# EXTERNAL ANALYST TOOLKIT

# AND

# REWARD STRUCTURE



**Crypto Asset Rating**

**Crypto Asset Rating Inc** (**CAR**) is a crypto asset rating agency, based in the US. We have designed a comprehensive rating framework for the crypto assets to help people understand the long-term viability of a crypto asset and the company issuing it. Our rating portal, **Crypto Asset Rating Platform** (**CARP**), is developed on the blockchain technology so as to maintain the decentralization. Using blockchain for our rating solution also helps in having a dynamic data with an auditable history. Besides the rating platform, we are also developing **Crypto Business World** (**CBW**), a content platform focused on the crypto market.

**Crypto Asset Rating Platform** (**CARP**): CAR has designed a comprehensive rating algorithm for the crypto assets to help people understand the long-term viability of a crypto asset and the company/ platform issuing it. CAR's analytical rating framework is divided into several categories to ensure salient qualitative and quantitative issues are considered. The rating of any crypto asset will be handled by CAR's internal analysts as well as a selected pool of qualified external or community analysts.

**Crypto Business World** (**CBW**): Crypto Business World or "CBW" is a content platform focused on the crypto market. CBW will be supported by in-house as well as crowdsourced content creators. CAR believes that there can be no better content creator than the analysts themselves as they are interacting with market on a regular basis. Due to this, CAR will encourage the external analysts to produce quality content for CBW and get appropriately rewarded.

## WHO IS AN EXTERNAL ANALYST ("EA" or COMMUNITY ANALYST)?

External Analysts (EAs) or Community Analysts are consultants who help us in different value adding activities provide scores for rating of crypto assets, authoring insightful articles etc. CAR has its own team of expert rating analysts who are on CAR' payroll. However, CAR believes that there are a lot many experts available externally, in different parts of the world, who are extremely enthusiastic about the crypto world and always stay abreast about the development. We want to tap their expertise, in addition to our own set of internal analysts, to contribute to our platforms (both CARP and CBW). Therefore, CAR encourages all crypto enthusiasts to register on our platform as External Analysts (EAs or Community Analysts. An EA can provide scores for rating parameters, write articles, posts videos, podcasts etc and get benefitted.

## HOW TO BECOME A QUALIFIED EXTERNAL ANALYST?

✓ If you are a crypto asset enthusiast and follow the ICO market, we'd love to have you as an external analyst on our platform. To become an EA, you first need to submit a request on our platform (Link). Please provide as much information about yourself to justify your candidature.

✓ We would be very keen to know your expertise, interest in crypto asset rating etc. Apart from the rating exercises, you will have the multiple different avenues to add values to our platform and get benefitted (discussed later in this document).

✓ Once we receive your application, our internal review team will evaluate your candidature and appraise you about the outcome. There may be one round of telephonic/ skype discussion as well (depending on our confidence on your profile).

- ✓ If you are selected to be an analyst on our platform, we'll then send you the documents with an agreement and T&C. After completing the documentation, you'll be formally on-boarded as an analyst on our platform.

- ✓ In case you are not selected for this time, don't get disheartened. Please continue to build your profile and you can resubmit your candidature after a cooling off period of two months.

## FOUR TYPES OF EA BASED ON RISK CATEGORY

We have four different types of rating analysts, depending on risk category. Rating parameters under each of the risk buckets are handled by the respective type of analyst; for eg, rating parameters under legal risk category are primarily analyzed and scored by a legal risk analyst.

**Business Risk**

Business risk deals with the product development stage, team structure & management, macro-economic factors, competitive analysis of the product, addressable market size, product development roadmap etc. A Business Risk Analyst (BA) is responsible to assess a crypto asset issuer's business risk. Generally, a BA is an SME from the same industry where a particular crypto asset issuer is operating eg. Fintech or Healthtech etc. A BA primarily provides scores and commentary for the business risk parameters, along with other rating parameters.

**Legal Risk**

Legal risk focuses on the legal aspect of the crypto asset as well as the crypto asset issuer. This includes understanding the legitimacy of the business model or product being offered, vetting of company related documents, company capitalisation structure, intellectual property, the nature and legal validity of the crypto asset, regulatory framework under which the crypto asset is being offered etc. A Legal Risk Analyst (LA) is responsible to assess a crypto asset and its issuer's legal risk. Generally, a LA is a lawyer or is an expert in crypto related regulations and thorough with the regulatory dynamics in the crypto market. A LA primarily provides scores and commentary for the legal risk parameters, along with other rating parameters.

**Technology Risk**

Technology risk generally deals with assessing the technology of the product or solution being offered, usage of blockchain, if blockchain is adding significant advantage, maturity of the technology being used, competitive technology available in the market etc. It may also include the audit of the smart contract. A Technology Risk Analyst (TA) is responsible to assess the technology risk of the product being offered by the crypto asset issuing company. A typical TA is a blockchain developer having understanding of blockchain solution implementation. A TA provides scores and commentary for the technology risk parameters, along with other rating parameters.

**Financial Risk**

Financial risk assessment includes analysis of the financial strength of the company, historical financial analysis, cash flow analysis, capital structure, ratio analysis, financial projection, usage of funds, value of the token etc. A Financial Risk Analyst (FA) is responsible to assess a crypto asset and its issuer's financial risk. In general, a FA is from BFSI industry having extensive knowledge of financial due diligence and modelling. A FA primarily provides scores and commentary for the financial risk parameters, along with other rating parameters.

*The information in this document is strictly confidential*

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## HOW DOES CAR ASSIGN ANALYST TO PERFORM A RATING EXERCISE?

- ✓ Based on your expertise and experience, we'll keep sending you different crypto assets for rating. On a best-effort basis, we try to match your expertise with the domain of a particular crypto asset. For example, if a fintech company is launching its ICO, we aim to assign the rating to the analysts with background and expertise in fintech. You can also express your interest to rate a particular crypto asset by clicking on "Interested to Rate" button for that asset.

- ✓ For each crypto asset, we allow only a limited fixed number of community analysts to provide their scores. We generally send the rating request for a particular crypto asset to sufficient number of analysts, keeping a buffer on top of the required number of analysts. Once an analyst receives a rating request, she can accept or decline the same. If accepted, we add her in the final accepted list of analysts for that crypto asset and enable her scoring sheet for that crypto asset.

- ✓ If an analyst doesn't submit her final score along with commentary within 120 hrs of accepting the rating request, her scoring screen will be automatically disabled and another analyst will be pulled in from the reserve pool.

## WHAT ARE THE ROLES & RESPONSIBILITIES OF AN EXTERNAL ANALYST?

- ✓ As an external analyst, your primary role would be to provide scores and commentary for the rating parameters. Once your scoring screen is enabled, you'll see somewhere around 15 questions/ parameters to provide your scores on. The scores for each parameter can be selected from the drop-down and a supporting commentary (min 250 characters, without counting space) for the score is mandatory for each parameter. The required documents about the crypto asset can be found and downloaded from the listing page of that crypto asset. We'll share a rating methodology document in due course.

- ✓ Apart from your primary responsibility of providing scores and comments for rating parameters, we'd expect you to help us build the CAR ecosystem. The followings are some other avenues where you can help us:

  - **Write articles**: Being a crypto asset analyst, we'd encourage you to write insightful articles on CBW platform. You can submit an article (minimum 1000 words) on CBW. Our internal team will review the same and if it meets our quality standard, we'll publish the article on our platform under your name. We'll provide you social-media handle to spread the word and attract readership for each of your articles.

  - **Provide comment**: You can provide comments on both CARP and CBW platform.

  - **Hit Like button**: You can also engage with the community on the platform by "liking" someone else's comment.

## CONSENSUS SCORE FOR EXTERNAL ANALYSTS

We expose a subset of the rating parameters to the registered and approved External Analysts (EA). Similar to JAs and SAs, we select multiple EAs from each of the four risk categories. CAR makes effort to ensure that the relevant EAs are selected to provide scores and commentaries on rating parameters of a particular crypto asset (to the extent possible). This is ensured by a mapping algorithm, which maps the profiles/ competencies

of the external analysts with the domain of a particular crypto asset. For example, an external Business Analyst having experience in financial service domain will be mapped to provide scores for a crypto asset issuer providing solution in the fintech space.

**Quality Score**: Every external analyst is assigned a quality score to measure the quality of scores and commentaries given by her for a particular crypto asset. This is calculated based on certain parameters (eg. time taken to provide scores and ration for a particular crypto asset, pattern responses, length and quality of the commentaries given etc). For a particular analyst, if the quality score doesn't meet the minimum threshold value, the rating scores given by that analyst are not considered for consensus and final rating calculation. Consequently, the analyst does not receive any payment for providing scores to rate that particular crypto asset. This will also penalize the analyst's profile ranking (*discussed later*) so that she provides the scores with all seriousness.

**Profile Rank**: Every external analyst is assigned a profile rank, which indicates her contribution towards CARP and CBW platforms. This is a dynamic rank and is influenced by the analyst's quality score for different crypto asset ratings, contribution on CBW platforms in terms of content writing, providing review comments on CARP and CBW platforms etc. This profile rank is used to break tie for the consensus algorithm, in favor of the analyst having a superior profile rank.

## How Consensus is Reached

We limit the number of external analysts who can provide scores for a particular crypto asset. Let's assume that the maximum number of external analysts wh0 can provide score for a crypto asset is N, which is a pre-decided number by CAR Rating Committee and remain the same for all the crypto assets being rated on CARP. A particular crypto asset will end up receiving scores from "n" external analysts on the rating parameters, where **n ≤ N**. Providing scores and comment is mandatory for all the rating parameters. Therefore, each of the rating parameter will receive "n" number of scores from "n" external analysts. CAR Rating engine calculates the MOD value of these "n" number of scores and treat that as the "Consensus Score" for a particular rating parameter, depending on consensus confidence (discussed next). The Consensus Score for a rating parameter, thus calculated, carries 30% weight in the final score for that particular rating parameter; the rest 70% weight is for the score given by CAR's own/ internal analysts. Refer to our Rating Model Document for details.

**Consensus Confidence**: For every rating parameter, the rating engine also calculates an average distance from the "Consensus Score". If the average distance is within a pre-specified limit for a particular rating parameter, decided and updated from time-to-time by CAR Rating Committee, the rating engine considers that a consensus has been reached for that parameter and the Consensus Score is forwarded to the next layer of the rating engine for the final rating calculation; otherwise, if the average distance is higher than the pre-specified limit, the rating engine discards the consensus score, assuming that a consensus was not reached for that particular parameter. In this case, the reviewed score from SA is considered as the final score for that particular rating parameter (*i.e. discarding the 30% weight for the consensus score from EAs*).

## REWARD STRUCTURE OF EXTERNAL ANALYSTS

CAR has a fixed budget for the payment of external analysts who are providing scores for a particular crypto asset. The reward for EAs is structured such that they are incentivized to maintain and improve

quality as well as contribute in the growth of the CAR ecosystem. The budget is divided into three buckets as follows:

| Fixed Reward | Variable Reward (Quality) | Variable Reward (Consensus) |
|---|---|---|
| 30% | 30% | 40% |

**Fixed Reward**: Fixed component of the budget is distributed equally among all the analysts who have provided scores for a crypto asset. Whenever an analyst submits her scoring, she is entitled to receive this fixed component - unless her scores don't meet the minimum quality benchmark (i.e. quality score falling below the acceptable threshold).

**Variable Reward (Quality)**: Based on the quality score, this variable component is distributed among the top 25% of the external analysts who have provided scores for a particular crypto asset. Also the distribution is skewed towards the top performers as shown in the following table.

**Variable Reward (Consensus)**: For each external analyst, CAR rating engine calculates an "Aggregated Distance" of the scores given from the Consensus Score of different rating parameters. Analysts are ranked based on this aggregated distance – lower the distance, better the rank. In case of any tie, the profile rank are used to break the tie in favor of the analyst having superior profile ranking. This variable reward component is distributed among the top 25% of the external analysts having the lowest aggregated distance from the Consensus Score. This distribution is also skewed towards the top performers as shown in the following table.
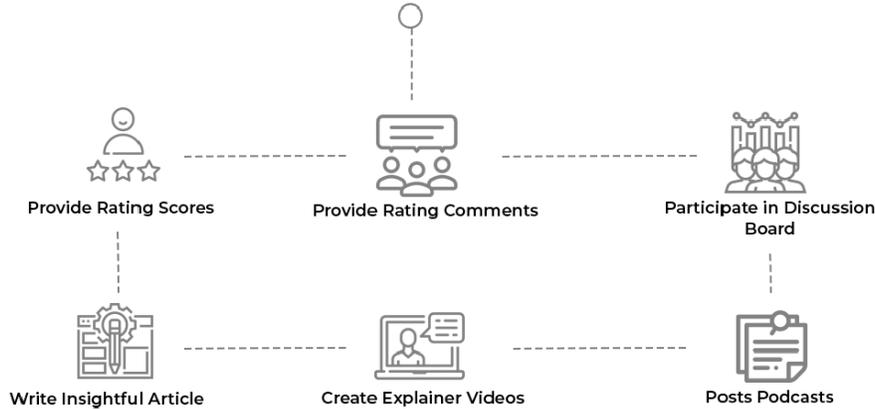
**All the payments to the external analysts are done in crypto currencies or tokens such as Bitcoin or Ether etc**

| Variable Reward (Quality) | | Variable Reward (Consensus) | |
|---|---|---|---|
| Analyst Rank (based on Quality Score) | % of Budget | Analyst Rank (based on Aggregated Distance from Consensus Score) | % of Budget |
| 1 | 35.0% | 1 | 35.0% |
| 2 | 25.0% | 2 | 25.0% |
| 3 | 20.0% | 3 | 20.0% |
| 4 | 12.5% | 4 | 12.5% |
| 5 | 7.5% | 5 | 7.5% |
| **Total** | **100.0%** | **Total** | **100.0%** |

*Note: This table is representative for a scenario where 20 EAs have provided the scores (i.e. n = 20)*

# EA Responsibilities



| Platform | Contribution Category | Rewards paid* | | Other Benefit |
|---|---|---|---|---|
| **CARP\*\*** | **Crypto Asset Rating Exercise**<br>- Provide scores on rating parameters<br>- Provide comments/ rational in support of the score<br>- Rate and write a paragraph for each of the four risk buckets | Fixed Reward# | - $100 (for 5 Star Analyst)<br>- $80 (for 4 Star Analyst)<br>- $50 (for 3 Star Analyst) | CARP Profile Score impact based on number of crypto asset rated |
| | | Variable Reward (Quality)# | Max $35 | CARP Profile Score impact based on Quality Score |
| | | Variable Reward (Consensus)# | Max $35 | CARP Profile Score impact based on distance from Consensus Score |
| **CBW\*\*** | Write insightful articles/ blogs (minimum 1200 words)<br><br>Article to be reviewed and cleared by QA team before publishing on CBW | Fixed Reward | - $60 (for 5 Star Contributor)<br>- $40 (for 4 Star Contributor)<br>- $25 (for 3 Star Contributor) + incentive | - The article will be published in your name, but CBW will own the copywright;<br><br>- Possibility of being featured in the list of trending articles of the week on CBW;<br><br>- CBW Profile Score impact based on number of articles published, traffic, "Like" received within 30 days of publishing the article; |
| | | Incentive based on traffic (within 30 days of publishing the article) | > 1000 views: $10<br>> 1500 views: $15<br>> 2000 views: $25 | |
| | | Incentive based on "Like" received (within 30 days of publishing the article) | > 500 Like: $10<br>> 550 Like: $15<br>> 1000 Like: $25 | |
| | **Create short video** content (min 60sec to max 300sec duration). Video content to be reviewed and cleared by QA team before publishing on CBW | Fixed Reward | $25 per published video | CBW Profile Score impact based on number of videos posted |
| | | Incentive based on viewership (within 30 days of publishing the article) | > 1000 views: $10<br>> 1500 views: $15<br>> 2000 views: $25 | CBW Profile Score impact based on viewership of each video |
| **Referral Program** | | An external analyst can recommend someone to join us as an external analyst for CARP or as a contributor on CBW, which will fetch her some referral befefit. Details of this will be shared in due course. | | |

*All the rewards will be paid in crypto currencies or tokens such as Bitcoin or Ether etc and to receive the same EAs need to be KYC compliant. Also the reward can be a mix of crypto currencies or tokens and CAR reward points, which can be used to avail product and services of CARP and CBW platforms.*

*# Every external analyst is assigned a Quality Score to measure the quality of scores and rationales given by her for a particular crypto asset. For a particular analyst, if the Quality Score doesn't meet the minimum threshold value, the rating scores given by that analyst will be disqualified and consequently, the analyst will not receive any payment. The methodology of calculating the Quality Score and Consensus Score will disclosed later.*

*\*\* CBW Profile Score is calculated based on the contribution on CBW platform. CARP Profile Score is calculated based on an external analyst's contribution on CARP platform and gets advantage of CBW profile score, if the analyst also contributes on CBW platform. An analyst can publish their profile link on LinkedIn and other platforms.*

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