

Proposal of Huobi HB10

Dictionary

I. Introduction	1
II. Preparation of HB10	2
III. Conversion and alteration of HB10 Shares.....	5
IV. Exchange between HB10 Share and USDT.....	7
V. Exchange-in and Exchange-out of HB10 Shares.....	7
VI. List and format	9
VII. Balances Valuation and Net Unit Share of HB10	10
VIII. Asset Allocation of HB10	11
Appendix I:.....	13

I. Introduction

Exchanging indexed digital assets can help users participate in a low systemic risk and well-diversified digital asset portfolio with small amount of investment. In a multilateral market environment, digital asset products can provide users with long-term digital asset management tools with risk diversification and diversified underlying indexes. At present, the digital asset market generally has the characteristics of high volatility and high risk. Also, because of the technical threshold of the digital asset itself, it is difficult for users to choose the digital assets and not conducive for users that are optimistic to the blockchain technology overall to participate in the market trading.

HB10 is a digital product that can be interchangeable with other specified digital currencies. The product is based on facilitating the exchange and circulation of digital assets at low risk. The product mainly adopts the method of complete replication, that is, the product exchange portfolio is constructed according to the trading pairs of the underlying index and its weight, and the corresponding adjustment is made according to the change of the trading pair and its weight. However, when special circumstances (such as lack of liquidity) make it impossible to

obtain a sufficient amount of digital assets, other reasonable methods will be used to construct the actual digital asset portfolio of the product and mirror the performance as close as possible to the underlying index.

II. Preparation of HB10

The duration of the product is indefinite, and users may exchange for the product shares through public exchange during the preparation period.

(1) Exchange method

HB10 will be public exchanged on Huobi Pro platform, and users can choose to exchange with USDT or the specified component digital assets.

USDT exchange means that users use USDT to exchange for HB10 shares in the manner specified by Huobi. The minimum exchange amount is 100 USDT. The formula for calculating the exchange share is as follows:

Exchange amount = USDT Amount / (1 + exchange fee rate) / 1.00 USDT.

The component digital asset exchange means that using BTC, ETH, HT to exchange for HB10 shares, and the respective minimum exchange amount is 0.01BTC, 0.2ETH, and 50HT.

We will initially confirm the amount of valid exchange on each day of the preparation period and freeze the corresponding assets in the user's account according to the exchange share and related expenses. At the end of the preparation period, we will confirm the exchange shares expected by the user.

The formula for calculating the expected exchange share is as follows:

Expected exchange share = $\sum_{i=1}^n$ (the average value of the 24 hours of the preparation period of the number i digital asset the exchange amount of number i digital asset) / (1+ exchange fee rate) / 1.00 USDT.

“n” refers to the n types of digital assets submitted by users. If the user submitted three digital assets, then n=3. The exchange amount is the number of digital currencies that the user uses to exchange for HB10.

To facilitate the management of the product, we may set up a minimum proportion of the different components coins when the user exchanges for HB10 shares. A user is not allowed to exchange more than 10,000,000 shares. If all users intend to subscribe for more than 100,000,000 shares of HB10, the subscription will stop.

(2) Exchange period

The exchange period of HB10 is 7 calendar days. After the end of the exchange period, we will close the exchange channel and the preparation period will start. The preparation period is 5 calendar days, during which the digital assets portfolio is constructed according to the exchange pairs of the underlying index component digital assets and their weights. The specific date and relevant arrangements of the exchange period and preparation period will be issued by the announcement.

(3) Exchange fee

The exchange fee is the fees generated by exchange and shall be borne by the user. The fees shall be set according to the accumulated amount of the user's exchange share.

Exchange amount M	Exchange fee rate
$M < 500k$	0.1%
$500k \leq M < 1m$	0.05%
$M \geq 1m$	0%

(4) Initial value.

The initial value of HB10 share is 1.00 USDT.

(5) Target range

All the qualified users who open Huobi Pro account before the last day of the preparation period can participate in the exchange of HB10.

The candies and chain split coins of exchange assets occur during the preparation period shall be owned by the users. The candies and chain split assets shall be distributed according to the converted shares held by the users after the HB10 preparation.

The formula is Asset A's equities = the equities acquired by asset A during the frozen period of the preparation period × the proportion of HB10 shares held by users.

III. Conversion and alteration of HB10 Shares

HB10 carries on the share conversion, and the net product value after the conversion is linked to the index, which enables the user to understand the performance of HB10 more intuitively. To prevent the fluctuation of the underlying asset price from affecting the net value of the product in the preparation period, the date of the share conversion will be confirmed after the end of the period and announced in advance. The basic principle of HB10 share conversion is that the net value of HB10 share after conversion is consistent with 1/1,000 of the closing value of the underlying index (the closing value is based on Huobi Pro trading system, the same below) on the conversion day.

Procedure and formula for the conversion of HB10 shares:

1. The conversion date of the share (T day) will be confirmed and announced in advance.
2. At 24:00 on the T day, HB10 calculates the net balance value (X) of HB10 and the total amount (Y) of HB10 shares on that day.
3. Assuming that the closing value of underlying index on T day is I, the target net value of HB10 share of T day is I/1000, and the formula for calculating the conversion rate of HB10 share is as follows:

The conversion rate = $(X / Y) / (I / 1000)$, and the number is rounded to 8 digits after the decimal point.

4. According to the above conversion rate, we shall convert HB10 shares exchanged by the holders, and the converted HB10 shares shall be rounded to integers, plus the total amount of the converted HB10 share is the number of final HB10 share.

Converted share = original holding share (Y) × converted a proportion

5. We will announce the conversion date in advance of the conversion date, and users may view the final HB10 shares after the conversion.

IV. Exchange between HB10 Share and USDT

The exchange refers to the exchange of HB10 and USDT by users through Huobi Pro. The exchange time is the normal trading time of Huobi Pro's crypto-crypto exchange. The minimum exchange share of HB10 is 0.0001. The smallest unit of HB10 share price is 0.0001USDT.

V. Exchange-in and Exchange-out of HB10 Shares

HB10 exchange-in and exchange-out refer to the exchange of HB10 shares into a basket of component coins and the exchange of a basket of component coins for HB10 shares. HB10 exchange-in and exchange-out hours are the trading hours of Huobi Pro. If Huobi Pro changes the exchange time or under special circumstances, HB10 can adjust the exchange time, or suspend the exchange-in and exchange-out. The adjustment will be announced to users.

The exchange-in and exchange-out will start after a while HB10 is established. On each exchange-in and exchange-out day, the exchange-in and exchange-out list will be announced to users via Huobi Pro's announcement.

(1) Share exchange-in and exchange-out constraints.

Users have to satisfy the minimum amount requirement to

complete the exchange-in and exchange-out. The minimum exchange-in and exchange-out unit of HB10 are 10,000 shares. We may adjust the limits of exchange-in and exchange-out at any time and announce it in advance.

(2) Considerations for exchange-in and exchange-out.

1. The exchange-in and exchange-out of Huobi HB10 can be achieved by share applications, which means that the user's application for exchange-in and exchange-out are priced by share.

2. Exchange-in consideration refers to the consideration paid by users to exchange in HB10 shares during the open day.

Exchange-out consideration refers to the portfolio of coins that holders of HB10 deserve when they exchange out the shares.

Considerations for exchange-in and exchange-out and their related formats shall be announced every day.

(3) Procedures for exchange-in and exchange-out

During the valid time of the regular open days, users can apply for exchange-in and exchange-out through Huobi Pro. If the user does not have enough assets or HB10 shares for exchange-in and exchange-out, the application will be invalid.

The exchange-in or exchange-out applications are executed in a real-time manner after being verified by the system.

1. HB10 shares exchanged on the same day shall be recorded in real time, and may be sold on the same day, but shall not be exchanged out;
2. HB10 shares bought on that day can be exchanged out or sold on the same day;
3. The income of exchanged-out HB10 shares are recorded in real time and may be sold on the same day, but it shall not be used to exchange HB10 share;
4. Component assets bought on the same day can be exchanged into HB10 shares, and HB10 shares can be traded at the same time.
5. The unsold HB10 shares on that day cannot be exchanged out before the transaction is completed.

VI. List and format

Each open day, Huobi Pro will issue an exchange-in and exchange-out list through an announcement. The list includes the minimum exchange-in and exchange-out units corresponding to the amount of digital assets portfolio and the net value of HB10 share and other related content.

1. A package of component assets

When exchanging HB10, all the assets contained in the

underlying product of HB10 may be exchanged in according to the names and quantities of each asset in the exchange-in list. The exchange-in order can be submitted if its amount is above the required minimum limit.

2. Exchange-in and exchange-out fees.

A fixed fee is charged when users exchange in and exchange out HB10 shares. Specific fee rates are:

Project	Fee rate (%)
Exchange-in of component coins	0.1
Exchange-out	0.2

VII. Balances Valuation and Net Unit Share of HB10

To objectively and accurately reflect the value preservation and appreciation of the assets of HB10, HB10 will determine the net value of HB10 unit share after the valuation of the net value of HB10 balances.

(I) Valuation

HB10 balances are valued in the ways as follows:

The coins listed on Huobi Pro shall be valued according to the

latest transaction price of the USDT market;

(II) The net value of a unit share

The net value of a unit share is set up by estimates of the net HB10 balances. The formula is:

Net value of unit share = total net balances of HB10 / total shares of HB10.

The net value of a unit share should be accurate to 0.0001USDT and rounded to 5 digits after the decimal point.

The net value of a unit share is published successively during HB10 trading time and is updated every 15 seconds.

VIII. Asset Allocation of HB10

The asset allocation target of HB10 is to closely track the performance of the underlying index, pursue the minimum tracking error and deviation, and strive to control the deviation of daily tracking within 0.2%.

(I) Scope of allocation

HB10 takes the asset of the underlying index as the allocation scope, and the proportion of allocation into components coins is not less than 95% of the net balances of HB10.

(II) Allocation strategy

HB10 mainly uses the complete replicate method, constructs the

asset allocation portfolio according to the scope and the weight of the asset, and adjust according to their changes. In addition, other reasonable allocation methods will be used to construct the actual portfolio and peg the performance of the underlying index as closely as possible.

In order to achieve the allocation goal of closely tracking the underlying index, HB10 will be allocated to each component asset in proportion to the weight of the underlying index with all or nearly all of HB10 assets. HB10 will build the portfolio step by step in the period of establishment and then adjust regularly with the underlying index. If the asset or its weight is adjusted temporarily, HB10 will synchronize the adjustment guarantee the consistency with the underlying index.

(III) Underlying index.

HB10 takes the Huobi main force index as the underlying index.

The program plan of specific indexes is shown in Appendix I.

Appendix I:

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 assets

(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:

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

- 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 asset is adjusted regularly, the list of alternate assets 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 asset that is ranked first in the candidate list is selected as the sample asset 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 10 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:

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

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 Index 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 based 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 assets 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.