



CCCAGG Aggregate Index Validation

2021 September

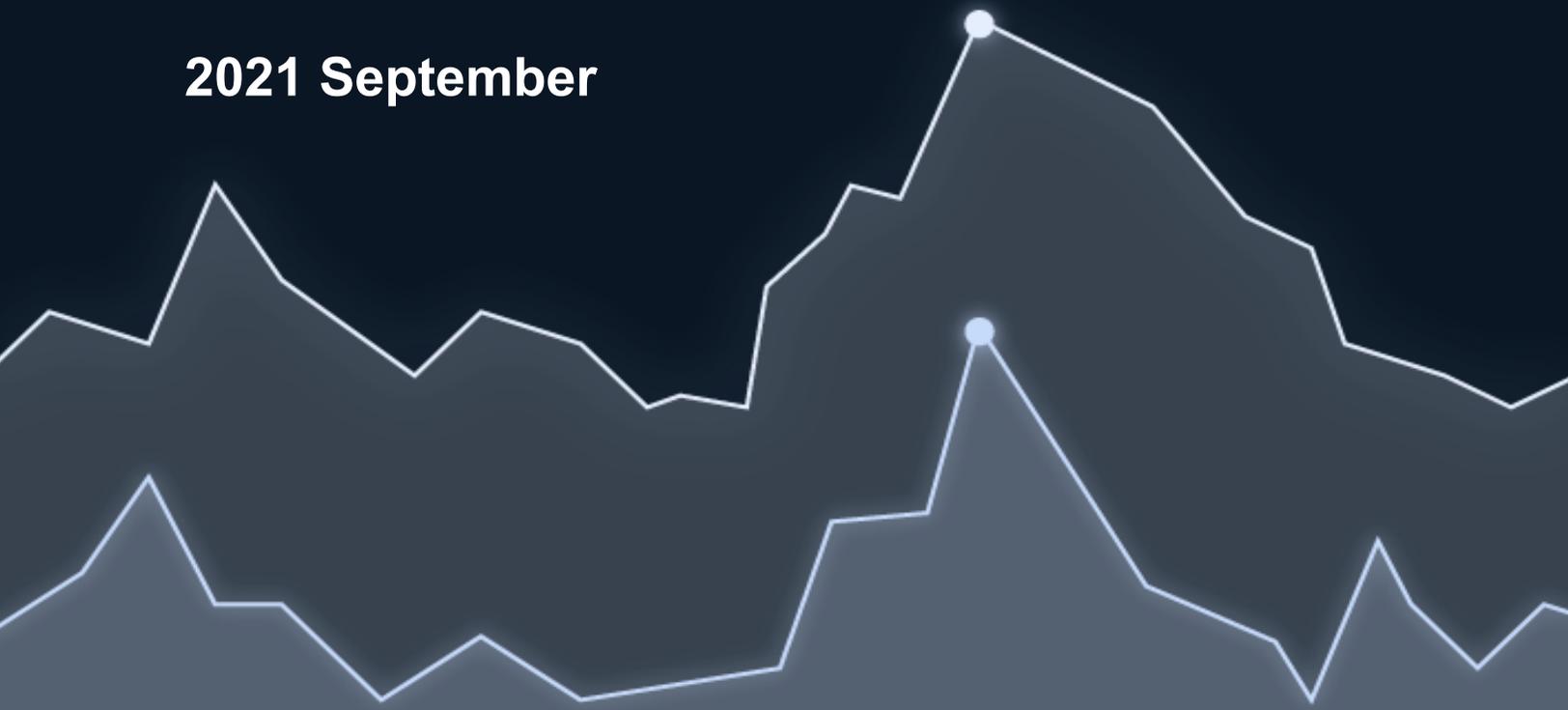


Table of Contents

Introduction	3
Goal of the report	4
Executive summary	5
Data	6
Methodology validation	7
Price consistency	7
Price stability	8
Backtesting results	9
Constituent exchange review	9
Volume and price impact of review	10
CCCAGG Behaviour vs Constituent Exchange Behaviour	11
Summary of top pairs	16
Contact	17
Resources	17
Disclaimer	17

Introduction

The Crypto Coin Comparison Aggregated Index (“CCCAGG”) refers to the real-time index calculation methodology, the purpose of which is to show the best price estimation for cryptocurrency traders and investors to value their portfolio at any time. CCCAGG is CryptoCompare's proprietary index calculation methodology for digital assets, based on 24-hour volume weighted average calculation, time-penalty factor and outlier methodology. It aggregates transaction data of more than 250 exchanges, using a 24 hour volume weighted average. The CCCAGG is calculated for each cryptocurrency in each market it is trading in (example: CCCAGG BTC-USD).

Find the full methodology here:

<https://data.cryptocompare.com/reports/cryptocompare-aggregate-index-methodology-jan-2021>

Goal of the report

The goal of this report is to show that the CCCAGG index is representative and replicable by conducting a series of tests and benchmarking.

Thus this report is focused on the following key areas:

- CCCAGG methodology validation
 - Price consistency
 - Price stability
- Backtesting results
 - Recalculate daily CCCAGG values using raw trade data for the last 3 months
- Constituent exchange review
 - Summary of changes for this month's review
 - CCCAGG behaviour vs constituent exchanges behaviour

Executive summary

In the September 2021 validation report, these are the main takeaways:

Price consistency

- For just over 90% of a total of 684 pairs the daily CCCAGG price is less than 0.5% away from the median market price on average for the last 3 months, which is an indication of price consistency. This is an increase of just over 0.5 percentage points from the August report.

Price stability

- When comparing the volatility of CCCAGG to the volatility of individual exchanges, 70% of the 684 pairs included in this test had a negative difference; meaning CCCAGG was less volatile than the average of the individual exchanges across the last 3 months. This is an increase of almost 0.5 percentage points from August.
- Of the 30% that had a positive difference, 88% of the CCCAGG pairs were less than 1% more volatile than the individual exchange average.

Backtesting

- 99.5% of the 200 pairs where CCCAGG was replicated had less than a 0.5% average difference from the real time price over the 90 day period. This is an increase of 1 percentage point from the August report. Any differences may be a result of backfilled or late trades that were excluded from the real time calculation.

Constituent review

- On average, 175 million USD in volume was added to CCCAGG per day through the review of constituent exchanges. This caused a 0.38% change in the price on average for all reviewed pairs.

Data

CCCAGG covers over 10,000 pairs but this validation report focuses on a subset of more liquid pairs, which are defined as the following:

- Have traded volume during the last 90 days
- Have more than 3 constituent exchanges

The report includes a total of 684 pairs for the September 2021 Review.

Data used to create this report consists of:

- Historical daily, hourly and minute OHLC for all exchanges and CCCAGG
- Raw trades from all exchanges

The full review result is downloadable in CSV form upon request.

Methodology validation

CCCAGG methodology ensures that the index is robust to outliers. The following methodology features help achieve this goal:

- 24 hour volume weighting:
 - Ensures CCCAGG gives greater weight to liquid market prices, and price impact of illiquid (and therefore more volatile) markets are negligible.
- Time penalty factor
 - Ensures that exchanges that suspend trading or trade infrequently have an expiring price impact.
- Outlier Detection
 - Excludes trades that deviate significantly from the previous index price

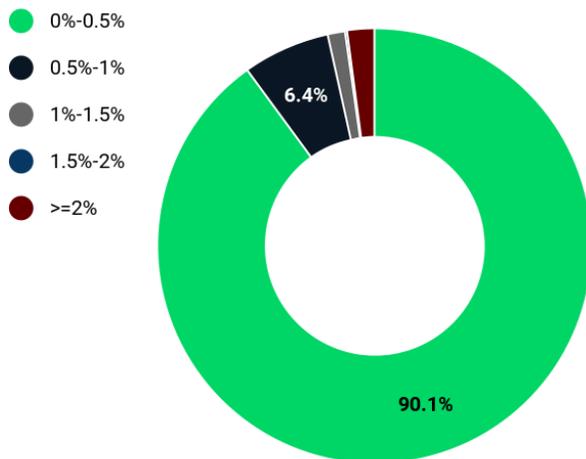
Thus, it is expected that:

- CCCAGG follows the market median price closely
- CCCAGG is less volatile than each individual exchange

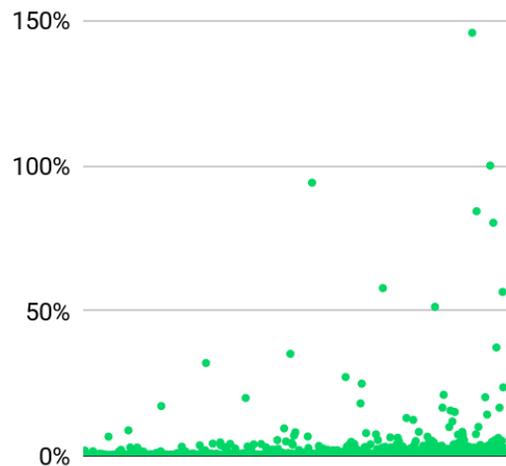
Price consistency

We measure price consistency by comparing daily CCCAGG values for the last 3 months with the median market price of the constituent exchanges. We are expecting the CCCAGG price to be close to the market median, but there may be bigger deviations for illiquid markets.

Average difference CCCAGG vs median - last 3 months
% of total pairs



Max difference for each pair - last 3 months



Left chart: Pie chart depicting the average difference between CCCAGG price and the median price of all constituent exchanges for the last 3 months. Right chart: Scatterplot depicting maximum difference between CCCAGG price and the median price of all constituent exchanges for the last 3 months.

For just over 90% of a total of 684 pairs the daily CCCAGG price is less than 0.5% away from the median market price, on average over the last 3 months. The scatter plot shows a few pairs out of the range - these are illiquid pairs where we prioritise price discovery and, thus, we allow more volatility.

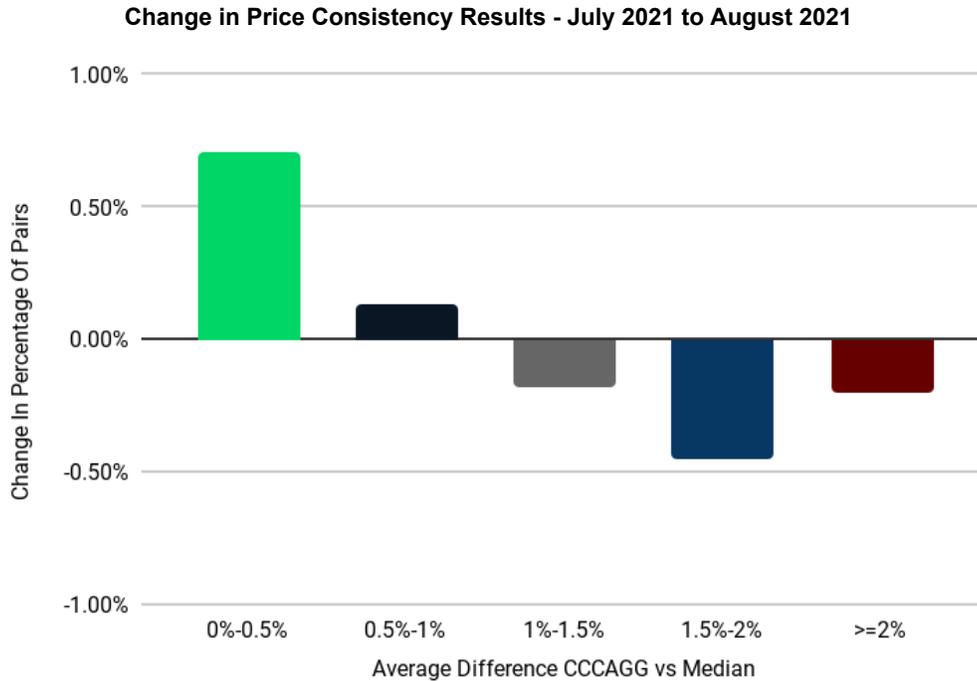


Chart showing the changes in the percentage of pairs that fall into each bracket of difference between CCCAGG price and the median market price, from the August 2021 to September 2021 report.

Compared to last month's report the CCCAGG price was closer to the market median for a higher number of pairs (over 0.5% increase). The percentage of pairs with over a 1% difference decreased generally across the range.

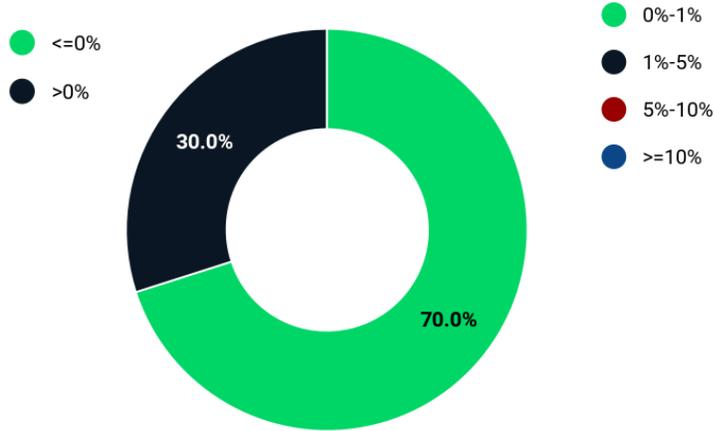
Price stability

Price stability is measured by comparing daily CCCAGG volatility to market volatility in the last 3 months. In this report we measure volatility as the ratio of the high and low price during each day.

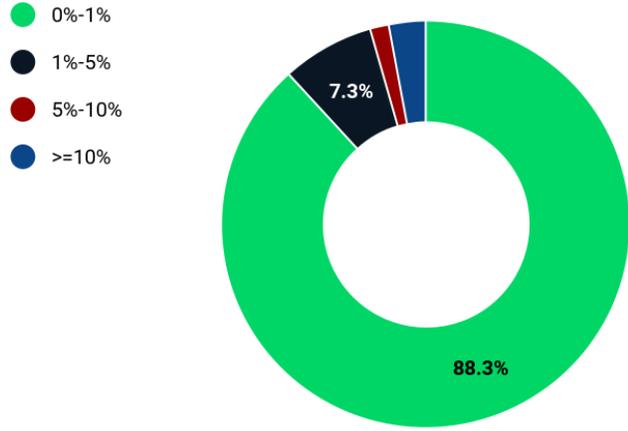
We compare the CCCAGG volatility with the average market volatility across the past 3 months. A negative difference means CCCAGG is less volatile than the average of the individual exchanges in the market.

Average difference CCCAGG vs market volatility

% of total pairs



% of pairs with a positive difference



Left chart: Percentage of pairs that have either a positive or negative percentage difference between CCCAGG and market volatility. Right chart: Breakdown of the percentage difference of pairs which have a positive difference between CCCAGG and market volatility.

Of the 684 pairs included in this test, 70% had a negative difference, meaning CCCAGG was less volatile than the average of the individual exchanges across the last 3 months. Of the 30% that had a positive difference, 88% were less than 1% more volatile than the individual exchange average. This positive difference occurs generally on illiquid markets, where individual exchanges have infrequent updates, but add up to more frequent updates for the aggregate index.

Change in Price Stability Results - August 2021 to September 2021

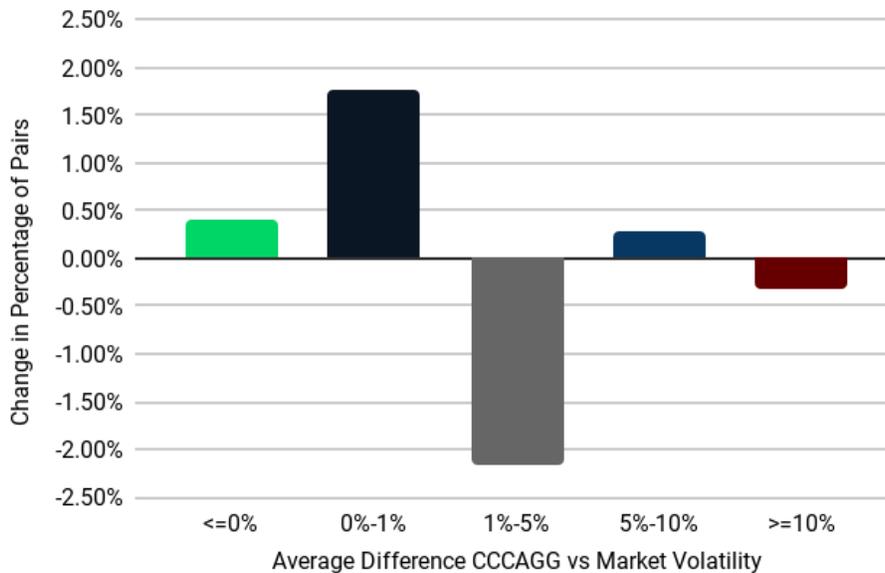


Chart showing the changes in the percentage of pairs that fall into each bracket of difference between CCCAGG volatility and the average market volatility, from the August 2021 to September 2021 report.

Compared to last month's report we saw a slight increase in the number of pairs that have a negative difference (CCCAGG is less volatile than the market), and also a large increase in the percentage of pairs that have a very small positive difference, compared to those with larger positive differences.

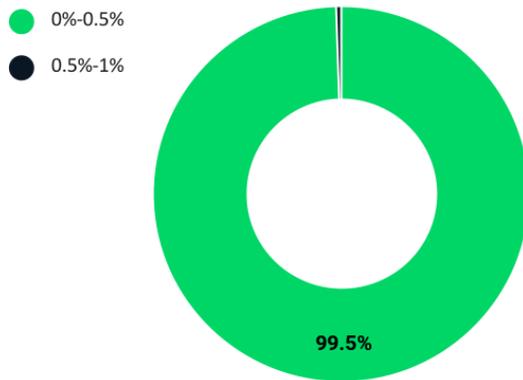
Backtesting results

CCCAGG should by nature be replicable as it is calculated from raw trade data. To demonstrate this the CCCAGG end of day value was re-calculated for the past 90 days, for the top 200 pairs by volume. This was done with an entirely separate script to the ones used to calculate CCCAGG in real time. The results from this were compared to the realtime CCCAGG calculation. Any differences might be due to:

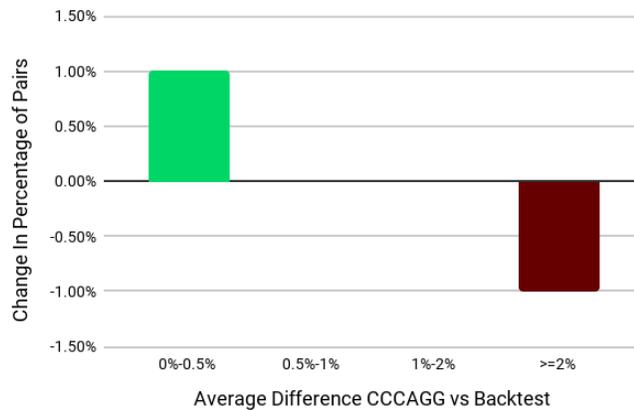
- Backfilled trades
- Late trades not taken into account
- Internal latency

Average difference - CCCAGG real time vs backtest

% of total pairs



Change from August 2021 to September 2021 report



Left Chart: average difference between CCCAGG real time values and backtesting for the top 200 pairs by volume.

Right Chart: change in the results from the previous to the current report.

99.5% of the 200 pairs had less than a 0.5% average difference over the 90 day period. The one pair that had a larger difference was only just over the threshold, but will be investigated to determine the cause. This represents a 1 percentage point increase from the August 2021 report.

Constituent exchange review

Each month the CCCAGG index constituents are reviewed, according to the Constituent Selection Criteria. Constituents are selected based on their Exchange Benchmark grade, trading volume and price stability. Read the full selection methodology under chapter 6 in the CCCAGG Index Methodology.

Volume and price impact of review

In this section we compare CCCAGG aggregate volumes and prices after the review against CCCAGG aggregate volumes and prices before the review (all volumes in USD). To do this we:

- Compute the total difference for the last 30 days (net volume we add or remove after the review)
- Calculate the average volume change each day
- Calculate the average price change each day

After the September review, we added on average 175 million USD a day in volume to CCCAGG.

Find the full list of removed and added constituents here:

https://www.cryptocompare.com/media/38553489/cccagg_review_results_2021_09.pdf

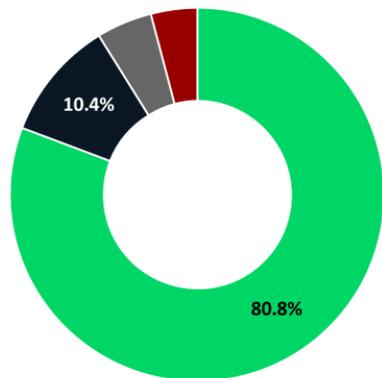
Values in millions of USD	June	July	August	September
Average volume added	143	284	95	184
Average volume removed	(171)	(2)	(1)	(9)
Average change in volume	-28	282	94	175
% volume change	-0.4%	5.0%	5.3%	3.3%

On average for all reviewed pairs the CCCAGG prices changed 0.38% after the exchanges review. For the top 20 pairs the change is 0.03% on average.

Average difference CCCAGG price - last 30 days

% of total pairs

- 0%-0.1%
- 0.1%-0.5%
- 0.5%-1%
- >=1%



Average price difference after September's review → 0.38%

TOP 20 PAIRS Average price difference after September's review → 0.03%

Chart depicting the average difference between CCCAGG price before the review and CCCAGG price after the review during the last 30 days.

CCCAGG Behaviour vs Constituent Exchange Behaviour

In this section we chart the CCCAGG price vs constituent exchange prices for the top 5 pairs traded in USD across the last 30 days. The goal is to show how CCCAGG price is affected by any major price movements in any of the constituent exchanges during the time period. It is expected that CCCAGG is not significantly affected by unusual price changes in the constituent markets.

BTC - USD price - Last 30 days -Minute data

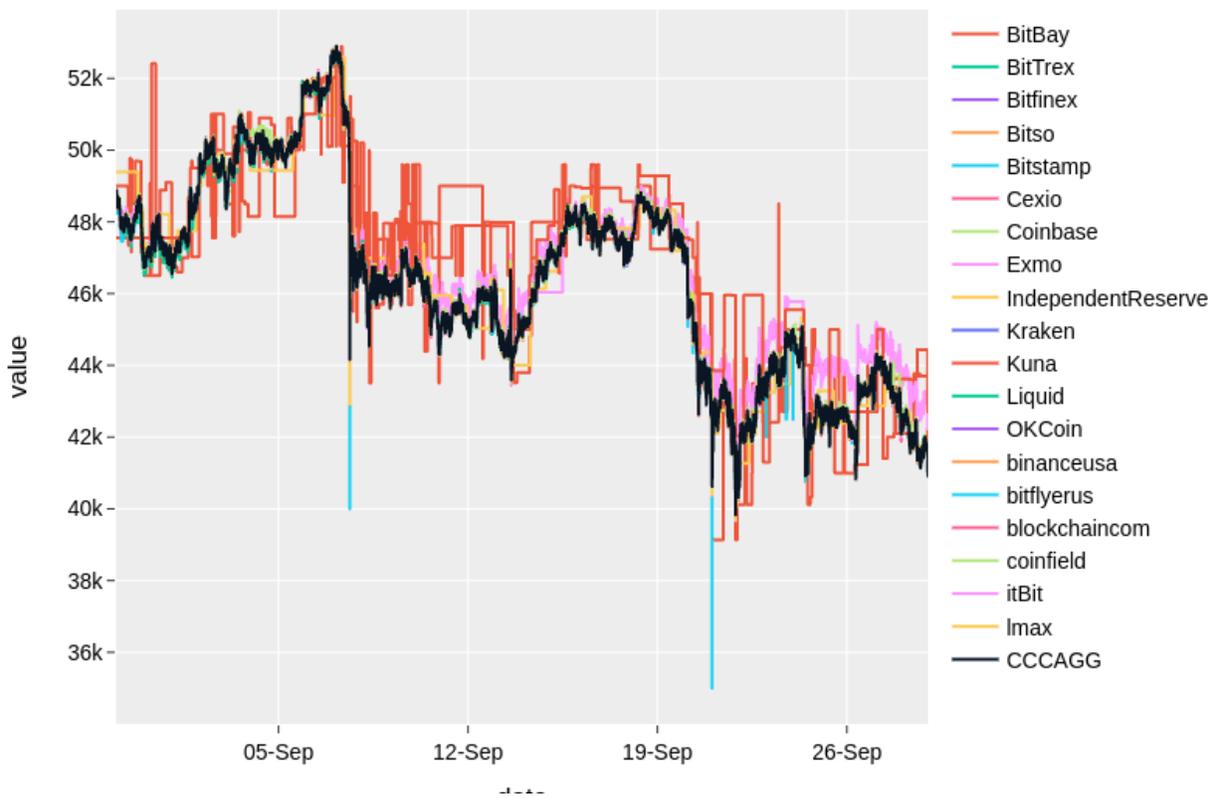


Chart depicting minute BTC-USD CCCAGG and constituent exchange prices for the last 30 days.

It is clear that CCCAGG is not affected by the stale prices on Bitbay and Kuna, or by the highly volatile prices on BitflyerUS, that hit much more extreme lows than the market as a whole.

ETH - USD price - Last 30 days - Minute data

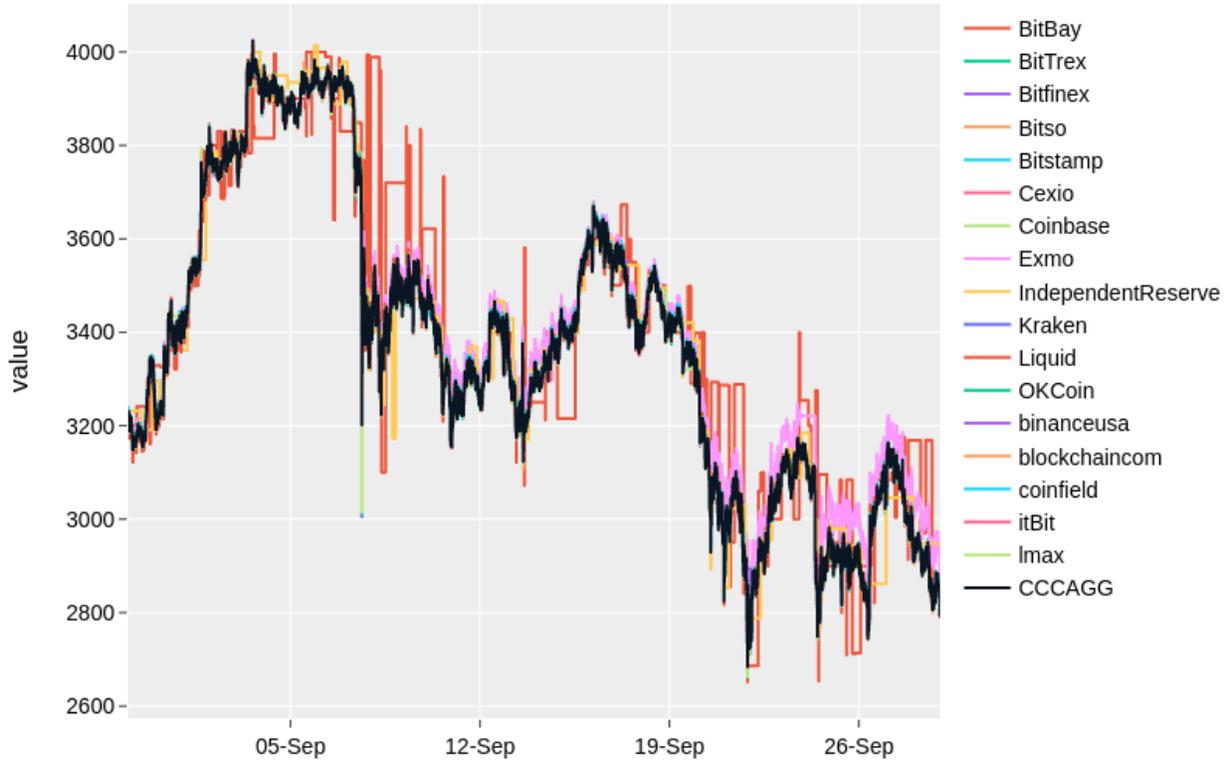


Chart depicting minute ETH-USD CCCAGG and constituent exchange prices for the last 30 days.

The CCAGG price follows the market and is not affected by the stale prices on Bitbay. The CCCAGG price also avoids the extreme troughs on exchanges such as LMAX during especially volatile periods.

DOGE - USD price - Last 30 days - Minute data



Chart depicting minute DOGE-USD CCCAGG and constituent exchange prices for the last 30 days.

The CCCAGG price tracks the market price well throughout the period, avoiding the extreme price drop seen on FTX and OKCoin during the period of extreme volatility, and not being influenced by the price on Exmo toward the end of the period.

XLM - USD price - Last 30 days - Minute data

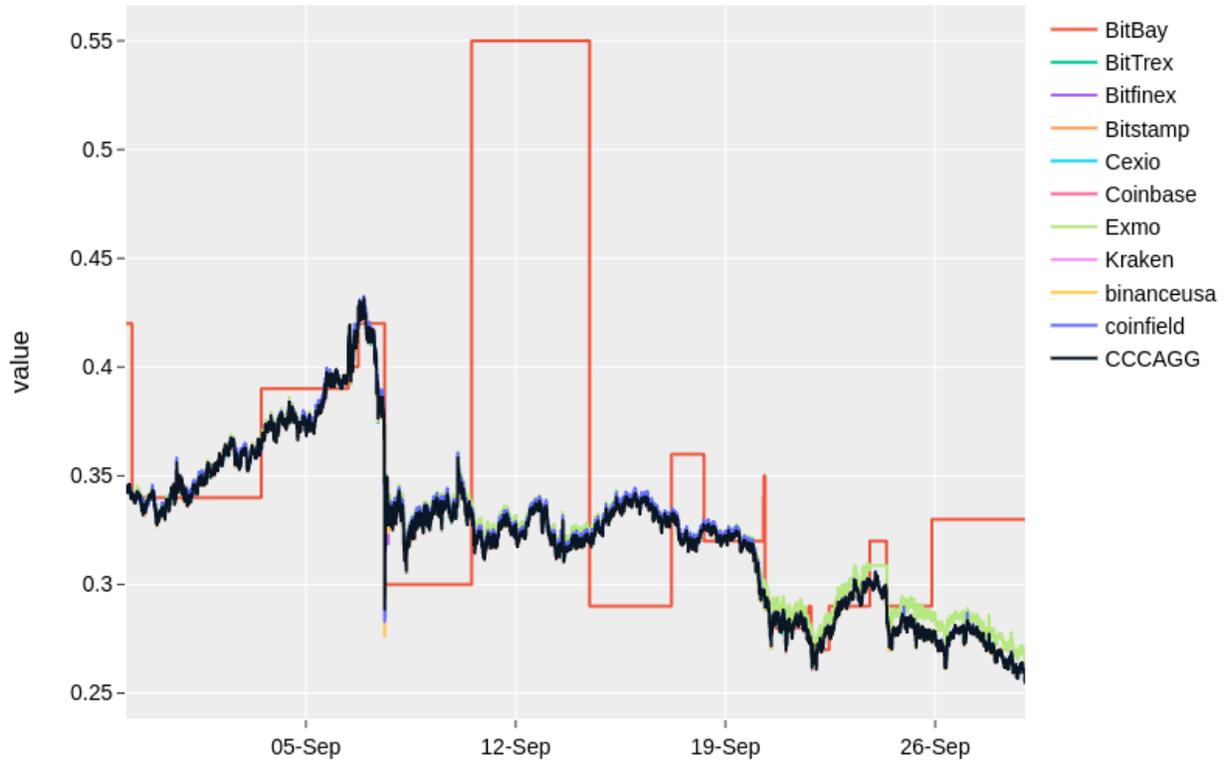


Chart depicting minute XLM-USD CCCAGG and constituent exchange prices for the last 30 days.

We see that CCCAGG price is not affected by stale and wildly volatile prices on BitBay as the time penalty factor ensures that the index always reflects the latest price.

BCH - USD price - Last 30 days - Minute data



Chart depicting minute BCH-USD CCCAGG and constituent exchange prices for the last 30 days.

We can see that CCCAGG price is not influenced by OKCoin's stale price throughout the period, or by the price on Coinfield which differs at times from the market price.

Summary of top pairs

	Price consistency	Price stability	Backtesting
Pair	CCCAGG vs market median ⁽¹⁾	CCCAGG volatility vs average market volatility ⁽²⁾	Real time CCCAGG value vs Re-calculated CCCAGG value ⁽³⁾
	mean absolute difference	mean difference	mean absolute difference
BTC-USD	0.02%	-2.14%	0.00%
ETH-USD	0.03%	-0.07%	0.00%
USDT-USD	0.02%	-0.29%	0.03%
DOGE-USD	0.04%	-0.03%	0.01%
LTC-USD	0.04%	0.06%	0.00%
XRP-USD	0.06%	0.00%	0.01%
LINK-USD	0.05%	0.23%	0.02%
XLM-USD	0.13%	0.00%	0.01%
ADA-USD	0.05%	0.16%	0.02%
ETC-USD	0.06%	0.00%	0.01%

Notes:

(1) Daily difference calculated as: $(\text{CCCAGG Price} / \text{Median Exchange Price}) - 1$

(2) Volatility calculated as: $(\text{Daily high price} / \text{Daily low price}) - 1$

(3) Daily Difference % calculated as: $(\text{Real time CCCAGG value} / \text{Re-calculated CCCAGG value}) - 1$

Contact

If you are interested in using the CryptoCompare Aggregate Index (CCCAGG) in your products, please get in touch at data@cryptocompare.com.

Resources

CCCAGG Index Methodology

<https://data.cryptocompare.com/reports/cryptocompare-aggregate-index-methodology-jan-2021>

CryptoCompare Exchange Benchmark

<https://data.cryptocompare.com/reports/exchange-benchmark-august-2021>

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