

# ***3. CEP: Cryptocurrency ETF Investment Agreement***

## **3.1 Introduction Of ETF**

*ETF is a type of stock exchange trading that provides investors to participate in the index performance investment. The ETF securitizes the index, investors do not directly invest in a basket of securities in the traditional way, but indirectly invest by holding beneficiary certificates that represent the underlying securities of the index.*

*ETF funds mainly hold the same securities as the index, divided into many investment units with lower unit prices, and then issue beneficiary certificates. ETF commodities transform the value of the index from a traditional stock market ups and downs indicator to liquid capital securities. The management of index component stocks is carried out by professional institutions, and the gains and losses of index changes are directly reflected in the rise and fall of the value of certificates. Therefore, the content or weight of the investment portfolio will only be adjusted due to changes in the content and weight of the constituent stocks of the linked index to meet the purpose of "passive management".*

*"Passive management" refers to a management method in which no fund manager actively selects constituent stocks and controls the proportion of shares. The selection and proportion of constituent stocks are determined by the tracked index. Because there is no active management by the fund manager, the cost of the fund will be relatively low.*



*Investors can buy ETFs in two ways:*

*Investors can use stocks or other financial securities of the same type and proportion of ETF funds (specifically regulated by the ETF issuing company) to subscribe for ETF units from the fund company (a small number of ETF funds can also be used to subscribe for ETFs in cash, similar to open-end mutual funds);*

*It can also be purchased directly from other investors in the securities market (same as closed-end mutual funds), and the purchase price is jointly determined by the buyer and the seller.*

*Through the arbitrage mechanism of the purchase and redemption price and the market price in the securities market, the market*

*price of the ETF can be close to the net value.*

*The index components of most ETFs are stocks, but ETFs based on fixed income securities, bonds, commodities, and currencies are also under development. For investors, ETF transaction fees and management fees are very low, the shareholding portfolio is relatively stable, risks are often diversified, and liquidity is high. A single investment can achieve diversified investment effects, saving a lot of time and money.*

*ETF has rapidly emerged in the market due to its various innovations in product design. It has the following major advantages.*

*ETF adopts an indexed investment strategy. The degree of deviation between the ETF and the underlying index is small. Investing in the ETF can obtain similar returns to the underlying index; it allows investors to invest in the underlying index at a lower cost, making it as simple as investing in a stock.*

*ETF can be listed and traded. ETFs continue to trade during trading hours like stocks. Investors can trade according to the real-time revealed trading prices, thereby better grasping the transaction price.*

*ETF fees are low. By copying the index and the mechanism of in-kind purchase and redemption, ETFs have greatly saved research costs, transaction costs and other operating costs. ETF management fees and custody fees are not only much lower than actively managed stock funds, but also lower than traditional index funds that track the same index. ETF secondary market transaction fees are similar to stocks, which greatly reduces investors' transaction costs.*

## 3.2 Introduction Of Crypto ETF

*Similar to a stock ETF, a cryptocurrency ETF is a form of bundling a "basket" of cryptocurrencies to provide investors with a financial path to enter the cryptocurrency market. In this way, investors will not need to directly purchase one or more cryptocurrencies in person, but will still be able to participate in cryptocurrency investments.*

*So far, there are still very few open-end trading funds (Crypto ETFs) in the cryptocurrency market. The main reason is the relatively small market size and poor trading liquidity. CEP's goal is to become the largest cryptocurrency ETF investment agreement with the best liquidity and most investment targets.*

## 3.3 Selection Of Investment Target

*CEP will use a unique AI algorithm to select representative cryptos in each cryptocurrency sector, and calculate appropriate weights based on their liquidity, market value, volatility, market popularity and other parameters to form various ETF implementations Index securitization of cryptocurrencies.*

*Currently, CEP plans to launch ETFs including the following:*

- *Mainstream cryptos portfolio*

*BTC, ETH, LTC, XRP, EOS, TRX, etc.*

- *Centralized exchange token portfolio*  
*BNB, FTX, HT, OKB, etc.*
- *Open finance portfolio*  
*UNI, SUSHI, SNX, COMP, LEND, CURVE, LINK, YFI, etc.*
- *Privacy cryptos portfolio*  
*XMR, ZCASH, GRIN, BEAM, etc.*
- *NFT portfolio*  
*Meme, Sand, Mana, etc.*
- *Cross-chain cryptos portfolio*  
*Polkadot, Cosmos, etc.*

*In the future, CEP's algorithm will monitor the market at any time and select the most popular cryptocurrencies to form an ETF to enrich the investment portfolio. In addition, through decentralized governance, cryptocurrencies with high community calls can also be selected to form a new ETF.*

## 3.4 Advantage Of CEP

*The Crypto ETF issued through the CEP has the following advantages:*

- *Flexible trading*

*Crypto ETF can be produced and recovered through issuance or redemption, or it can be circulated through secondary market trading. The flexibility similar to ETFs makes Crypto ETFs more convenient than previous trading targets.*

- *Risk reduction*

*Compared with specific cryptocurrencies, the investment objective of Crypto ETF is the integration of a certain field. Compared with investing in a single cryptocurrency, investment risks can be greatly reduced.*

- *Cross-chain technology to realize multiple asset allocation*

*Through CEP's cross-chain technology, users can realize a variety of different public chains and different ecological links. As long as you purchase one type of transaction, you can configure multiple public chains and multiple ecologically different cryptocurrency assets at the same time. Such flexibility is not available to any other investment target.*

- *Transaction transparency and security*

*The investment targets on the CEP are all published on the smart contract. Whether it is the total number, income or token distribution, it can be easily queried through the blockchain browser, and all transactions are transparent and open. It*

*avoids the black box operation and spam abuse of centralized transactions. At the same time, because the assets are stored in the user's decentralized wallet, the security of investors' assets can also be guaranteed.*