian (including the Trust itself) has access to the private key shards of the Trust.

### *Key Storage*

Private key shards are distributed geographically in secure vaults around the world, including in the United States. The locations of the secure vaults may change regularly and are kept confidential by the Custodian for security purposes.

The “Digital Asset Account” is a segregated custody account controlled and secured by the Custodian to store private keys, which allows for the transfer of ownership or control of the Trust’s ADA on the Trust’s behalf. The Digital Asset Account uses offline storage, or “cold,” mechanisms to secure the Trust’s private keys. The term cold storage refers to a safeguarding method by which the private keys corresponding to digital assets are disconnected and/or deleted entirely from the internet. Cold storage of private keys may involve keeping such keys on a non-networked (or “air-gapped”) computer or electronic device or storing the private keys on a storage device (for example, a USB thumb drive) or printed medium (for example, papyrus, paper, or a metallic object). A digital wallet may receive deposits of digital assets but may not send digital assets without use of the digital assets’ corresponding private keys. In order to send digital assets from a digital wallet in which the private keys are kept in cold storage, either the private keys must be retrieved from cold storage and entered into an online, or “hot,” digital asset software program to sign the transaction, or the unsigned transaction must be transferred to the cold server in which the private keys are held for signature by the private keys and then

transferred back to the online digital asset software program. At that point, the user of the digital wallet can transfer its digital assets.

### *Security Procedures*

The Custodian is the custodian of the Trust's private keys (which, as noted above, facilitate the transfer of ownership or control of the Trust's ADA) in accordance with the terms and provisions of the custodian agreement by and between the Custodian, the Sponsor and the Trust (the "Custodian Agreement"). Transfers from the Digital Asset Account require certain security procedures, including, but not limited to, multiple encrypted private key shards, usernames, passwords and 2-step verification. Multiple private key shards held by the Custodian must be combined to reconstitute the private key to sign any transaction in order to transfer the Trust's assets. Private key shards are distributed geographically in secure vaults around the world, including in the United States.

As a result, if any one secure vault is ever compromised, this event will have no impact on the ability of the Trust to access its assets, other than a possible delay in operations, while one or more of the other secure vaults is used instead. These security procedures are intended to remove single points of failure in the protection of the Trust's assets.

Transfers of ADA to the Digital Asset Account will be available to the Trust once processed on the Blockchain.

Subject to obtaining regulatory approval to operate a redemption program and authorization of the Sponsor, the process of accessing and withdrawing ADA from the Trust to redeem a Basket will follow the same general procedure as transferring ADA to the Trust to create a Basket, only in reverse.

The Sponsor will maintain ownership and control of the Trust's ADA in a manner consistent with good delivery requirements for spot commodity transactions.

## ADA Value

### *Digital Asset Trading Platform Valuation*

The value of ADA is determined by the value that various market participants place on ADA through their transactions. The most common means of determining the value of a ADA is by surveying one or more Digital Asset Trading Platforms where ADA is traded publicly and transparently (e.g., Bitfinex, Coinbase, Crypto.com, and Kraken).

### *Digital Asset Trading Platform Public Market Data*

On each online Digital Asset Trading Platform, ADA is traded with publicly disclosed valuations for each executed trade, measured by one or more fiat currencies such as the U.S. dollar or euro or by the widely used cryptocurrency Bitcoin. Over-the-counter dealers or market makers do not typically disclose their trade data.

As of December 31, 2024, the Digital Asset Trading Platforms included in the Index were Coinbase, Crypto.com, Bitfinex, and Kraken. As further described below, the Sponsors and the Trust reasonably believe each of these Digital Asset Trading Platforms are in material compliance with applicable U.S. federal and state licensing requirements (except for Bitfinex as detailed below) and maintain practices and policies designed to comply with anti-money laundering (“AML”) and know-your-customer (“KYC”) regulations.

*Coinbase:* A U.S.-based trading platform registered as a money services business (“MSB”) with the Financial Crimes Enforcement Network (“FinCEN”) and licensed as a virtual currency business under the New York State Department of Financial Services (“NYDFS”) BitLicense as well as a money transmitter in various U.S. states.

*Crypto.com:* A Singapore-based trading platform registered as an MSB with FinCEN and licensed as a money transmitter in various U.S. states. Crypto.com does not hold a BitLicense.

*Bitfinex:* A British Virgin Islands based trading platform. Bitfinex does not hold any licenses or registrations in the U.S. and is not available to U.S. based customers. Bitfinex is

categorized by the Index Provider as a “Category 2” trading platform which meets the Inclusion Criteria outlined below but is non-U.S. licensed.

*Kraken*: A U.S.-based trading platform registered as an MSB with FinCEN and licensed as a money transmitter in various U.S. states. Kraken does not hold a BitLicense.

Currently, there are several Digital Asset Trading Platforms operating worldwide and online Digital Asset Trading Platforms represent a substantial percentage of ADA buying and selling activity and provide the most data with respect to prevailing valuations of ADA. These trading platforms include established trading platforms such as trading platforms included in the Index which provide a number of options for buying and selling ADA. The below table reflects the trading volume in ADA and market share of the ADA-U.S. dollar trading pairs of each of the Digital Asset Trading Platforms included in the Index as of December 31, 2024, (collectively, “Constituent Trading Platforms”) using data since January 1, 2024:

<b>ADA Trading Platforms included in the Index as of December 31, 2024<sup>(1)</sup></b>	<b>Volume (ADA)</b>	<b>Market Share<sup>(2)</sup></b>
Coinbase	12,794,724,982	66.86%
Kraken	3,385,771,441	17.69%
Crypto.com	1,929,570,120	10.08%
Bitfinex		
	655,644,313	3.43%
<b>Total U.S. Dollar-ADA trading pair</b>	<b>18,765,710,856</b>	<b>98.06%</b>

(1) Effective October 28, 2024, the Index Provider added Bitfinex to the Index due to the trading platform meeting the Index Provider’s minimum liquidity requirement, and did not remove any Constituent Trading Platforms as part of its scheduled quarterly review.

(2) Market share is calculated using trading volume (in ADA) for certain Digital Asset Trading Platforms including, Coinbase, Crypto.com, Bitfinex and Kraken, as well as certain other large U.S.-dollar denominated Digital Asset Trading Platforms that were not included in the Index as of December 31, 2024, including Bitstamp.

### Forms of Attack Against the Cardano Network

All networked systems are vulnerable to various kinds of attacks. As with any computer network, the Cardano Network contains certain flaws. For example, the Cardano Network is

currently vulnerable to a “51% attack” where, if a party or group were to gain control of more than 50% of the staked ADA, a malicious actor would be able to gain full control of the network and the ability to manipulate the Cardano Blockchain. As of the date of filing, the top three largest staking pools controlled approximately 1.3% of the ADA staked on the Cardano Network.

In addition, many digital asset networks have been subjected to a number of denial of service attacks, which has led to temporary delays in block creation and in the transfer of ADA. Any similar attacks on the Cardano Network that impact the ability to transfer ADA could have a material adverse effect on the price of ADA and the value of the Shares.

#### The Index and the Index Price

The Index is a U.S. dollar-denominated composite reference rate for the price of ADA. The Index is designed to (1) mitigate the effects of fraud, manipulation and other anomalous trading activity from impacting the ADA reference rate, (2) provide a real-time, volume-weighted fair value of ADA and (3) appropriately handle and adjust for non-market related events.

The Index Price is determined by the Index Provider through a process in which trade data is cleansed and compiled in such a manner as to algorithmically reduce the impact of anomalous or manipulative trading. This is accomplished by adjusting the weight of each data input based on price deviation relative to the observable set, as well as recent and long-term trading volume at each venue relative to the observable set.

The value of the Index is calculated and disseminated on a 24-hour basis and will be available on a continuous basis.

#### *Constituent Trading Platform Selection*

According to the Prospectus, the Digital Asset Trading Platforms that are included in the Index are selected by the Index Provider utilizing a methodology that is guided by the International Organization of Securities Commissions (“IOSCO”) principles for financial

benchmarks. For a trading platform to become a Constituent Trading Platform, it must satisfy each of the criteria listed below (the “Inclusion Criteria”):

- Sufficient USD or USDC liquidity relative to the size of the listed assets;
- No evidence in the past 12 months of trading restrictions on individuals or entities that would otherwise meet the trading platform’s eligibility requirements to trade;
- No evidence in the past 12 months of undisclosed restrictions on deposits or withdrawals from user accounts;
- Real-time price discovery;
- Limited or no capital controls;<sup>19</sup>
- Transparent ownership including a publicly-known ownership entity;
- Publicly available language and policies addressing legal and regulatory compliance in the U.S., including KYC, AML and other policies designed to comply with relevant regulations that might apply to it;
- Be a trading platform that is licensed and able to service investors in one or more of the following jurisdictions:
  - United States
  - United Kingdom
  - European Union
  - Hong Kong
  - Singapore; and
- Offer programmatic spot trading of the trading pair<sup>20</sup> and reliably publish trade prices and volumes on a real-time basis through Rest and Websocket APIs.

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<sup>19</sup> “Capital controls” in this context means governmental sanctions that would limit the movement of capital into, or out of, the jurisdiction in which such Digital Asset Trading Platforms operate.

<sup>20</sup> Trading platforms with programmatic trading offer traders an application programming interface that permits trading by sending programmed commands to the trading platform.

A Digital Asset Trading Platform is removed as a Constituent Trading Platform when it no longer satisfies the Inclusion Criteria. The Index Provider does not currently include data from over-the-counter markets or derivatives platforms among the Constituent Trading Platforms. According to the Prospectus, over-the-counter data is not currently included because of the potential for trades to include a significant premium or discount paid for larger liquidity, which creates an uneven comparison relative to more active markets. There is also a higher potential for over-the-counter transactions to not be arms-length, and thus not be representative of a true market price.

The Index Provider and the Sponsor have entered into the index license agreement, dated as of February 1, 2022 (as amended, the “Index License Agreement”), governing the Sponsor’s use of the Index Price.<sup>21</sup> Pursuant to the terms of the Index License Agreement, the Index Provider may adjust the calculation methodology for the Index Price without notice to, or consent of, the Trust or its shareholders. The Index Provider may decide to change the calculation methodology to maintain the integrity of the Index Price calculation should it identify or become aware of previously unknown variables or issues with the existing methodology that it believes could materially impact its performance and/or reliability. The Index Provider has sole discretion over the determination of Index Price and may change the methodologies for determining the Index Price from time to time. Shareholders will be notified of any material changes to the calculation methodology or the Index Price in the Trust’s current reports and will be notified of all other changes that the Sponsor considers significant in the Trust’s periodic or current reports. The Sponsor will determine the materiality of any changes to the Index Price on a case-by-case basis, in consultation with external counsel.

The Index Provider may change the trading venues that are used to calculate the Index or otherwise change the way in which the Index is calculated at any time. For example, the Index

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<sup>21</sup> Upon entering into the Index License Agreement, the Sponsor and the Index Provider terminated the license agreement between the parties dated as of February 28, 2019.

Provider has scheduled quarterly reviews in which it may add or remove Constituent Trading Platforms that satisfy or fail the Inclusion Criteria. The Index Provider does not have any obligation to consider the interests of the Sponsor, the Trust, the shareholders, or anyone else in connection with such changes. While the Index Provider is not required to publicize or explain the changes or to alert the Sponsor to such changes, it has historically notified the Trust (and other subscribers to the Index) of any material changes to the Constituent Trading Platforms, including any additions or removals, contemporaneous with its issuance of press releases in connection with the same. The Sponsor will notify investors of any such material event by filing a current report on Form 8-K. Although the Index methodology is designed to operate without any manual intervention, rare events would justify manual intervention. Intervention of this kind would be in response to non-market-related events, such as the halting of deposits or withdrawals of funds on a Digital Asset Trading Platform, the unannounced closure of operations on a Digital Asset Trading Platform, insolvency or the compromise of user funds. In the event that such an intervention is necessary, the Index Provider would issue a public announcement through its website, API and other established communication channels with its clients.

#### *Determination of the Index Price*

The Index applies an algorithm to the price of ADA on the Constituent Trading Platforms calculated on a per second basis over a 24-hour period. The Index's algorithm is expected to reflect a four-pronged methodology to calculate the Index Price from the Constituent Trading Platforms:

- Volume Weighting: Constituent Trading Platforms with greater liquidity receive a higher weighting in the Index, increasing the ability to execute against (i.e., replicate) the Index in the underlying spot markets.
- Price-Variance Weighting: The Index Price reflects data points that are discretely weighted in proportion to their variance from the rest of the Constituent Trading Platforms. As the price at a particular trading platform diverges from the prices at the

rest of the Constituent Trading Platforms, its weight in the Index Price consequently decreases.

- Inactivity Adjustment: The Index Price algorithm penalizes stale activity from any given Constituent Trading Platform. When a Constituent Trading Platform does not have recent trading data, its weighting in the Index Price is gradually reduced until it is de-weighted entirely. Similarly, once trading activity at a Constituent Trading Platform resumes, the corresponding weighting for that Constituent Trading Platform is gradually increased until it reaches the appropriate level.
- Manipulation Resistance: In order to mitigate the effects of wash trading and order book spoofing, the Index only includes executed trades in its calculation and the Index only includes Constituent Trading Platforms that charge trading fees to its users in order to attach a real, quantifiable cost to any manipulation attempts.

The Index Provider re-evaluates the weighting algorithm on a periodic basis, but maintains discretion to change the way in which an Index Price is calculated based on its periodic review or in extreme circumstances and does not make the exact methodology to calculate the Index Price publicly available. Nonetheless, the Sponsors believe that the Index is designed to limit exposure to trading or price distortion of any individual Digital Asset Trading Platform that experiences periods of unusual activity or limited liquidity by discounting, in real-time, anomalous price movements at individual Digital Asset Trading Platforms.

The Sponsors believe the Index Provider's selection process for Constituent Trading Platforms as well as the methodology of the Index Price's algorithm provides a more accurate picture of ADA price movements than a simple average of Digital Asset Trading Platform spot prices, and that the weighting of ADA prices on the Constituent Trading Platforms limits the inclusion of data that is influenced by temporary price dislocations that may result from technical problems, limited liquidity or fraudulent activity elsewhere in the ADA spot market. By referencing multiple trading venues and weighting them based on trade activity, the Sponsors

believe that the impact of any potential fraud, manipulation or anomalous trading activity occurring on any single venue is reduced.

If the Index Price becomes unavailable, or if the Sponsor determines in good faith that such Index Price does not reflect an accurate price for ADA, then the Sponsor will, on a best efforts basis, contact the Index Provider to obtain the Index Price directly from the Index Provider. If after such contact such Index Price remains unavailable or the Sponsor continues to believe in good faith that such Index Price does not reflect an accurate price for ADA, then the Sponsor will employ a cascading set of rules to determine the Index Price, as described below in “Determination of the Index Price When Index Price is Unavailable.”

The Trust values its ADA for operational purposes by reference to the Index Price. The Index Price is the value of ADA as represented by the Index, calculated at 4:00 p.m., New York time, on each business day.

#### Illustrative Example

For the purposes of illustration, outlined below are examples of how the attributes that impact weighting and adjustments in the aforementioned methodology may be utilized to generate the Index Price for a digital asset. For example, Constituent Trading Platforms used to calculate the Index Price of the digital asset may include trading platforms such as Coinbase, Kraken, LMAX Digital, and Crypto.com.

The Index Price algorithm, as described above, is designed to account for manipulation at the outset by only including data from executed trades on Constituent Trading Platforms that charge trading fees. Then, the below-listed elements may impact the weighting of the Constituent Trading Platforms on the Index Price as follows:

- Volume Weighting: Each Constituent Trading Platform will be weighted to appropriately reflect the trading volume share of the Constituent Trading Platform relative to all the Constituent Trading Platforms during this same period. For example, an average hourly weighting of 67.06%, 14.57%, 11.88%, and 6.49%

for Coinbase, Kraken, LMAX Digital, and Crypto.com, respectively, would represent each Constituent Trading Platform's share of trading volume during the same period.

- Inactivity Adjustment: Assume that a Constituent Trading Platform represented a 14% weighting on the Index Price of the digital asset, which is based on the per-second calculations of its trading volume and price-variance relative to the cohort of Constituent Trading Platforms included in such Index, and then went offline for approximately two hours. The index algorithm would automatically recognize inactivity and start de-weighting the Constituent Trading Platform at the 3-minute mark and continue to do so over a 7-minute period until its influence was effectively zero, 10 minutes after becoming inactive. As soon as trading activity resumed at the Constituent Trading Platform, the index algorithm would re-weight it to the appropriate weighting based on trading volume and price-variance relative to the cohort of Constituent Trading Platforms included in the Index. Due to the period of inactivity, it would re-weight the Constituent Trading Platform activity to a weight lower than its original weighting—for example, to 12%.
- Price-Variance Weighting: The price-variance weighting adjustment is a relative measure of each Constituent Trading Platform versus the cohort of Constituent Trading Platforms. The further the price at a Constituent Trading Platform is from the mean price of the cohort, the less influence that trading platform's price will have on the algorithm that produces the Index Price, as the trading platform data is discretely weighted in proportion to their variance from the rest of the trading platforms on a per-second basis and there is no minimum threshold the variance must meet for this adjustment to take place. For example, assume that for a one-hour period, the digital asset's execution prices on one Constituent Trading Platform were trading more than 7% higher than the average execution prices on

another Constituent Trading Platform. The algorithm is designed to automatically detect the anomaly (price variance) and reduce that specific Constituent Trading Platform's weighting during that one-hour period, ensuring a spot reference price that is more reflective of broader market activity.

*Determination of the Index Price When Index Price is Unavailable*

The Sponsor uses the following cascading set of rules to calculate the Index Price when the Index Price is unavailable.<sup>22</sup> For the avoidance of doubt, the Sponsor will employ the below rules sequentially and in the order as presented below, should one or more specific rule(s) fail:

1. Index Price = The price set by the Index as of 4:00 p.m., New York time, on the valuation date.<sup>23</sup> If the Index becomes unavailable, or if the Sponsor determines in good faith that the Index does not reflect an accurate price, then the Sponsor will, on a best efforts basis, contact the Index Provider to obtain the Index Price directly from the Index Provider. If after such contact the Index remains unavailable or the Sponsor continues to believe in good faith that the Index does not reflect an accurate price, then the Sponsor will employ the next rule to determine the Index Price. There are no predefined criteria to make a good faith assessment and it will be made by the Sponsor in its sole discretion.
2. Index Price = The price set by Coin Metrics Real-Time Rate (the "Secondary Index") as of 4:00 p.m., New York time, on the valuation date (the "Secondary Index Price"). The Secondary Index Price is a real-time reference rate price, calculated using trade data from constituent markets selected by Coin Metrics, Inc. (the "Secondary Index Provider"). The Secondary Index Price is calculated by applying weighted-median techniques to such trade data where half the weight

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<sup>22</sup> The Sponsor updated these rules on January 11, 2022.

<sup>23</sup> The valuation date is any day for which the value of the ADA in the Trust may be calculated utilizing the Index Price.

is derived from the trading volume on each constituent market and half is derived from inverse price variance, where a constituent market with high price variance as a result of outliers or market anomalies compared to other constituent markets is assigned a smaller weight. If the Secondary Index becomes unavailable, or if the Sponsor determines in good faith that the Secondary Index does not reflect an accurate price, then the Sponsor will, on a best efforts basis, contact the Secondary Index Provider to obtain the Secondary Index Price directly from the Secondary Index Provider. If after such contact the Secondary Index remains unavailable or the Sponsor continues to believe in good faith that the Secondary Index does not reflect an accurate price, then the Sponsor will employ the next rule to determine the Index Price. There are no predefined criteria to make a good faith assessment and it will be made by the Sponsor in its sole discretion.

3. Index Price = The price set by the Trust's principal market (as defined in the Prospectus) (the "Tertiary Pricing Option") as of 4:00 p.m., New York time, on the valuation date. The Tertiary Pricing Option is a spot price derived from the principal market's public data feed that is believed to be consistently publishing pricing information as of 4:00 p.m., New York time, and is provided to the Sponsor via an application programming interface. If the Tertiary Pricing Option becomes unavailable, or if the Sponsor determines in good faith that the Tertiary Pricing Option does not reflect an accurate price, then the Sponsor will, on a best efforts basis, contact the Tertiary Pricing Provider to obtain the Tertiary Pricing Option directly from the Tertiary Pricing Provider. If after such contact the Tertiary Pricing Option remains unavailable after such contact or the Sponsor continues to believe in good faith that the Tertiary Pricing Option does not reflect an accurate price, then the Sponsor will employ the next rule to determine the

Index Price. There are no predefined criteria to make a good faith assessment and it will be made by the Sponsor in its sole discretion.

4. Index Price = The Sponsor will use its best judgment to determine a good faith estimate of the Index Price. There are no predefined criteria to make a good faith assessment and it will be made by the Sponsor in its sole discretion.

In the event of a fork, the Index Provider may calculate the Index Price based on a digital asset that the Sponsor does not believe to be an appropriate asset of the Trust (i.e., a digital asset other than ADA).<sup>24</sup> In this event, the Sponsor has full discretion to use a different index provider or calculate the Index Price itself using its best judgment. In such an event, the Exchange will submit a proposed rule filing to contemplate the assets that would subsequently be held by the Trust.

The Sponsor may, in its sole discretion, select a different index provider, select a different index price provided by the Index Provider, calculate the Index Price by using the cascading set of rules set forth above, or change the cascading set of rules set forth above at any time.<sup>25</sup>

#### The Structure and Operation of the Trust Protects Investors

As described below, the Sponsors believe the structure and operation of the Trust are designed to mitigate fraudulent and manipulative acts and practices, to protect investors and the public interest. The Sponsors accordingly believe the Commission should approve the listing and trading of Shares of the Trust.

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<sup>24</sup> According to the Annual Report, the Cardano Network operates using open-source protocols, meaning that any user can download the software, modify it and then propose that the users and validators of ADA adopt the modification. When a modification is introduced and a substantial majority of users and validators' consent to the modification, the change is implemented and the network remains uninterrupted. However, if less than a substantial majority of users and validators' consent to the proposed modification, and the modification is not compatible with the software prior to its modification, the consequence would be what is known as a "hard fork" of the Cardano Network, with one group running the pre-modified software and the other running the modified software. The effect of such a fork would be the existence of two versions of ADA running in parallel, yet lacking interchangeability.

<sup>25</sup> The Sponsor will provide notice of any such changes in the Trust's periodic or current reports and, if the Sponsor makes such a change other than on an ad hoc or temporary basis, will file a proposed rule change with the Commission.

## *Design of the Index*

The Sponsors believe the Index represents an effective means to mitigate the impact of potential fraud and manipulation on the reference price for ADA. The Index operates materially similarly to CoinDesk Bitcoin Price Index (XBIX).

The Sponsors believe that the Index can (i) mitigate the effects of fraud, manipulation and other anomalous trading activity on the ADA reference rate, (ii) provide a real-time, volume-weighted fair value of ADA and (iii) appropriately handle and adjust for non-market related events.

As described in more detail below, the Sponsors believe that the Index accomplishes those objectives in the following ways:

1. The Index tracks the Digital Asset Trading Platform Market price through trading activity at Constituent Trading Platforms, the majority of which are “U.S.-Compliant Trading Platforms”;<sup>26</sup>
2. The Index mitigates the impact of instances of fraud, manipulation and other anomalous trading activity in real-time through systematic adjustments;
3. The Index is constructed and maintained by an expert third-party index provider, allowing for prudent handling of non-market-related events; and
4. The Index mitigates the impact of instances of fraud, manipulation and other anomalous trading activity concentrated on any one specific trading platform through a cross-trading platform composite index rate.

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<sup>26</sup> “U.S.-Compliant Trading Platforms” are trading platforms in the Digital Asset Trading Platform Market that are compliant with applicable U.S. federal and state licensing requirements and practices regarding AML and KYC regulations. All Constituent Trading Platforms (except for Bitfinex as detailed above) are U.S.-Compliant Trading Platforms. “Non-U.S.-Compliant Trading Platforms” are all other trading platforms in the Digital Asset Trading Platform Market. As of the date of this filing, the U.S.-Compliant Trading Platforms that the Index Provider considered for inclusion in the Index were Bitstamp, Coinbase, Crypto.com and Kraken. From these U.S.-Compliant Trading Platforms, the Index Provider then applies additional Inclusion Criteria to determine the Constituent Trading Platforms.

**1. The Index tracks the Digital Asset Trading Platform Market price through trading activity at Constituent Trading Platforms, the majority of which are “U.S.-Compliant Trading Platforms.”**

To reduce the risk of fraud, manipulation, and other anomalous trading activity from impacting the Index, the Index Provider prioritizes the inclusion of U.S.-Compliant Trading Platforms in the Index.

The Index maintains a minimum number of three trading platforms and a maximum number of eight trading platforms to track the Digital Asset Trading Platform Market while offering replicability for traders and market makers.<sup>27</sup>

U.S.-Compliant Trading Platforms possess safeguards that protect against fraud and manipulation. For example, U.S.-Compliant Trading Platforms regulated by the NYDFS under the BitLicense program are required to have regulatory requirements to implement measures designed to effectively detect, prevent, and respond to fraud, attempted fraud, market manipulation, and similar wrongdoing, and to monitor, control, investigate and report back to the NYDFS regarding any wrongdoing.<sup>28</sup> These trading platforms also have the following obligations:<sup>29</sup>

- Submission of audited financial statements including income statements, statements of assets/liabilities, insurance, and banking;
- Compliance with capitalization requirements set at NYDFS’s discretion;

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<sup>27</sup> According to the Sponsors, the more trading platforms included in the Index, the more ability there is for traders and market makers to trade against the Index by arbitraging price differences. For example, in the event of variances between ADA prices on Constituent Trading Platforms and non-Constituent Trading Platforms, arbitrage trading opportunities would exist. These discrepancies generally consolidate over time, as price differences across trading platforms are realized and capitalized upon by traders and market makers.

<sup>28</sup> See, e.g., “DFS Takes Action to Deter Fraud and Manipulation in Virtual Currency Markets,” available at <https://www.dfs.ny.gov/about/press/pr1802071.htm>.

<sup>29</sup> See “New York’s Final “BitLicense” Rule: Overview and Changes from July 2014 Proposal,” June 5, 2015, Davis Polk, available at [https://www.davispolk.com/files/new\\_yorks\\_final\\_bitlicense\\_rule\\_overview\\_changes\\_july\\_2014\\_proposal.pdf](https://www.davispolk.com/files/new_yorks_final_bitlicense_rule_overview_changes_july_2014_proposal.pdf).

- Prohibitions against the sale or encumbrance to protect full reserves of custodian assets;
- Fingerprints and photographs of employees with access to customer funds;
- Retention of a qualified Chief Information Security Officer and annual penetration testing/audits;
- Documented business continuity and disaster recovery plan, independently tested annually; and
- Participation in an independent exam by NYDFS.

Other U.S.-Compliant Trading Platforms have voluntarily implemented certain measures to protect against common forms of market manipulation.<sup>30</sup>

Furthermore, all U.S.-Compliant Trading Platforms are considered MSBs that are subject to FinCEN's federal and state reporting requirements that provide additional safeguards. For example, unscrupulous traders may be less likely to engage in fraudulent or manipulative acts and practices on trading platforms that (1) report suspicious activity to FinCEN as money services businesses, (2) report to state regulators as money transmitters, and/or (3) require customer identification through KYC procedures. U.S.-Compliant Trading Platforms are required to:<sup>31</sup>

- Identify people with ownership stakes or controlling roles in the MSB;
- Establish a formal Anti-Money Laundering (AML) policy in place with documentation, training, independent review, and a named compliance officer;
- Implement strict customer identification and verification policies and procedures;
- File Suspicious Activity Reports (SARs) for suspicious customer transactions;

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<sup>30</sup> As of the date of this filing, one of the four Constituent Trading Platforms, Coinbase, is regulated by NYDFS.

<sup>31</sup> See BSA Requirements for MSBs, FinCEN website: <https://www.fincen.gov/bsarequirements-msbs>.

- File Currency Transaction Reports (CTRs) for cash-in or cash-out transactions greater than \$10,000; and
- Maintain a five-year record of currency exchanges greater than \$1,000 and money transfers greater than \$3,000.

**2. The Index mitigates the impact of instances of fraud, manipulation, and other anomalous trading activity in real-time through systematic adjustments.**

The Index is calculated once every second according to a systematic methodology that relies on observed trading activity on the Constituent Trading Platforms. While the precise methodology underlying the Index is currently proprietary, the key elements of the Index are outlined below:

- **Volume Weighting:** Constituent Trading Platforms with greater liquidity receive a higher weighting in the Index, increasing the ability to execute against (i.e., replicate) the Index in the underlying spot markets.
- **Price-Variance Weighting:** The Index reflects data points that are discretely weighted in proportion to their variance from the rest of the Constituent Trading Platforms. As the price at a Constituent Trading Platform diverges from the prices at the rest of the Constituent Trading Platforms, its weight in the Index consequently decreases.
- **Inactivity Adjustment:** The Index algorithm penalizes stale activity from any given Constituent Trading Platform. When a Constituent Trading Platform does not have recent trading data, its weighting in the Index is gradually reduced, until it is de-weighted entirely. Similarly, once trading activity at the Constituent Trading Platform resumes, the corresponding weighting for that Constituent Trading Platform is gradually increased until it reaches the appropriate level.

- **Manipulation Resistance:** In order to mitigate the effects of wash trading and order book spoofing, the Index only includes executed trades in its calculation and the Index only includes Constituent Trading Platforms that charge trading fees to its users in order to attach a real, quantifiable cost to any manipulation attempts.

The Index Provider reviews and periodically updates the Constituent Trading Platforms included in the Index by utilizing a methodology that is guided by the IOSCO principles for financial benchmarks.

**3. The Index is constructed and maintained by an expert third-party index provider, allowing for prudent handling of non-market-related events.**

The Index Provider reviews and periodically updates which trading platforms are included in the Index by utilizing a methodology that is guided by the IOSCO principles for financial benchmarks.

According to the Index methodology, for a trading platform to become a Constituent Trading Platform, it must satisfy each of the following Inclusion Criteria:

- Sufficient USD or USDC liquidity relative to the size of the listed assets;
- No evidence in the past 12 months of trading restrictions on individuals or entities that would otherwise meet the trading platform's eligibility requirements to trade;
- No evidence in the past 12 months of undisclosed restrictions on deposits or withdrawals from user accounts;
- Real-time price discovery;
- Limited or no capital controls;
- Transparent ownership including a publicly-known ownership entity;

- Publicly available language and policies addressing legal and regulatory compliance in the U.S., including KYC, AML and other policies designed to comply with relevant regulations that might apply to it;<sup>32</sup>
- Be a trading platform that is licensed and able to service investors in one or more of the following jurisdictions:
  - United States,
  - United Kingdom,
  - European Union,
  - Hong Kong,
  - Singapore; and
- Offer programmatic spot trading of the trading pair and reliably publish trade prices and volumes on a real-time basis through Rest and Websocket APIs.

Although the Index methodology is designed to operate without any human interference, rare events would justify manual intervention. Manual intervention would only be in response to “non-market-related events” (e.g., halting of deposits or withdrawals of funds, unannounced closure of trading platform operations, insolvency, compromise of user funds, etc.). In the event that such an intervention is necessary, the Index Provider would issue a public announcement through its website, API and other established communication channels with its clients.<sup>33</sup>

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<sup>32</sup> To the extent a Digital Asset Trading Platform does not service U.S. customers, it will still be eligible for inclusion in the Index so long as it has publicly available language and policies addressing legal and regulatory compliance, including KYC, AML and other policies designed to comply with regulations applicable to such platform.

<sup>33</sup> To the extent any such intervention has a material impact on the Trust, the Sponsor will also issue a public announcement.

**4. The Index mitigates the impact of instances of fraud, manipulation and other anomalous trading activity concentrated on any one specific trading platform through a cross-trading platform composite index rate.**

The Index is based on the price and volume data of multiple Constituent Trading Platforms that satisfy the Index Provider's Inclusion Criteria. By referencing multiple trading venues and weighting them based on trade activity, the impact of any potential fraud, manipulation, or anomalous trading activity occurring on any single venue is reduced. Specifically, the effects of fraud, manipulation, or anomalous trading activity occurring on any single venue are de-weighted and consequently diluted by non-anomalous trading activity from other Constituent Trading Platforms.

Although the Index is designed to accurately capture the market price of ADA, third parties may be able to purchase and sell ADA on public or private markets not included among the constituent Digital Asset Trading Platforms of the Index, and such transactions may take place at prices materially higher or lower than the Index Price. Moreover, there may be variances in the prices of ADA on the various Digital Asset Trading Platforms, including as a result of differences in fee structures or administrative procedures on different Digital Asset Trading Platforms. For example, based on data provided by the Index Provider, on any given day during the twelve months ended December 31, 2024, the maximum differential between the 4:00 p.m., New York time spot price of any single Digital Asset Trading Platform included in the Index and the Index Price was 2.07% and the average of the maximum differentials of the 4:00 p.m., New York time spot price of each Digital Asset Trading Platform included in the Index and the Index Price was 0.90%. During this same period, the average differential between the 4:00 p.m., New York time spot prices of all the Digital Asset Trading Platforms included in the Index and the Index Price was 0.01%. All Digital Asset Trading Platforms that were included in the Index throughout the period were considered in this analysis.

Additionally, given pricing on the Digital Asset Trading Platforms is known to the market, the Sponsors believe that, even if efforts to manipulate the price of ADA at 4:00 p.m., Eastern Time (“E.T.”). were successful on a Digital Asset Trading Platform, the effect of such activity on the pricing of the Trust would be mitigated due to the controls embedded in the structure of the Index.

Accordingly, the Sponsors believe that the Index has proven its ability to (i) mitigate the effects of fraud, manipulation and other anomalous trading activity on the ADA reference rate, (ii) provide a real-time, volume-weighted fair value of ADA and (iii) appropriately handle and adjust for non-market related events.

#### Creation and Redemption of Shares

Authorized Participants may submit orders to create or redeem Shares under procedures for “Cash Orders.”

The Authorized Participants will deliver only cash to create Shares and will receive only cash when redeeming Shares. Further, Authorized Participants will not directly or indirectly purchase, hold, deliver, or receive ADA as part of the creation or redemption process or otherwise direct the Trust or a third party with respect to purchasing, holding, delivering, or receiving ADA as part of the creation or redemption process.

The Trust will create Shares by receiving ADA from a third party that is not the Authorized Participant, and the Trust, or an affiliate of the Trust (and in any event not the Authorized Participant), is responsible for selecting the third party to deliver the ADA. Further, the third party will not be acting as an agent of the Authorized Participant with respect to the delivery of the ADA to the Trust nor acting at the direction of the Authorized Participant with respect to the delivery of the ADA to the Trust. The Trust will redeem Shares by delivering ADA to a third party that is not the Authorized Participant, and the Trust, or an affiliate of the Trust (and in any event not the Authorized Participant), is responsible for selecting the third party to receive the ADA. Further, the third party will not be acting as an agent of the

Authorized Participant with respect to the receipt of the ADA from the Trust nor acting at the direction of the Authorized Participant with respect to the receipt of the ADA from the Trust.

Cash Orders are made through the participation of a Liquidity Provider<sup>34</sup> who obtains or receives ADA in exchange for cash, and are facilitated by the Transfer Agent and Grayscale Investments Sponsors, LLC, acting in its capacity as the Liquidity Engager. Liquidity Providers are not party to the Participant Agreements (as defined below) and are engaged separately by the Liquidity Engager.

According to the Registration Statement, the Trust creates Baskets (as described below) of Shares only upon receipt of ADA and redeems Shares only by distributing ADA. “Authorized Participants” are the only persons that may place orders to create and redeem Baskets. Each Authorized Participant must (i) be a registered broker-dealer and (ii) enter into an agreement with the Sponsor and Transfer Agent that provides the procedures for the creation and redemption of Baskets and for the delivery of ADA required for the creation and redemption of Baskets via a Liquidity Provider (each, a “Participant Agreement”). An Authorized Participant may act for its own account or as agent for broker-dealers, custodians and other securities market participants that wish to create or redeem Baskets. Shareholders who are not Authorized Participants will only be able to create or redeem their Shares through an Authorized Participant.

The Trust issues Shares to and redeems Shares from Authorized Participants on an ongoing basis, but only in one or more “Baskets” (with a Basket being a block of 10,000 Shares). The Trust will not issue fractions of a Basket.

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<sup>34</sup> A “Liquidity Provider” means one or more eligible companies that facilitate the purchase and sale of ADA in connection with creations or redemptions pursuant to Cash Orders. The Liquidity Providers with which Grayscale Investments Sponsors, LLC, acting other than in its capacity as the Sponsor (in such other capacity, the “Liquidity Engager”) will engage in ADA transactions are third parties that are not affiliated with the Sponsor or the Trust and are not acting as agents of the Trust, the Sponsor, or any Authorized Participant, and all transactions will be done on an arms-length basis. Except for the contractual relationships between each Liquidity Provider and Grayscale Investments Sponsors, LLC in its capacity as the Liquidity Engager, there is no contractual relationship between each Liquidity Provider and the Trust, the Sponsor, or any Authorized Participant. When seeking to buy ADA in connection with creations or sell ADA in connection with redemptions, the Liquidity Engager will seek to obtain commercially reasonable prices and terms from the approved Liquidity Providers. Once agreed upon, the transaction will generally occur on an “over-the-counter” basis.

The creation and redemption of Baskets will be made only in exchange for the delivery to the Trust, or the distribution by the Trust, of the number of whole and fractional ADA represented by each Basket being created or redeemed, which is determined by dividing (x) the number of ADA owned by the Trust at 4:00 p.m., New York time, on the trade date of a creation or redemption order, after deducting the number of ADA representing the U.S. dollar value of accrued but unpaid fees and expenses of the Trust (converted using the Index Price at such time, and carried to the eighth decimal place), by (y) the number of Shares outstanding at such time (with the quotient so obtained calculated to one one-hundred-millionth of one ADA (i.e., carried to the eighth decimal place)), and multiplying such quotient by 10,000 (the “Basket Amount”). The U.S. dollar value of a Basket is calculated by multiplying the Basket Amount by the Index Price as of the trade date (the “Basket NAV”). The Basket NAV multiplied by the number of Baskets being created or redeemed is referred to as the “Total Basket NAV.” All questions as to the calculation of the Basket Amount will be conclusively determined by the Sponsor and will be final and binding on all persons interested in the Trust. The number of ADA represented by a Share will gradually decrease over time as the Trust’s ADA are used to pay the Trust’s expenses.

The creation of Baskets requires the delivery by the Authorized Participant of a cash amount equivalent to the Total Basket Amount and the redemption of Baskets requires the distribution to the Authorized Participant of a cash amount equivalent to the Total Basket Amount.

Although the Trust creates Baskets only upon the receipt of ADA, and redeems Baskets only by distributing ADA, an Authorized Participant will submit Cash Orders, pursuant to which the Authorized Participant will deposit cash with, or accept cash from, the Transfer Agent in connection with the creation and redemption of Baskets.

Cash Orders will be facilitated by the Transfer Agent and Liquidity Engager, acting other than in its capacity as Sponsor. On an order-by-order basis, the Liquidity Engager will engage

one or more Liquidity Providers to obtain or receive ADA in exchange for cash in connection with such order, as described in more detail below.

Unless the Sponsor requires that a Cash Order be effected at actual execution prices (an “Actual Execution Cash Order”),<sup>35</sup> each Authorized Participant that submits a Cash Order to create or redeem Baskets (a “Variable Fee Cash Order”)<sup>36</sup> will pay a fee (the “Variable Fee”) based on the Total Basket NAV, and any price differential of ADA between the trade date and the settlement date will be borne solely by the Liquidity Provider until such ADA have been received or liquidated by the Trust. The Variable Fee is intended to cover all of a Liquidity Provider’s expenses in connection with the creation or redemption order, including any ADA trading platform fees that the Liquidity Provider incurs in connection with buying or selling ADA. The amount may be changed by the Sponsor in its sole discretion at any time, and Liquidity Providers will communicate to the Sponsor in advance the Variable Fee they would be willing to accept in connection with a Variable Fee Cash Order, based on market conditions and other factors existing at the time of such Variable Fee Cash Order.

Alternatively, the Sponsor may require that a Cash Order be effected as an Actual Execution Cash Order, in its sole discretion based on market conditions and other factors existing at the time of such Cash Order, and under such circumstances, any price differential of

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<sup>35</sup> With respect to a creation or redemption pursuant to an Actual Execution Cash Order, as between the Trust and an Authorized Participant, the Authorized Participant is responsible for the dollar cost of the difference between the ADA price utilized in calculating Total Basket NAV on the trade date and the price at which the Trust acquires or disposes of the ADA on the settlement date. If the price realized in acquiring or disposing of the corresponding Total Basket Amount is higher than the Total Basket NAV, the Authorized Participant will bear the dollar cost of such difference, in the case of a creation, by delivering cash in the amount of such shortfall (the “Additional Creation Cash”) to the Cash Account or, in the case of a redemption, with the amount of cash to be delivered to the Authorized Participant being reduced by the amount of such difference (the “Redemption Cash Shortfall”). If the price realized in acquiring the corresponding Total Basket Amount is lower than the Total Basket NAV, the Authorized Participant will benefit from such difference, with the Trust promptly returning cash in the amount of such excess (the “Excess Creation Cash”) to the Authorized Participant.

<sup>36</sup> Unless the Sponsor determines otherwise in its sole discretion based on market conditions and other factors existing at the time of such Cash Order, all creations and redemptions pursuant to Cash Orders are expected to be executed as Variable Fee Cash Orders, and any price differential of ADA between the trade date and the settlement date will be borne solely by the Liquidity Provider until such ADA have been received by the Trust.

ADA between the trade date and the settlement date will be borne solely by the Authorized Participant until such ADA have been received or liquidated by the Trust.

In the case of creations, to transfer the Total Basket Amount to the Trust's Digital Asset Account, the Liquidity Provider will transfer ADA to one of the public key addresses associated with the Digital Asset Account and as provided by the Sponsor. In the case of redemptions, the same procedure is conducted, but in reverse, using the public key addresses associated with the wallet of the Liquidity Provider and as provided by such party. All such transactions will be conducted on the Cardano Blockchain and parties acknowledge and agree that such transfers may be irreversible if done incorrectly.

Authorized Participants do not pay a transaction fee to the Trust in connection with the creation or redemption of Baskets, but there may be transaction fees associated with the validation of the transfer of ADA by the Cardano Network, which will be paid by the Custodian in the case of redemptions and the Authorized Participant or the Liquidity Provider in the case of creations. Service providers may charge Authorized Participants administrative fees for order placement and other services related to creation of Baskets. As discussed above, Authorized Participants will also pay the Variable Fee in connection with Variable Fee Cash Orders. Under certain circumstances, Authorized Participants may also be required to deposit additional cash in the Cash Account, or be entitled to receive excess cash from the Cash Account, in connection with creations and redemptions pursuant to Actual Execution Cash Orders. Authorized Participants will receive no fees, commissions or other form of compensation or inducement of any kind from either the Sponsor or the Trust and no such person has any obligation or responsibility to the Sponsor or the Trust to effect any sale or resale of Shares.

The following is a summary of the procedures for the creation and redemption of Baskets.

### Creation Procedures

On any business day, an Authorized Participant may place an order with the Transfer Agent to create one or more Baskets.

Cash Orders for creation must be placed with the Transfer Agent no later than 1:59:59 p.m., New York time.

The Sponsor may in its sole discretion limit the number of Shares created pursuant to Cash Orders on any specified day without notice to the Authorized Participants and may direct the Marketing Agent to reject any Cash Orders in excess of such capped amount. In exercising its discretion to limit the number of Shares created pursuant to Cash Orders, the Sponsor expects to take into consideration a number of factors, including the availability of Liquidity Providers to facilitate Cash Orders and the cost of processing Cash Orders.

Creations under Cash Orders will take place as follows, where “T” is the trade date and each day in the sequence must be a business day. Before a creation order is placed, the Sponsor determines if such creation order will be a Variable Fee Cash Order or an Actual Execution Cash Order, which determination is communicated to the Authorized Participant.

<b>Trade Date (T)</b>	<b>Settlement Date (T+1, or T+2, as established at the time of order placement)</b>
<ul style="list-style-type: none"> <li>• The Authorized Participant places a creation order with the Transfer Agent.</li> <li>• The Marketing Agent accepts (or rejects) the creation order, which is communicated to the Authorized Participant by the Transfer Agent.</li> <li>• The Sponsor notifies the Liquidity Provider of the creation order.</li> <li>• The Sponsor determines the Total Basket NAV and any Variable Fee and Additional Creation Cash as soon as practicable after 4:00 p.m., New York time.</li> </ul>	<ul style="list-style-type: none"> <li>• The Authorized Participant delivers to the Cash Account:* <ul style="list-style-type: none"> <li>(x) in the case of a Variable Fee Cash Order, the Total Basket NAV, plus any Variable Fee; or</li> <li>(y) in the case of an Actual Execution Cash Order, the Total Basket NAV, plus any Additional Creation Cash, less any Excess Creation Cash, if applicable (such amount, as applicable, the “Required Creation Cash”).</li> </ul> </li> <li>• The Liquidity Provider transfers the Total Basket Amount to the Trust’s Digital Asset Account.</li> <li>• Once the Trust is in simultaneous possession of (x) the Total Basket Amount and (y) the Required Creation Cash, the Trust issues the aggregate number of Shares corresponding to the Baskets ordered by the Authorized Participant, which the Transfer Agent holds for the benefit of the Authorized Participant.</li> <li>• Cash equal to the Required Creation Cash is delivered to the Liquidity Provider from the Cash Account.</li> <li>• The Transfer Agent delivers Shares to the Authorized Participant by crediting the number of Baskets created to the Authorized Participant’s DTC account.</li> </ul>

\* The “Cash Account” means the account maintained by the Transfer Agent for purposes of receiving cash from, and distributing cash to, Authorized Participants in connection with creations and redemptions pursuant to Cash Orders. For the avoidance of doubt, the Trust shall have no interest (beneficial, equitable or otherwise) in the Cash Account or any cash held therein.

## Redemption Procedures

The procedures by which an Authorized Participant can redeem one or more Baskets mirror the procedures for the creation of Baskets. On any business day, an Authorized Participant may place a redemption order specifying the number of Baskets to be redeemed.

The redemption of Shares pursuant to Cash Orders will only take place if approved by the Sponsor in writing, in its sole discretion and on a case-by-case basis. In exercising its discretion to approve the redemption of Shares pursuant to Cash Orders, the Sponsor expects to take into consideration a number of factors, including the availability of Liquidity Providers to facilitate Cash Orders and the cost of processing Cash Orders.

Cash Orders for redemption must be placed no later than 1:59:59 p.m., New York time on each business day. The Authorized Participants may only redeem Baskets and cannot redeem any Shares in an amount less than a Basket.

Redemptions under Cash Orders will take place as follows, where “T” is the trade date and each day in the sequence must be a business day. Before a redemption order is placed, the Sponsor determines if such redemption order will be a Variable Fee Cash Order or an Actual Execution Cash Order, which determination is communicated to the Authorized Participant.

## Settlement Date

(T+1 (or T+2 on case by case basis, as approved by Sponsor))

## Trade Date (T)

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- |   |   |
|---|---|
| <ul style="list-style-type: none"><li>• The Authorized Participant places a redemption order with the Transfer Agent.</li><li>• The Marketing Agent accepts (or rejects) the redemption order, which is communicated to the Authorized Participant by the Transfer Agent.</li><li>• The Sponsor notifies the Liquidity Provider of the redemption order.</li></ul> <p>The Sponsor determines the Total Basket NAV and, in the case of a Variable Fee Cash Order, any Variable Fee, as soon as practicable after 4:00 p.m., New York time.</p> | <ul style="list-style-type: none"><li>• The Authorized Participant delivers Baskets to be redeemed from its DTC account to the Transfer Agent.</li><li>• The Liquidity Provider delivers to the Cash Account:<ul style="list-style-type: none"><li>(x) in the case of a Variable Fee Cash Order, the Total Basket NAV less any Variable Fee; or</li><li>(y) in the case of an Actual Execution Cash Order, the actual proceeds to the Trust from the liquidation of the Total Basket Amount (such amount, as applicable, the “Required Redemption Cash”).</li></ul></li><li>• Once the Trust is in simultaneous possession of (x) the Total Basket Amount and (y) the Required Redemption Cash, the Transfer Agent cancels the Shares comprising the number of Baskets redeemed by the Authorized Participant.</li><li>• The Custodian sends the Liquidity Provider the Total Basket Amount, and cash equal to the Required Redemption Cash is delivered to the Authorized Participant from the Cash Account.</li></ul> |
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### Suspension or Rejection of Orders and Total Basket Amount

The creation or redemption of Shares may be suspended generally, or refused with respect to particular requested creations or redemptions, during any period when the transfer books of the Transfer Agent are closed or if circumstances outside the control of the Sponsor or its delegates make it for all practicable purposes not feasible to process creation orders or redemption orders or for any other reason at any time or from time to time.<sup>37</sup> The Transfer Agent

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<sup>37</sup> Extenuating circumstances outside of the control of the Sponsor and its delegates or that could cause the transfer books of the Transfer Agent to be closed are outlined in the Participant Agreement and include, for

may reject an order or, after accepting an order, may cancel such order if: (i) such order is not presented in proper form as described in the Participant Agreement, (ii) the transfer of the Total Basket Amount comes from an account other than a ADA wallet address that is known to the Custodian as belonging to a Liquidity Provider or (iii) the fulfillment of the order, in the opinion of counsel, might be unlawful, among other reasons. None of the Sponsor or its delegates will be liable for the suspension, rejection or acceptance of any creation order or redemption order.

#### Availability of Information

The Trust's website (<https://grayscale.com/crypto-products/grayscale-cardano-trust/>) will include quantitative information on a per Share basis updated on a daily basis, including, (i) the current NAV per Share daily and the prior business day's NAV per Share and the reported closing price of the Shares; (ii) the mid-point of the bid-ask price<sup>38</sup> as of the time the NAV per Share is calculated ("Bid-Ask Price") and a calculation of the premium or discount of such price against such NAV per Share; and (iii) data in chart format displaying the frequency distribution of discounts and premiums of the daily Bid-Ask Price against the NAV per Share, within appropriate ranges, for each of the four previous calendar quarters (or for as long as the Trust has been trading as an ETP if shorter). In addition, on each business day the Trust's website will provide pricing information for the Shares.

One or more major market data vendors, will provide an intra-day indicative value ("IIV") per Share updated every 15 seconds, as calculated by the Exchange or a third party financial data provider during the Exchange's Core Trading Session (9:30 a.m. to 4:00 p.m., E.T.). The IIV will be calculated using the same methodology as the NAV per Share of the Trust (as described above), specifically by using the prior day's closing NAV per Share as a base and

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example, public service or utility problems, power outages resulting in telephone, telecopy and computer failures, acts of God such as fires, floods or extreme weather conditions, market conditions or activities causing trading halts, systems failures involving computer or other information systems, including any failures or outages of the Cardano Network, affecting the Authorized Participant, the Sponsor, the Trust, the Transfer Agent, the Marketing Agent and the Custodian and similar extraordinary events.

<sup>38</sup> The bid-ask price of the Trust is determined using the highest bid and lowest offer on the Consolidated Tape as of the time of calculation of the closing day NAV.

updating that value during the NYSE Arca Core Trading Session to reflect changes in the value of the Index during the trading day.

The IIV disseminated during the NYSE Arca Core Trading Session should not be viewed as an actual real-time update of the NAV per Share, which will be calculated only once at the end of each trading day. The IIV will be widely disseminated on a per Share basis every 15 seconds during the NYSE Arca Core Trading Session by one or more major market data vendors. In addition, the IIV will be available through on-line information services.

The NAV for the Trust will be calculated by the Sponsor once a day and will be disseminated daily to all market participants at the same time. To the extent that the Sponsor has utilized the cascading set of rules described in “Index Price” above, the Trust’s website will note the valuation methodology used and the price per ADA resulting from such calculation. Quotation and last-sale information regarding the Shares will be disseminated through the facilities of the Consolidated Tape Association (“CTA”).

Quotation and last sale information for ADA will be widely disseminated through a variety of major market data vendors, including Bloomberg and Reuters. In addition, real-time price (and volume) data for ADA is available by subscription from Reuters and Bloomberg. The spot price of ADA is available on a 24-hour basis from major market data vendors, including Bloomberg and Reuters. Information relating to trading, including price and volume information, in ADA will be available from major market data vendors and from the trading platforms on which ADA are traded. The normal trading hours for Digital Asset Trading Platforms are 24-hours per day, 365-days per year.

On each business day, the Sponsor will publish the Index Price, the Trust’s NAV, and the NAV per Share on the Trust’s website as soon as practicable after its determination. If the NAV and NAV per Share have been calculated using a price per ADA other than the Index Price for such Evaluation Time, the publication on the Trust’s website will note the valuation methodology used and the price per ADA resulting from such calculation.

The Trust will provide website disclosure of its NAV daily. The website disclosure of the Trust's NAV will occur at the same time as the disclosure by the Sponsor of the NAV to Authorized Participants so that all market participants are provided such portfolio information at the same time. Therefore, the same portfolio information will be provided on the public website as well as in electronic files provided to Authorized Participants. Accordingly, each investor will have access to the current NAV of the Trust through the Trust's website, as well as from one or more major market data vendors.

The value of the Index, as well as additional information regarding the Index, will be available on a continuous basis.

Information regarding market price and trading volume of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services.

Information regarding the previous day's closing price and trading volume information for the Shares will be published daily in the financial section of newspapers.

#### Trading Rules

The Exchange deems the Shares to be equity securities, thus rendering trading in the Shares subject to the Exchange's existing rules governing the trading of equity securities. Shares will trade on the NYSE Arca Marketplace from 4:00 a.m. to 8:00 p.m., E.T. in accordance with NYSE Arca Rule 7.34-E (Early, Core, and Late Trading Sessions). The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions. As provided in NYSE Arca Rule 7.6-E, the minimum price variation ("MPV") for quoting and entry of orders in equity securities traded on the NYSE Arca Marketplace is \$0.01, with the exception of securities that are priced less than \$1.00, for which the MPV for order entry is \$0.0001.

The Shares will conform to the initial and continued listing criteria under NYSE Arca Rule 8.201-E. The trading of the Shares will be subject to NYSE Arca Rule 8.201-E(g), which sets forth certain restrictions on Equity Trading Permit Holders ("ETP Holders") acting as

registered Market Makers in Commodity-Based Trust Shares to facilitate surveillance. The Exchange represents that, for initial and continued listing, the Trust will be in compliance with Rule 10A-3<sup>39</sup> under the Act, as provided by NYSE Arca Rule 5.3-E. A minimum of 100,000 Shares of the Trust will be outstanding at the commencement of trading on the Exchange.

### Trading Halts

With respect to trading halts, the Exchange may halt or suspend trading in the Shares of the Trust in accordance with its rules. Additionally, trading in Shares of the Trust will be halted if the circuit breaker parameters in NYSE Arca Rule 7.12-E have been reached. Trading also may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable.

The Exchange may halt trading during the day in which an interruption to the dissemination of the IIV or the value of the Index occurs. If the interruption to the dissemination of the IIV or the value of the Index persists past the trading day in which it occurred, the Exchange will halt trading no later than the beginning of the trading day following the interruption. In addition, if the Exchange becomes aware that the NAV per Share is not disseminated to all market participants at the same time, it will halt trading in the Shares until such time as the NAV per Share is available to all market participants.

### Surveillance

The Exchange represents that trading in the Shares of the Trust on the Exchange will be subject to the existing trading surveillances administered by the Exchange, as well as cross-market surveillances administered by the Financial Industry Regulatory Authority (“FINRA”) on behalf of the Exchange, which are designed to detect potential violations of Exchange rules and applicable federal securities laws with respect to the Shares of the Trust trading on the Exchange.<sup>40</sup> The Exchange represents that these procedures are adequate to properly monitor

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<sup>39</sup> 17 CFR 240.10A-3.

<sup>40</sup> FINRA conducts cross-market surveillances on behalf of the Exchange pursuant to a regulatory services agreement. The Exchange is responsible for FINRA’s performance under this regulatory services

Exchange trading of the Shares in all trading sessions and to deter and detect violations of Exchange rules and federal securities laws with respect to the Shares of the Trust trading on the Exchange.

The existing surveillances referred to above generally focus on detecting securities trading outside their normal trading patterns, which could be indicative of manipulative or other violative activity with respect to the Shares of the Trust. When such situations are detected, surveillance analysis follows and investigations are opened, where appropriate, to review the behavior of all relevant parties for all relevant trading violations.

The Exchange or FINRA, on behalf of the Exchange, or both, may communicate regarding trading in the Shares with other markets and other entities that are members of the Intermarket Surveillance Group (“ISG”). The Exchange or FINRA, on behalf of the Exchange, or both, may obtain trading information regarding trading in the Shares and ADA derivatives from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares and ADA derivatives from markets and other entities with which the Exchange has in place a comprehensive surveillance sharing agreement (“CSSA”).<sup>41</sup> The Exchange is also able to obtain information from ETP Holders regarding their trading (as principal or agent) in the Shares and any underlying ADA, options on ADA futures, or any other ADA derivatives.<sup>42</sup>

In addition, under NYSE Arca Rule 8.201-E(g), an ETP Holder acting as a registered Market Maker in the Shares is required to provide the Exchange with information relating to its accounts for trading in any underlying commodity, related futures or options on futures, or any other related derivatives. Commentary .04 of NYSE Arca Rule 11.3-E requires an ETP Holder

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agreement.

<sup>41</sup> For a list of the current members of ISG, see [www.isgportal.org](http://www.isgportal.org). The Exchange notes that not all components of the Trust may trade on markets that are members of ISG or with which the Exchange has in place a CSSA.

<sup>42</sup> See NYSE Arca Rule 10.8210.

acting as a registered Market Maker, and its affiliates, in the Shares to establish, maintain and enforce written policies and procedures reasonably designed to prevent the misuse of any material nonpublic information with respect to such products, any components of the related products, any physical asset or commodity underlying the product, applicable currencies, underlying indexes, related futures or options on futures, and any related derivative instruments (including the Shares). As a general matter, the Exchange has regulatory jurisdiction over its ETP Holders and their associated persons, which include any person or entity controlling an ETP Holder. To the extent the Exchange may be found to lack jurisdiction over a subsidiary or affiliate of an ETP Holder that does business only in commodities or futures contracts and that subsidiary or affiliate is a member of another regulatory organization, the Exchange could obtain information regarding the activities of such subsidiary or affiliate through surveillance sharing agreements with regulatory organizations to the extent the Exchange has such an agreement with that regulatory organization.

In addition, the Exchange also has a general policy prohibiting the distribution of material, non-public information by its employees.

All statements and representations made in this filing regarding (a) the description of the index, portfolio, or reference assets of the Trust, (b) limitations on index or portfolio holdings or reference assets, or (c) the applicability of Exchange listing rules specified in this rule filing shall constitute continued listing requirements for listing the Shares on the Exchange.

The Sponsor has represented to the Exchange that it will advise the Exchange of any failure by the Trust to comply with the continued listing requirements, and, pursuant to its obligations under Section 19(g)(1) of the Act, the Exchange will monitor for compliance with the continued listing requirements. If the Trust is not in compliance with the applicable listing requirements, the Exchange will commence delisting procedures under NYSE Arca Rule 5.5-E(m).

## Information Bulletin

Prior to the commencement of trading, the Exchange will inform its ETP Holders in an “Information Bulletin” of the special characteristics and risks associated with trading the Shares. Specifically, the Information Bulletin will discuss the following: (1) the procedures for creations of Shares in Baskets; (2) NYSE Arca Rule 9.2-E(a), which imposes a duty of due diligence on its ETP Holders to learn the essential facts relating to every customer prior to trading the Shares; (3) information regarding how the value of the Index and NAV are disseminated; (4) the possibility that trading spreads and the resulting premium or discount on the Shares may widen during the Opening and Late Trading Sessions, when an updated IIV will not be calculated or publicly disseminated; (5) the requirement that members deliver a prospectus to investors purchasing newly issues Shares prior to or concurrently with the confirmation of a transaction; and (6) trading information. The Exchange notes that investors purchasing Shares directly from the Trust will receive a prospectus.

In addition, the Information Bulletin will reference that the Trust is subject to various fees and expenses as described in the Prospectus. The Information Bulletin will disclose that information about the Shares of the Trust is publicly available on the Trust’s website.

The Information Bulletin will also discuss any relief, if granted, by the Commission or the staff from any rules under the Act.

## 2. Statutory Basis

The basis under the Act for this proposed rule change is the requirement under Section 6(b)(5)<sup>43</sup> that an exchange have rules that are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to, and perfect the mechanism of a free and open market and, in general, to protect investors and the public interest.

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<sup>43</sup> 15 U.S.C. 78f(b)(5).

The Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices in that the Shares will be listed and traded on the Exchange pursuant to the initial and continued listing criteria in NYSE Arca Rule 8.201-E. The Exchange has in place certain surveillance procedures that are adequate to properly monitor trading in the Shares on the Exchange in all trading sessions and to deter and detect violations of Exchange rules and federal securities laws applicable to the Shares of the Trust trading on the Exchange. The Exchange or FINRA, on behalf of the Exchange, or both, will communicate as needed regarding trading in the Shares with other markets that are members of the ISG, and the Exchange or FINRA, on behalf of the Exchange, or both, may obtain trading information regarding trading in the Shares from such markets. In addition, the Exchange may obtain information regarding trading in the Shares from markets with which the Exchange has in place a CSSA. Also, pursuant to NYSE Arca rules, the Exchange is able to obtain information from ETP Holders regarding their trading (as principal or agent) in the Shares and any underlying ADA, options on ADA futures, or any ADA derivatives.

The proposed rule change is also designed to prevent fraudulent and manipulative acts and practices in connection with trading in the Shares on the Exchange because it (1) tracks the Digital Asset Trading Platform Market price through trading activity at Constituent Trading Platforms, the majority of which are U.S.-Compliant Trading Platforms; (2) mitigates the impact of instances of fraud, manipulation and other anomalous trading activity in real-time through systematic adjustments; (3) is constructed and maintained by an expert third-party index provider, allowing for prudent handling of non-market-related events; and (4) mitigates the impact of instances of fraud, manipulation and other anomalous trading activity concentrated on any one specific trading platform through a cross-trading platform composite index rate. The Index has proven its ability to (i) mitigate the effects of fraud, manipulation and other anomalous trading activity from impacting the ADA reference rate, (ii) provide a real-time, volume-

weighted fair value of ADA and (iii) appropriately handle and adjust for non-market related events.

The proposed rule change is designed to promote just and equitable principles of trade and to protect investors and the public interest in that there is a considerable amount of ADA price and market information available on public websites and through professional and subscription services. Investors may obtain, on a 24-hour basis, ADA pricing information based on the spot price for ADA from various financial information service providers. The closing price and settlement prices of ADA are readily available from the Digital Asset Trading Platforms and other publicly available websites. In addition, such prices are published in public sources, or on-line information services such as Bloomberg and Reuters. The NAV per Share will be calculated daily and made available to all market participants at the same time. The Trust will provide website disclosure of its NAV daily. One or more major market data vendors will disseminate for the Trust on a daily basis information with respect to the most recent NAV per Share and Shares outstanding. In addition, if the Exchange becomes aware that the NAV per Share is not disseminated to all market participants at the same time, it will halt trading in the Shares until such time as the NAV is available to all market participants. Quotation and last-sale information regarding the Shares will be disseminated through the facilities of the CTA. The IIV will be widely disseminated on a per Share basis every 15 seconds during the NYSE Arca Core Trading Session (normally 9:30 a.m., E.T., to 4:00 p.m., E.T.) by one or more major market data vendors. The Exchange represents that the Exchange may halt trading during the day in which an interruption to the dissemination of the IIV or the value of the Index occurs. If the interruption to the dissemination of the IIV or the value of the Index persists past the trading day in which it occurred, the Exchange will halt trading no later than the beginning of the trading day following the interruption.

The proposed rule change is designed to perfect the mechanism of a free and open market and, in general, to protect investors and the public interest in that it will facilitate the listing and

trading of an additional type of exchange-traded product that will enhance competition among market participants, to the benefit of investors and the marketplace. As noted above, the Exchange has in place surveillance procedures relating to trading in the Shares on the Exchange and may obtain information via ISG from other exchanges that are members of ISG or with which the Exchange has entered into a CSSA. In addition, as noted above, investors will have ready access to information regarding the Trust's NAV, IIV, and quotation and last sale information for the Shares.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that the proposed rule change will facilitate the listing and trading of an additional type of exchange-traded product, and the first such product based on ADA, which will enhance competition among market participants, to the benefit of investors and the marketplace.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve or disapprove the proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change, as modified by Amendment No. 2, is consistent with the Act. Comments may be submitted by any of the following methods:

##### Electronic Comments:

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-NYSEARCA-2025-12 on the subject line.

##### Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to file number SR-NYSEARCA-2025-12. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>).

Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright

protection. All submissions should refer to file number SR-NYSEARCA-2025-12 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>44</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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<sup>44</sup> 17 CFR 200.30-3(a)(12).