



COIN PAYMENT PROCESSOR ETHER PRICE INDEX (iETH) Methodology Guide

Version: 1.2

Version Date: 2018.04.02.

©2018 PROFESSIONAL STOCK INVEST Inc. ALL RIGHTS RESERVED.
PLEASE REFER TO THE NOTICE AND DISCLAIMER AT THE END OF THIS DOCUMENT.

Table of Contents

1.	Version History.....	3
2.	Definitions.....	4
3.	Summary Description.....	5
4.	Methodology and Rules.....	6
4.1.	Methodology.....	6
4.1.1.	Qualitative Description.....	7
4.1.2.	Mathematical Representation.....	7
4.2.	A Note on Properties	8
5.	Contingency Calculation Rules.....	9
5.1.	Delayed Data and Missing Data.....	9
5.2.	Erroneous Data.....	9
5.3.	Potentially Erroneous Data	10
5.4.	iETH Calculation Failure.....	11
6.	Appendix 1 - Representative exchange list.....	12

1. Version History

Version	Date	Changes
v1.0	2018.01.22.	initial creation
v1.1	2018.03.12.	representative exchange list
v1.2	2018.04.02.	representative exchange list

2. Definitions

API: Application programming interface.

Web Socket: Computer communications protocol, providing full-duplex communication channels over a single TCP connection.

Calculation Day: Any day on which the iETH is published.

Representative Exchanges: An ether trading venue elected by the PS Invest analytics research to serve as pricing source for the calculation of the ETH and fiat currency pair.

Representative Fiat currencies: Official currencies of the most important markets in a global ether trading volume elected by the PS Invest analytics research to serve as pricing source for the calculation of the ETH Price Index.

Relevant Transaction: Any ether versus Representative Fiat currency spot trade that occurs during the TWAP Period on a Representative Exchange and that is recorded on Price Index raw data base of Calculation Agent.

Retrieval Time: 00:00 p.m. GMT - London time on a given Calculation Day, as given by the server clock of the Calculation Agent.

TWAP Period: The 10 second period up to and including 00:00 p.m. GMT -London time on a given Calculation Day.

Calculation Agent: A company that makes Price Index operation fully transparent and open to public.

Price Index raw data base: A database with raw data recorded from Representative Exchanges.

3. Summary Description

The ETHER PRICE INDEX “iETH” is a reference rate of the Representative Fiat currencies price of one ether calculated over 10 seconds period of time. It is representative of the ether trading activity on Representative Exchanges and is geared towards resilience and replicability.

Name	ETHER PRICE INDEX
Ticker Symbol	iETH
Administrator	Professional Stock Invest Inc.
Calculation Agent	Professional Stock Invest Inc.
Description	Price of one Ether in Representative fiat currencies (USD, EUR, KRW, JPY, CNY) calculated every 10 sec.
Calculation Methodology	Aggregation of trade executions occurring on Representative Exchanges with fiat currencies in real time, 24/7.
Dissemination Time	Every 10 seconds, every day of the year including weekends and holidays, 24/7/365.
Dissemination Process	0.01 (1/100)

4. Methodology and Rules

4.1 Methodology

4.1.1 Qualitative Description

The iETH is calculated based on the Relevant Transactions on all Representative Exchanges.

Calculation steps for the iETH on any given Calculation Day are as follows:

1. All Relevant Transactions are added to a raw database, recording the trade price and size for each transaction.

Raw data consist of data in this form:

Date	Time	Type	Price	Amount	ID	Exchange
YYYY-MM-DD	HH-MM-SS	bid/ask	string	string	string	string

2. The data is partitioned into 6 equally-sized time intervals of 10 seconds each.
3. For each partition separately, the volume-weighted median trade price is calculated from the trade prices and sizes of all Relevant Transactions, i.e. across all Representative Exchanges. A volume-weighted median differs from a standard median in that a weighting factor, in this case trade size, is factored into the calculation.
4. The iETH is then given by the equally-weighted average of the volume-weighted medians of all partitions.

4.1.2 Mathematical Representation

The following table shows the symbols used in the mathematical representation of the iETH.

Symbol	Name	Description	Type
T	Effective time	The time as of which the iETH is calculated	Parameter, set to 00:00 GMT London time
t	TWAP period length	The length of time period prior to the effective time during which transaction data is collected	Parameter, set to 1 minute
\hat{t}	Partition length	The length of time periods into which the TWAP period length is partitioned	Parameter, set to 10 seconds
X	TWAP period trades	The time-ordered collection of price/size trade pairs observed on all Representative Exchanges between $T-t$ and T	Input
x_i	TWAP period trade	The i^{th} price/size trade pair	Input
p_i	TWAP period trade price	The price of the i^{th} price/size trade pair	Input
s_i	TWAP period trade size	The size of the i^{th} price/size trade pair	
K	Number of partitions	The number of partitions given by $K = t / \hat{t} = 6$	Output
k	Partition	The k^{th} partition	Output
WM_k	Weighted median	The weighted median trade price for a partition k	Output
$iETH_T$	iETH	The iETH at time T	Output

For each of $K = t / \hat{t} = 6$ partitions k , the volume weighted median trade prices WM_k across all Relevant Transaction is calculated :

$$WM_k = p_j \text{ where } x_j \text{ satisfies } \sum_{i=1}^{j-1} s_i < \frac{\sum_{i=1}^{I_k} s_i}{2} \text{ and } \sum_{i=j+1}^{I_k} s_i \leq \frac{\sum_{i=1}^{I_k} s_i}{2}$$

$$\text{If } \sum_{i=j+1}^{I_k} s_i = \frac{\sum_{i=1}^{I_k} s_i}{2}, \text{ then } WM_k = \frac{p_j + p_{j+1}}{2}$$

Where i is the i^{th} of a total of I_k price/size trade pairs observed in portion k .
 The $iETH$ as of the effective time T , $iETH_T$, is then given by:

$$iETH_T = \frac{\sum_{k=1}^K WM_k}{K}$$

4.2 A Note on Properties

The calculation methodology immunizes the iETH to a high degree against price anomalies, while being replicable through spot trading on Representative Exchanges. This is achieved through the following design choices:

Partitions

The iETH is calculated as the equally-weighted average of the intermediate calculation steps for the 6 partitions. A single large trade or cluster of trades occurring in any of these partitions will therefore only have a limited effect on the iETH.

Weighting of Partitions

Partitions are equally-weighted (as opposed to volume-weighted) to facilitate iETH replication through trading on Representative Exchanges. A trader aiming to transact ethers at the iETH can do so with little tracking error by transacting Ethers during each partition.

Medians

Ether spot prices have historically varied considerably across trading venues, in particular in times of high volatility. The use of medians to calculate the weighted median trade price for each partition (as opposed to averages) greatly reduces the iETH susceptibility to price extremes on one or more Representative Exchanges.

Volume-Weighting of Medians

Ether is driven to some extent by automated algorithms that are able to execute a high number of small trades. The use of volume-weighted medians to calculate the weighted median trade price for each partition (as opposed to simple medians) assures that the iETH appropriately reflects large trades and that there are no effects on calculation results, whether an order is executed in parts or in full.

5. Contingency Calculation Rules

5.1 Delayed Data and Missing Data

Delayed data and missing data are treated according to the following rules:

1. Any Relevant Transaction for a given Calculation Day that, for any reason, cannot be retrieved by the Calculation Agent from a Representative Exchange's API or WEBSocket by the Retrieval Time is disregarded in the calculation of the iETH for that Calculation Day.
2. If no Relevant Transaction occurs on a Representative Exchange on a given Calculation Day or one or more Relevant Transactions occur but for any reason cannot be retrieved by the Calculation Agent, the Representative Exchange is disregarded in the calculation of the iETH for that Calculation Day.
3. If, for any of the 6 partitions of the TWAP Period, no Relevant Transaction occurs on any Representative Exchange or one or more Relevant Transactions occur but for any reason cannot be retrieved by the Calculation Agent, the partition remains empty and will be disregarded in the calculation of the iETH for that Calculation Day. The denominator in Eq. 2 will then be decremented by the number of empty partitions.
4. If no Relevant Transaction occurs on any Representative Exchange on a given Calculation Day or one or more Relevant Transactions occur but for any reason no Relevant Transaction can be retrieved from any Representative Exchange by the Calculation Agent, an iETH calculation failure occurs for that Calculation Day (see Section 5.4).

5.2 Erroneous Data

All Relevant Transactions retrieved by the Calculation Agent for a given Calculation Day are subject to an automated screening for erroneous data according to the following rules:

1. If a Relevant Transaction shows a non-numeric or non-positive trade price or trade size, it is flagged as erroneous.
2. If a Relevant Transaction is reported in a format that deviates from the expected format such that it cannot be parsed, it is flagged as erroneous.

Relevant Transactions flagged as erroneous for a given Calculation Day are disregarded in the calculation of the iETH for that Calculation Day.

If all Relevant Transactions of all Representative Exchanges are flagged as erroneous for a given Calculation Day, an iETH calculation failure occurs for that Calculation Day (see Section 5.4).

5.3 Potentially Erroneous Data

All Relevant Transactions retrieved by the Calculation Agent for a given Calculation Day are subject to an automated screening for potentially erroneous data according to the following rules:

1. For each Representative Exchange individually, the volume-weighted median trade price across all Relevant Transactions of that Constituent Exchange is calculated.
2. For each Representative Exchange, the absolute percentage deviation of the volume-weighted median trade price, as calculated in the previous step, from the median of the volume-weighted median trade prices of all Representative Exchanges is calculated.
3. If for any Representative Exchange the absolute percentage deviation, as calculated in the previous step, exceeds 25%, all Relevant Transactions of that Representative Exchange are flagged as potentially erroneous.

Relevant Transactions flagged as potentially erroneous for a given Calculation Day are disregarded in the calculation of the iETH for that Calculation Day. The occurrence of any such flag is reported to the Oversight Committee.

If all Relevant Transactions of all Representative Exchanges are flagged as potentially erroneous for a given Calculation Day, an iETH calculation failure occurs for that Calculation Day (see Section 5.4).

5.4 iETH Calculation Failure

If the iETH cannot be calculated for a given Calculation Day, for instance because:

1. no Relevant Transaction occurs on any Representative Exchange on that Calculation Day, or
2. one or more Relevant Transactions occur but for any reason cannot be retrieved by the Calculation Agent, or
3. all Relevant Transactions retrieved by the Calculation Agent are flagged as erroneous or potentially erroneous (see Section 5.2); or
4. any other reason or circumstance that prevents the orderly calculation of the iETH,

Then the iETH for that Calculation Day is given by the iETH published on the previous Calculation Day. The occurrence of any iETH calculation failure is reported to the Oversight Committee.

Appendix 1. - REPRESENTATIVE EXCHANGE LIST

No.	Exchange	WEB Socket	Rest API	ETH/ USD	ETH/ EUR	ETH/ KRW	ETH/ JPY	ETH/ CNY
1.	Binance	NO_2	OK	X				
2.	BitBay	NO_1	OK	X	X			
3.	Bitfinex	OK_1		X				
4.	Bithumb	NO_1	OK			X		
5.	Bitstamp	NO_1	OK	X	X			
6.	Bittrex	NO_2	OK	X				
7.	CEX io	NO_2	OK	X	X			
8.	Coinnest	NO_1	OK			X		
9.	Exmo	NO_1	OK	X	X			
10.	Exx	OK_1		X				
11.	Gate io	NO_1	OK	X				
12.	GDAX	OK_1		X	X			
13.	Gemini	OK_1		X				
14.	HitBTC	OK_1		X				
15.	Korbit	NO_1	OK			X		
16.	Kraken	NO_1	OK	X	X			
17.	Kucoin	NO_1	OK	X				
18.	Liqui	NO_1	OK	X				
19.	Livecoin	NO_1	OK	X				
20.	OKEx	OK_1		X				
21.	Poloniex	OK_1		X				
22.	Quolne	NO_1	OK	X	X		X	X
23.	WEX	NO_1	OK	X	X			
24.	YoBit	NO_1	OK	X				
25.	zbcom	OK_1		X				

Contact Information

PROFESSIONAL STOCK INVEST INC.

Autoput 18

11000 Belgrade

Serbia, EU

www.psinvest.rs

psinvest@psinvest.rs

+381 11 4144907

Notice and Disclaimer

© 2018 PROFESSIONAL STOCK INVEST Inc. All rights reserved.

No part of this publication may be reproduced, distributed, or transmitted in any form or by any means, including photocopying, recording, or other electronic or mechanical methods, without the prior written permission of the publisher, except in the case of brief quotations embodied in critical reviews and certain other non-commercial uses permitted by copyright law. For permission requests, write to the publisher, addressed "Attention: Permissions Coordinator," at the address below.

Professional Stock Invest Inc. is registered in Serbia, EU with registered number 20325577 and registered office at Autoput 18, Belgrade, 11000, Serbia, EU.

This document and all of the information contained in it, including without limitation all methods, processes, concepts, text, data, graphs, charts (collectively, the "Information") is the property of Professional Stock Invest Inc. or its licensors, direct or indirect suppliers or any third party involved in making or compiling any Information (collectively, with Professional Stock Invest Inc., the "Information Providers") and is provided for informational purposes only. The Information may not be reproduced or disseminated in whole or in part without prior written consent from Professional Stock Invest Inc.

The Information may not be used to create derivative works or to verify or correct other data or information without prior written consent from professional Stock Invest Inc. For example (but without limitation), the Information may not be used to create indices, databases, risk models, analytics, software, or in connection with the issuing, offering, sponsoring, managing or marketing of any securities, portfolios, financial products or other investment vehicles utilizing or based on, linked to, tracking or otherwise derived from the Information or any other Professional Stock Invest Inc. data, information, products or services.

The user of the Information assumes the entire risk of any use it may make or permit to be made of the Information. NONE OF THE INFORMATION PROVIDERS MAKES ANY EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS WITH RESPECT TO THE INFORMATION (OR THE RESULTS TO BE OBTAINED BY THE USE THEREOF), AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, EACH INFORMATION PROVIDER EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF ORIGINALITY, ACCURACY, TIMELINESS, NON-INFRINGEMENT, COMPLETENESS, MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) WITH RESPECT TO ANY OF THE INFORMATION.

Without limiting any of the foregoing and to the maximum extent permitted by applicable law, in no event shall any Information Provider have any liability regarding any of the Information for any direct, indirect, special, punitive, consequential (including lost profits) or any other damages even if notified of the possibility of such damages. The foregoing shall not exclude or limit any liability that may not by applicable law be excluded or limited, including without limitation (as applicable), any liability for death or personal injury to the extent that such injury results from the negligence or wilful default of itself, its servants, agents or sub-contractors.

Information containing any historical information, data or analysis should not be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. Past performance does not guarantee future results.

None of the Information constitutes an offer to sell (or a solicitation of an offer to buy), any security, financial product or other investment vehicle or any trading strategy.

None of Professional Stock Invest Inc. products or services recommends, endorses, approves or otherwise expresses any opinion regarding any issuer, securities, financial products or instruments or trading strategies and none of Professional Stock

PRICE INDEXES

Invest Inc. products or services is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

The Information has not been submitted to, nor received approval from, the Serbian Securities and Exchange Commission, United Kingdom Financial Conduct Authority, the United States Securities and Exchange Commission or any other regulatory body.

Any use of or access to products, services or information of Professional Stock Invest Inc. requires a license from Professional Stock Invest Inc.

Coin Payment Processor and CP PROCESSOR are used here with permission. All other trademarks are the property of their respective owners.

The information within this brochure has been compiled by Professional Stock Invest Inc. for general purposes only. Coin Payment Processor assumes no responsibility for any errors or omissions. Additionally, all examples in this brochure are hypothetical situations, used for explanation purposes only, and should not be considered investment advice or the results of actual market experience. The information contained in this document are provided "as-is". CP Processor and its partners disclaim all express or implied warranties, including without limitation any warranties of merchantability, fitness for a particular purpose or use, accuracy or quality. CP Processor disclaims all liability associated with any information contained herein.