There are 2 options to price coins

1. Mutual Fund Style (buy/sell value of coin is NAV and is set a couple times per day)
   1. We can preset the number of coins
   2. <https://www.investopedia.com/terms/n/nav.asp>
2. ETF Style (NAV calculated each day but intraday deviates by supply/demand)
   1. We cannot preset the number of coins because we need to be able to create and destroy them to correct deviations from NAV each time it is calculated
   2. This could stimulate more trading… more efficient pricing and arbitrage pricing for us

MUTUAL FUND STYLE

At each end-of-trading (4pm EST) – NAV is calculated based on the market rate of our underlying basket of securities (MSFT, AAPL, GOOG) divided by our # of coins (100)

DAY 1 COIN PRICE

|  |  |  |  |
| --- | --- | --- | --- |
| Securities | # Shares | Mkt Price | NAV (Weighted Coin Value) |
| MSFT | 10 | 100 |  |
| AAPL | 5 | 200 |  |
| GOOG | 20 | 50 |  |
| (Dividends & staff cost included in real life) |  |  | (1000+1000+1000)/100 = $30 |

DAY 2 COIN PRICE

|  |  |  |  |
| --- | --- | --- | --- |
| Securities | # Shares | Mkt Price | NAV (Weighted Coin Value) |
| MSFT | 10 | 1 |  |
| AAPL | 5 | 100 |  |
| GOOG | 20 | 300 |  |
| (Dividends & staff cost included in real life) |  |  | (10+500+6000)/100 = $65.10 |

See next page for ETF STYLE

ETF STYLE

At each end-of-trading (4pm EST) – NAV is calculated based on the market rate of our underlying basket of securities (MSFT, AAPL, GOOG). Throughout the day, market price varies and we change the number of existing coins to keep price as close to the NAV as possible.

DAY 1 COIN PRICE

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Securities | # Shares | Mkt Price | NAV (once per day) | Mkt Value of Coin (Supply/Demand |
| MSFT | 10 | 100 |  |  |
| AAPL | 5 | 200 |  |  |
| GOOG | 20 | 50 |  |  |
| (Dividends & staff cost included in real life) |  |  | (1000+1000+1000)/100 = $30 | $32 (high demand)  100+((32/30 – 1)\*100) = 106.66  INCREASE COINS BY 6.66 |

DAY 2 COIN PRICE

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Securities | # Shares | Mkt Price | NAV (once per day) | Mkt Value of Coin (Supply/Demand |
| MSFT | 10 | 1 |  |  |
| AAPL | 5 | 200 |  |  |
| GOOG | 20 | 100 |  |  |
| (Dividends & staff cost included in real life) |  |  | (10+1000+2000)/106.66= $28.22 | $28 (low demand)  106.66+((28/32 – 1)\*106.66) = 93.3  REDUCE COINS FROM 106.66 to 93.3 | |

<http://www.etf.com/etf-education-center/21021-who-are-authorized-participants.html?nopaging=1>

<https://www.investopedia.com/ask/answers/052815/what-difference-between-etfs-net-asset-value-nav-and-its-market-price.asp>