

Proposal of Huobi 10 Index

Huobi 10 Index is launched on Huobi Pro in 23rd May 2018, and is composed of 10 digital assets (collectively referred to as the CDAs, and singularly referred to as the “CDA”), with high market value, large scale and good liquidity in order to reflect the overall performance of Huobi Pro market.

1. Selection of sample coins

(I) Sample space

The sample space is consist of all listed assets that are traded in terms of USDT on Huobi Pro.

(II) Methods of sampling

Huobi 10 index will regularly get the data of the daily turnover of the previous quarter as basis to form the sample selection pool. The daily average data serves a function to reduce the abnormal impact caused by the price volatility of each single-day, therefore is able to indicate the liquidity of digital assets during a particular period efficiently. Similarly, the periodically proportion of each CAD in the index will be determined in the light of the average data of the daily turnover of each CAD in the previous quarter.

An index sample will be selected according to the following steps:

- The average daily turnover of all USDT pairs on the previous quarter is calculated;
- In light of the nature of the blockchain assets, the blockchain assets presently are categorized into four groups: coin, platform, application and utility asset. The utility asset token is expressly excluded from Huobi 10 Index as it represents the value of assets in kind. The proportion of the average daily turnover of each group over Huobi 10 Index the average

total daily turnover of all assets in the last quarter is recorded, and the number of eligible assets in each group is then decided, depending on the result of the index ratio of each group;

Stipulated Formula to decide the ratio of coins:

$$\text{Number of type A asset coin} = \frac{\text{per average daily trading volume of assets of area A in the previous quarter}}{\text{total daily trading volume of all coins in the previous quarter} \times \text{number of coins}} \times \text{number of coins}$$

- Within each group, a ranking list will be produced in accordance with the data of the average daily trading turnover of the last quarter, top performance assets will be nominated as index samples.
- In the event that the number of the listed assets of a particular group is less than the number required under the stipulated group ratio, the method mentioned above will be applied to select another top ranking asset to fill the vacancy. That is non-elected assets will be ranked by its relative proportion of daily average trading turnover and highest ranking assets within it will accordingly be selected.

(III) Short list

Each time the sample coin is adjusted regularly, the list of alternate coins is 25% of the number of the index sample currency, and five alternate coins are set up. When an unexpected delisting occurs in the index component, the sample is temporarily replaced, and the coin that is ranked first in the candidate list is selected as the sample coin in turn.

(IV) Instruction of sample selection methods.

Assuming that 5 tokens are selected as the sample to calculate the index, there are currently 10 coins in the sample space. The sample selection

method is carried out in the following steps:

Sample space

Asset type	Coin	Proportion of average daily trading volume in the last quarter
Type A	A1	11%
	A2	9%
Type B	B1	12%
	B2	20%
	B3	18%
	B4	10%
Type C	C1	13%
	C2	2%
	C3	5%
Total		100%

1. Calculation of the sample number of eligible assets in different groups:

$$\text{Number of type A selected} = (11\% + 9\%) \times 5 = 1$$

$$\text{Number of type B selected} = (12\% + 20\% + 18\% + 10\%) \times 5 = 3$$

$$\text{Number of type C selected} = (13\% + 2\% + 5\%) \times 5 = 1$$

2. Rankings of the daily average trading volume in the previous quarter

Asset type	Ranking	Coin	Proportion of average daily trading turnover in the last quarter
Type A	1	A1	11%
	2	A2	9%
Type B	1	B2	20%
	2	B3	18%
	3	B1	12%
	4	B4	10%
Type C	1	C1	13%
	2	C3	5%
	3	C2	2%
Total			

3. According to the number of eligible asset sample, the following sample are determined:

Asset type	Place	Coin	Proportion of average daily trading turnover in the last quarter
Type A	1	A1	11%
Type B	3	B2	20%
		B3	18%
		B1	12%
Type C	1	C1	13%
Total			74%

II. Baseline

The baseline of Huobi index is 23rd May 2018. Market value during the reporting period is adjusted comparing to the base date and the index is calculated accordingly.

III. Calculation of index

The unit of Huobi 10 index is "points" and the numeric precision is with four decimal points.

3.1 Base date and base period

The baseline period of Huobi index is 23rd May 2018, the date the index launched, and the basic point is 1000.

3.2 Calculation method of index

The Huobi 10 Index is calculated by Paasche weighted composite price index formula, which is as follows:

$$I_j = \frac{\sum_{i=1}^n p_i \cdot w_i^j}{N_j} \times 1000$$

I_j is the real time index price of number j period. p_i is the latest transaction price of the number i coin. w_i^j is the adjustment coefficient of the number i coin in the j period. The adjustment coefficient is calculated in the formula as follows:

$$\text{Adjustment coefficient } (w_i^j) = \frac{\text{Average daily trading volume of the number } i \text{ coin of the } j \text{ period in the last quarter}}{\text{Average daily trading volume of the all coins of the } j \text{ period in the last quarter}}$$

N_j is the standardized divisor of the j period, and in the base period, ($j = 0$), $N_0 = \sum_{i=1}^n p_i \cdot w_i^0$. (You can refer to chapter IV for the adjustment of N_j after the base period).

3.3 Index real-time calculation

The transaction price of the Huobi index comes from the Huobi trading system. According to the formula of index calculation, the real-time index is calculated every 15 seconds. The transaction price of each token pair is established according to the following principles:

Prices of ample trading pairs (P_i) = latest transaction price.

IV. Index amendments

To ensure the continuity and comparability of the index, Huobi 10 Indexit will be periodically modified by adjusting the baseline period regularly, and on the first calendar day of each quarter, Huobi Pro will calculate the adjustment coefficient base on the historical transaction data of the previous quarter. In addition, the index will be adjusted in accordance with the exponential adjustment rules if:

1. Huobi 10 Index adds trading pairs.

2. Huobi 10 Index reduces trading pairs.
3. Trading in the index is suspended in long periods.
4. Other contingencies where adjustments to the index are necessary.

Huobi 10 Index adopts the revised "Divisor Correction Method" to amend the standardized divisor.

Amendment formula:

$$\frac{\sum_{i=1}^n p_i \cdot w_i^j}{N_j} = \frac{\sum_{l=1}^n p_l \cdot w_l^{j+1}}{N_{j+1}}$$

Among them: $\sum_{i=1}^n p_i \cdot w_i^{j+1}$ is the result of the calculation after adjusting the coins and weights.

V. Maintenance of sample assets

In order to ensure the Huobi 10 Index accurately indicates the transaction of the relevant blockchain assets in a timely and accurate manner, the sample assets will be monitored regularly in accordance with the following rules:

- The range of sample space is updated at the beginning of each quarter according to the historical transaction data of the last quarter;
- The classification of sample assets has changed and its group will be replaced on the next preset adjustment date;

The assets listed on Huobi pro after the base period are included in the sample size in the next adjustment period.

Appendix:

Criteria for the classification of global blockchain assets

According to the different nature of the block chain assets, the Huobi Blockchain Application Research Institute divides it into four categories: "coin", "platform" "application" and "Utility asset token".

"Coin" refers to an asset developed on the basis of blockchain technology and its main function is only the subject of the transaction, the value of which is mainly reflected through liquidity.

The "platform" coin refers to the development of the underlying technology of the blockchain and supported by the right to use the platform or the right to participate in the platform.

The "application" coin refers to the asset associated with a specific application scenario and supported by a certain right of use, participation or dividend.

The "utility asset token" refers to the actual asset such as gold, dollar and etc.

(I) Coin

Capacity: More than 1,000 varieties;

Function: The "medium of exchange" in the field of blockchain assets;

Market: At present, Bitcoin owns the highest market value;

Typical products: Bitcoin, Litecoin;

Main index: Number of participating nodes, liquidity.

(II) Platform.

Capacity: About 10 varieties;

Function: Establish technical platform to provide basic technical support for various application development;

Market: A considerable number of platforms are under development.

Institutional exchange accounts for a certain share in this field. Currently, Ethereum has the largest market value;

Typical products: Ethereum, Fabric, NEO and so on;

Main indicators: Technical indicators, development progress and so on;

(III) Application.

Capacity: About 300 varieties;

Functions: Covers many fields such as finance, supply chain management, social networking, energy, property right protection, etc.;

Market: The current fastest growing blockchain assets;

Typical product: OMG;

Main indicators: Development progress, number of participating nodes, etc.;

(IV) Utility and physical asset tokens.

Capacity: no more than 10 varieties;

Function: Linking assets such as gold and US dollars is a blockchain mapping of physical assets;

Market: As the definition of laws in various countries is not yet clear, the current market capacity is small, but combined with asset securitization, the prospects are huge;

Typical product: DigixDAO, each token represents 1 gram of gold certified by the London Bullion Market Association.