



Bitcoin (BTC)
SHA256 ALGORITHM
HASHRATE: 312.2 Ph/s

powered by whatmine
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Author Ian DeMartino

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OKCoin Changes How It Calculates Volume, But Does It Matter?

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OKCoin has changed the way it calculates transactions, seemingly doubling its volume traded overnight.

The actual volume of trades at OKCoin has not actually seen a dramatic increase. The reason the reported OKCoin trade volume doubled was because OKCoin changed the way it calculates trades in order to, according to them, come into line with the "industry standard."

Previously, when one bitcoin was sold (and subsequently bought) on OKCoin, it calculated the transaction as "one bitcoin" in the exchange's total volume. Now, it is counted twice: once when a customer sells it and once when a customer buys it. Functionally, this makes virtually no difference. It only makes OKCoin appear larger than it did previous to the update, without any actual growth taking place.

OKCoin announced that it had made the change on Reddit (http://www.reddit.com/r/BitcoinMarkets/comments/2ld9zs/you_might_have_noticed_okcoin_futures_volume/), shortly after the update. OKCoin is quick to point out that other Chinese-based exchanges (<http://cointelegraph.com/news/112324/chinas-big-three-bitcoin-exchanges-agree-that-bitlicense-proposal-could-be-very-damaging-to-the-industry>) Huobi and 796 calculate their volumes in the same way and thus, the reason for the change in the counting method was to have "an even scale." A claim some Redditors doubted until OKCoin posted (Chinese language) conversations proving as much.

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While that does appear to be the standard operating procedure for Chinese based exchanges, that does not seem to be the case for Western exchanges. Executives from both BitMex and BTC.sx (https://btc.sx/r/34975) were quoted in Coindesk (http://www.coindesk.com/asian-exchanges-adopt-controversial-counting-method-futures-trades/?utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+CoinDesk+%28CoinDesk+-+The+Voice+of+Digital+Currency%29) as not adopting to that counting method themselves, with BitMex CEO Arthur Hayes going as far to say "[the method] paints a false picture of exchange liquidity."

However, Zane Tackett, the Manager of International Operations at OKCoin, assured to CoinTelegraph via email that the change will not affect its western clients:

"We want to use the traditional method since that's the method used in the traditional finance world. Furthermore, we will be switching back to the traditional method for all westerners, ie: our English page will report it using the traditional method. Any western site that pulls our data will be provided with volume using the traditional method, and we will only use double counting for domestic purposes."

The Hong Kong based exchange, Huobi (http://cointelegraph.com/news/112393/chinese-exchanges-setting-new-transparency-standard-as-huobi-audit-reveals-100-reserves), stated that the method originated outside of the Bitcoin industry, with Chinese based future commodity trading being counted twice for volume. We have, at press time, been unable to confirm if that is true.

As for what this means for the Bitcoin space: it seems to only matter to the hardcore Bitcoin day traders. The reported volume of exchanges is just that, the reported volume. It makes no difference how OKCoin (http://cointelegraph.com/news/112544/as-much-as-we-compete-when-it-makes-sense-to-cooperate-we-do-changpeng-zhao-cto-okcoin) reports its volume, so long as it is reported consistently and transparently. They put it inline with their competition because they wanted the comparative size of the three major Chinese exchanges to be visibly apparent to potential customers.

"We just found it unfair that of the existing futures exchanges (bitmex isn't live yet) we were the only ones not using double counting," explained Tackett. "That puts us at an immediate disadvantage when people are looking at which site to use. Furthermore, Huobi and 796 weren't open about their using double counting, we want everyone to know what method everyone is using that way it's a fair playing field."

Regardless of if this is the "right" way to count coins or not, it only makes a difference for the Bitcoin day traders that worry about things like exchange volume for their leverage and futures bets.

OKCoin also announced 20x leverage when it announced the changes to how it calculates total volume. Leverage (http://cointelegraph.com/news/112629/are-advanced-trading-tools-causing-the-price-drop-exchanges-experts-weigh-in) is when an investor bets more than they have, in this case on Bitcoin's future price. Using this method, they can greatly increase their gains. However, the flip side is also true: it can result in quick and massive losses. Having a high volume means that there are more likely to be investors willing to buy losing bets that can be used to pay the "winners." If there aren't enough losers to pay the winners, the exchange must cover the differences or (as is more often the case in Bitcoin exchanges) the difference is socialized and winners get less than they are supposed to. A higher volume in the futures market makes this less likely.

Finally, OKcoin "never wanted to do double counting," added Tackett. "We were the last exchange to start using this method, and we want to use the traditional method because that's what's used in the traditional finance world." Nevertheless, he also acknowledged that OKcoin will "go with whatever the people want and whatever is considered standard."

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