TokenInsight Rating Methodology

I. Preface

Blockchain technologies and the development of its application to related emerging industries has increasingly become more relevant over the past few years. Starting with the creation of Bitcoin, a digital asset product originating from social experimentation, built upon the foundation of blockchain technology and true distribution, empowers the philosophy behind decentralization which has now spread across the world as a revolution. The recent phenomenon of the ICO (Initial Coin Offering), which has led to the creation of all kinds of digital currency, hundreds of millions of dollars in funding. With this revolution has now come the existence of thousands of other digital currencies claiming myths of "wealth-creation" and "groundbreaking technologies" that will change the current traditional landscapes our businesses have been traditionally built upon. It is believed that the technology behind digital currencies and blockchain technology will have great impacts on business and society for future generations to come, significantly reshaping the way we use IoT, electronic payments, copyright management, information management, finance, philanthropy, entertainment, and much more.

Although this remains true, there still exists no true standard in understanding the companies and technologies they seek to build. It is undeniable that blockchain technology is still in its incredibly early stage of its development, and the mature scenarios under large-scale applications remain yet to be seen. During this period, full of both risk and opportunities, TokenInsight seeks to establish a standardized method of professional research and due diligence to accurately evaluating the true development and progress associated with this new industry.

In contrast to the existing traditional methods of equity financing and IPO, blockchain projects are often crowdfunded/financed through ICO, whose specificity requires investors to judge projects from a completely new perspective. Despite the one-letter difference between "ICO" and "IPO", there are profound differences that exist in connotation between the two financing structures. Both institutions and investors in blockchain companies need clearer and more standardized information, and investment into any new developments in this industry brings great risks. A considerable number of agencies that attempt to evaluate projects, because of inexperience, mistakenly mix the "rating" and "valuation" of projects, and often confuse risk ratings with investment advice. At present, there is still a lack of regulatory oversight in the blockchain industry. Some rating agencies are also investors, even participating in ICOs, so the neutrality and objectivity of their reporting is compromised.

Based on this understanding, TokenInsight brings together the world's leading data and evaluation teams，based on

professional and normative methods, to carry out the rating of blockchain projects.

II. Rating definitions

Historically, the creation of financial derivatives, through instruments such as stocks and bonds, in relation to the exchange channels in which they trade, has spawned the development of rating business and an industry standard. The traditional ratings can be mainly divided into two categories: credit (risk) rating, which is used to reflect the solvency of the subjects (such as companies) being evaluated, and value assessment, in which financial institutions analyze specific stocks and make investment recommendations.

Here at TokenInsight Inc., it is believed that the true evaluation of blockchain projects needs to be objectively carried both from a true system of risk rating as well as valuation assessment. The price of the tokens on the secondary market is currently influenced by a variety of unique factors and is not solely based on the evaluation techniques that are associated with traditional rating standards. The token price of a qualified project may be overvalued or underestimated, and the price level does not truly represent its qualifications and risks. It is a professional and logical methods of distinguishing risk rating and the value assessment of a blockchain project is an entirely a new system of standards.

The rating method described in our TokenInsight framework currently only evaluates the risks and qualifications of the projects in the blockchain industry, and not the investment value of the assessed projects. It is important to keep in mind that the rating reports alone cannot be used as the sole reference for investment and project valuations.

III. TokenInsight Rating Methodology Introduction

Team members of TokenInsight consist of backgrounds from Wall Street financial/rating agencies, data mining, due diligence, and research companies; including a number of senior experts in the field of the blockchain field. Based on international rating methodologies, combined with the unique characteristics of the blockchain industry, TokenInsight has developed one of the most standardized and professional blockchain rating methodologies currently existing on the market

The main features of TokenInsight’s rating model are:

1. Combining quantitative analysis with qualitative analysis. While, emphasizing quantitative analysis results provided by data mining and capture;

2. The adoption of standardized analysis modules to ensure the consistency of rating results;

3. Provide visual and multi-perspective evaluations based on powerful data sources and professional data teams;

4. Unlike price/value assessments, focus on risk and qualification ratings, with an emphasis on the project ability and application;

5. Combine current status with the long-term outlook, and provide regular updates to achieve dynamic ratings;

As mentioned above, the assessment system is generally divided into two parts: risk rating and value assessment. This article only describes the former. The risk rating focuses on the criteria and quality of token projects, while restricting any assessment from price or valuation. However, we have incorporated the concentration and distribution of tokens into the rating system. If investors are more interested in the Token price, we recommend you to read the specific value assessment reports provided by others.

IV. Application scope of rating

Blockchain refers to the technique of collectively maintaining a reliable database by means of decentralization. It redefines how value is generated within the network, in which participants do not need to know the background information of other people or rely on the guarantee or assurance from third parties. Blockchain guarantees the system to record, transmit, and store the activity of value transfers, and ensure the final result is credible.

Blockchain tokens are a kind of digital asset and proof of equity, which is also an integral part of the functioning methods with a blockchain system.

Our ratings reflect token projects issued on behalf of blockchain technology, including tokenization, which acts as a reward and incentive for participants who jointly participating in the maintenance of blockchain systems. Tokens, which are directly linked to physical assets such as gold, U.S. dollars, etc.; and various other types of Tokens that are based on the premise of blockchain technology.

V. Rating theoretical framework

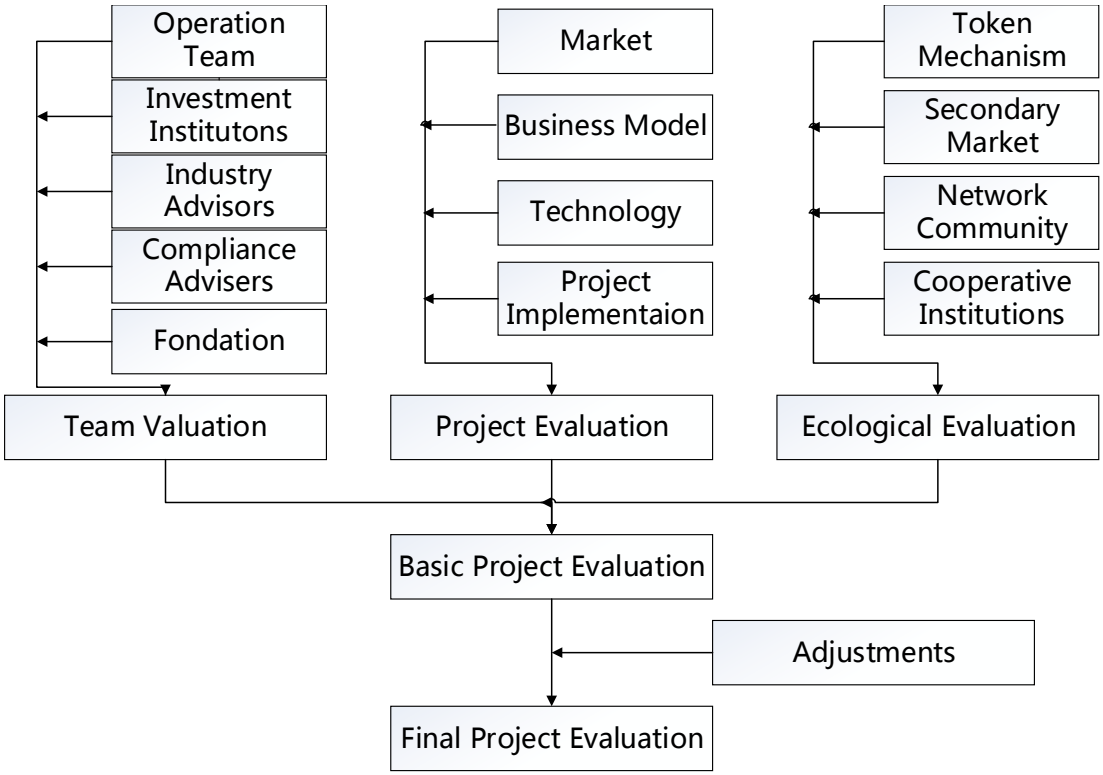
Taking full account of the particularities of blockchain technology, we conduct the risk assessments of token projects from the following three main aspects.

At present, the vast majority of token projects are still in their early days of development. Team qualifications and authenticity are particularly important in the risk assessment methodology of TokenInsight evaluations. We believe that the project team is one of the core factors when assessing the risks of a token project, and the project team defined here includes not only the founding and operation teams, but also industry consultants and external investment institutions. We also incorporate compliance as key criteria and we are very concerned about the availability of suitable internal or external factors that are associated with compliance.

In addition, the evaluation of the project itself is included on the basis of risk assessment. In this section, we evaluate projects from a technical aspect, business prospects, token economic value, project landing, and many other dimensions.

Finally, the ecosystem of the token project is related to the vitality of the project. In the early stage of blockchain industry development, projects with more horizontal and vertical expansion capabilities have greater qualification ratios. In this section, we will evaluate the overall ecosystem of a project from aspects such as token mechanisms, community awareness, cooperation partnerships, and exchange relationships.

Upon completion of the above three evaluation parts, we are then able to assess the basic rating of a token project. At present, the change and development of the field of blockchain technology is constant and rapid. In order to properly introduce adjustment mechanisms, which includes the maturity of the project in regards to blockchain technology, the distribution of its industry, token sale, and the project team. We do not rule out the introduction of decentralization mechanisms in the future to properly adjust token project ratings. Through the above adjustments, we will conclude the final rating for token projects.


Operation Team
Investment Institutons
Industry Advisors
Compliance Advisers
Fondation
Team Valuation
Market
Business Model
Technology
Project Implementaion
Project Evaluation
Token Mechanism
Secondary Market
Network Community
Cooperative Institutions
Ecological Evaluation
Basic Project Evaluation
Adjustments
Final Project Evaluation

VI. Specific indicators of rating system

Rating criteria:

Level I indicators	Level II indicators	
Team evaluation	Operation	Including operation and technical team. Operation work experience, academic achievements, background, and authenticity all have deep influence.
	Investment institutions	The reputation of the investment institutions, including project research capacity, is also an important factor in the evaluation. Professional competence, word-of-mouth, and performance will also be taken into account.
	Industry advisors	Includes the experience and reputation of consultants in the field of blockchain, resources, flow, popularity, and business benefits they bring.
	Compliance advisers	Compliance mainly includes legal compliance and financial compliance.
	Foundation	Background checks and experience of the foundation CEO and other personnel in key positions such as CTO, CFO, and others; generally, externally managed foundations are more transparent and reliable than internally managed foundations.
Project evaluation	Market	Market capacity determines the upper limit of the project application; the underlying mechanism (ground/middle/upper layers) determines market positioning, market competition status, and the position of the criteria that will affect the evaluation of the project market.
	Business model	Whether the basic application scenario is clear enough to achieve positive feedback; whether a solution can be find to address the bottleneck of existing needs, and whether or not the project has a future development plan and timeline.
	Technology	Including the reliability of consensus mechanism, technical framework, innovation at the present stage, and the degree of conformity with blockchain technology.
	Project implementa-tion	Matters affecting project implementation include the frequency and quality of GitHub updates, the extent to which development history is consistent with the white paper, product experience, the number of current users and the self-regulatory mechanisms of the project, such as QA and the legal status of its regulation in various countries.
Ecosystem Evaluation	Token mechanism	The intrinsic use value of Tokens, incentive mechanism, reasonable distribution and release cycles, and the use of initial Token fundraising.
	Cooperative institutions	It would be beneficial for the project to be established and developed if it is linked to matured partners or the ability to achieve multidimensional cooperation.
	Network community	Number, quality, and activity across social platforms (including but not limited to Twitter / Facebook / Telegram…)
	Secondary market	The positive contribution of an exchange to a project is significant, and high-quality exchanges and projects often promote each other. The market value, circulation and price stability of the token, and its association to a specific exchange, are all closely related to the risk of the project.
Adjustments	Significant risk events	Extreme risk events include hacks, fraud, financial holes, and so on. If such events cannot be properly resolved, the project will be rejected by a single vote.
	Significant progress	Ratings can be raised if the project makes significant progress.

VII. Rating principles

（i） Principles of rating

1. Independence: TokenInsight Inc., its internal rating personnel and the review committees remain 100% independent during the rating process, and will not be affected by subject biases and their external factors.

2. Objectivity: The rating personnel shall entirely base their ratings on objective information of the subject being evaluated and should review the results in strict accordance with procedures.

3. Impartiality: The rating personnel shall be impartial and unbiased in the rating process, using their expertise, experience, database, and skills to provide a fair and impartial rating based on the information obtained.

(ii) Principles of data

1. Authenticity: Reasonable measures shall be taken to ensure that the information involved in ratings is adequate and from a reliable source.

2. Consistency: The measurement of risks should be comparable to some extent, requiring consistency in the data, indicators, calculating caliber and rating criteria.

VIII. Token ratings and outlook

Token rates from excellent to poor in 10 ranks in the following manner: AAA, AA, A, BBB, BB, B, CCC, CC, C and D.

Rating	Description
AAA	The technical foundation is extremely solid, the status of operations is extremely stable, the extent of influence on the project by unfavorable changes in the environment or uncertain factors is extremely small, and risk is extremely low.
AA	The technical foundation is very solid, the status of operations is very stable, the extent of influence on the project by unfavorable changes in the environment or uncertain factors is very small, and risk is very low.
A	The technical foundation is solid, the status of operations is stable, the extent of influence on the project by unfavorable changes in the environment or uncertain factors is relatively small, and risk is relatively low.
BBB	Technical feasibility is very good, the status of operations is stable, influence on the project by unfavorable changes in the environment or uncertain factors exists to a certain extent, and risk is controllable.
BB	Technical feasibility is good, the status of operations is relatively stable, the possibility of influence on the project by unfavorable changes in the environment or uncertain factors exists to a relatively large extent, and risk is basically controllable.
B	Technical feasibility is moderate, the status of operations is relatively stable, the possibility of influence on the project by unfavorable changes in the environment or uncertain factors exists to a very large extent, and risk is to a definitely limited extent controllable.
CCC	The technical foundation or idea has certain problems, the application scenarios are limited, the project is susceptible to influence by uncertain factors, both internal and external, and has relatively large risk.
CC	The technical foundation or idea has considerable problems, and application scenarios are highly limited, which makes for a project that has few internal or external factors to consider in the context of sound development, and carries a very large risk.
C	The technical foundation or idea has substantial problems, and lacks deliberation upon possible application scenarios. The token has almost no usage value, and the project suffers from extremely large risk.
D	The project is riddled with problems and carries an extremely high risk of failure.

Rating outlook indicates trends in Token rating over the next 3-12 months.

Outlook	Description
Stable	Token rated has a high probability of maintaining the current rating over the next 3-12 months.
Positive	Token rated has a high probability of moving up over the next 3-12 months.
Negative	Token rated has a high probability of moving down over the next 3-12 months.
Developing	Developing.

Reasons for a project is put on the TokenInsight Watchlist include, but are not limited to: the forks of the project, cases of information theft, main-net launch failures, and roadmap project delays. TokenInsight uses its Watchlist to indicate that a rating is currently under review for possible rating review and changes. In the meantime, more information will be acquired in order to determine whether or not a project rating adjustment is needed and the needed adjustment range. The determination shall be made within 3 months' time. The TokenInsight Rating Watchlist is categorized into 3 sections: Positive, Negative and Developing.

Watch	Description
Positive	More information or analysis is needed and the project is likely to be upgraded
Negative	More information or analysis is needed and the project is likely to be downgraded
Developing	More information or analysis is needed and with the direction uncertain

TokenInsight ratings are always assigned with an outlook. When a token project is placed on the Watchlist, the outlook section will become outdated while the rating remains valid. TokenInsight will then make according adjustments and determine whether a token project is qualified to be removed from the Watchlist or remain on the list to be examined.

IX. Notes:

The risk rating of a project only provides an objective analysis of the risks and qualifications of the project under evaluation, and it should not be used as a direct basis for investment. Discreet investment is suggested for the risk of virtual currency.

For direct investment guidance, please refer to the specific project investment assessment report issued by the agency’s data team.