

## 2.0 Fundamental

### Prime Rating Report V2.0

**Protocol: Barn Bridge**

**Version: 1.0**

**Previous Report:**

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### Instructions

Please go to files and make a copy of this template.

Fill in all questions with a written explainer, any relevant links and score per variable. Insert the scores in the scorecard at the end of the report. Please follow the process as laid out in the Medium announcement and submit the report through the form.

**Please include your sources** into the text (as a link), so others can follow your trail of thought.

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## 1. Value Proposition

The Value Proposition section describes the value a protocol delivers to its users. Based on the proportion of the problem the protocol aims to solve and the potential of the protocol to effectively solve the problem - better than other industry solutions - a Value Proposition rating is created.

### a) Novelty of the solution (15 points)

This score evaluates the novelty (uniqueness) of the protocol. Has the protocol introduced any new innovations that help solve user's problems more efficiently? Is the project a fork? To what extent did they copy/fork the original?

**Answer:** BarnBridge introduces itself as a "[risk tokenizing protocol](#)". By inspiring itself from the concept of tranching in traditional finance, it allows users to select the level of volatility, market price and inflation risk. By cutting the yield from debt pools and adjusting it considering the selected risk level, users are able to benefit from decentralized financial services while hedging themselves.

**Score: 10**

### b) Market fit/demand (15 points)

This score evaluates the degree to which the protocol satisfies a strong market demand. The market fit evaluates if the protocol is able to satisfy the needs of a specific market (can also be measured by

user adoption/ #of users). To what extent has the protocol proven to meet the demand of a specific market? Is the timing of the product right for the market? Is the protocol targeting the right market?

**Answer:** The current [338M \\$ TVL](#) seems rather small for a protocol offering a hedging opportunity but risk management is one of the most underrated aspects of DeFi.

**Score: 9**

### c) Target market size? (10 points)

The target market size evaluates the current and future size of the problem the protocol is aiming to solve. The category of the Open Finance solution can be used as a reference to the target market (for example: Lending). Because Open Finance is by definition global, the global market for a specific problem equals the target market size.

**Answer:** Lending protocols are the biggest DeFi protocols with over [30 billion dollars in TVL](#). Most crypto investors don't hedge much, but with institutions entering the market, most notably with Aave Pro and Compound Treasury, tranching is bound to expand.

**Score: 8**

### d) Competitiveness within market sector(s) (10 points)

This score evaluates the competitiveness of the protocol within the market sector(s) it operates in. This score offers a relative comparison of the protocol and other protocols operating in the same market sector(s).

**Answer:** BarnBridge is the market leader, first in the market with [big backers](#) and a working product. Their technology is one of the most effective on the market but new and more specialized protocols are starting to challenge their status quo.

**Score: 9**

### e) Integrations & Partnerships (15 points)

Due to crypto's open-source nature, the code of most protocols can easily be forked. This score represents a piece of "unforkable value". Some indicators to look at are the number of applications built on top of the protocol (vertical integration), other entities integrating the protocol's services (horizontal integration) or the number of relevant partnerships (be careful of logo collections/ partnerships without much purpose).

**Answer:** BarnBridge has built on top of the 3 major lending protocols of DeFi (Aave, Compound & CREAM) and has started expanding its front end access by partnering with Coinbase Earn.

**Score: 13**

## 2. Tokenomics

The Tokenomics section of the review assesses the function of a protocol's token. This includes the token distribution, functionalities of the token, the ability of the token to incentivize positive behavior in the protocol, and the ability of the token to capture a portion of the value created.

### a) Is the token sufficiently distributed? (15 points)

The token distribution can be an indicator of a healthy protocol. When the protocol tokens are widely distributed among different stakeholder groups and contributors, this genuinely improves the coordinating capability of the token and strengthens the resiliency of the protocol. Was the initial distribution balanced between relevant stakeholders? Are the tokens distributed over sufficient participants (10, 25, 100 largest addresses)?

**Answer:** 30 % of tokens (out of 10 million Total Supply) locked in the Governance contract, 18% in the Community Vault (for reward distribution) and 14% in the Barn contract (staked to receive vBOND, the governance token). Also 10.4% (4% + 1.9% + 1.9% + 1.4% + 1.2%) is in various vesting contracts (on a 100 weeks vesting schedule). Apart from Uniswap pools & exchanges, the token is distributed among [~7000 addresses](#).

The initial distribution was : 68% Community (Rewards, Liquidity Mining, Community Reserve, ...), 12.5% Team, 7.5% Investors, 2% Advisors, and 10% DAO Treasury.

**Score: 12**

### b) What is the extent of the token's capabilities? (10 points)

Is the token useful within the protocol? Does the token allow the holders to participate in governance or influence the protocol in any way? Does it serve any other purposes?

**Answer:** To participate in Governance, the user must stake the token in the Barn contract, to receive vBOND. Locking the token can increase the amount of vBOND received (up to 2x for 1 year). And staking the BOND token is rewarded through Staking Rewards (paid in BOND).

**Score: 6**

### **c) Is the issuance/distribution model able to improve the coordination of the protocol? (10 points)**

To what extent does the issuance of the token support the advancement and function of the protocol? Are the tokens justifiably being issued? Does the issuance model incentivize the right behavior? Are all relevant stakeholders benefiting from the issuance model?

**Answer:** The initial fixed token supply was distributed to the team, investors (Seed Round) and users who invested in risky tranches, held early on and locked to get voting power. The power seems to be correctly spread amongst the 7200 stakeholders.

**Score: 7**

### **d) Is the value capture model able to accrue and distribute value? (10 points)**

A value accrual and distribution mechanism can help improve the utility of a token and its ability to be used as an effective coordination mechanism. Does the protocol have mechanisms to distribute some of the value created to the token holders?

**Answer:** Giving double votes to users who lock tokens is an interesting concept to force "skin in the game" for activists. However, the degen attitude in crypto was not taken into account when enabling liquidity mining for Junior tranches (riskier) and not for Senior tranches (hedged).

**Score: 7**

### **e) Is the token sufficiently liquid to enable active use and trade? (10 points)**

Is the token widely available and is there sufficient liquidity available to facilitate all protocol functionalities?

**Answer:** Most of the liquidity is on Uniswap v2 with over 30M \$ in the BOND-USDC pair (incentivized with liquidity mining). Usual volume is between 2 and 10M\$ daily.

**Score: 5**

### **f) Are there any extrinsic productivity use cases for the token? (10 points)**

Besides the protocol's value distribution model as described in 2. d), can the token be used productively on other protocols (e.g. as collateral, for lending, LPing, yield farming, etc.)?

**Answer:** BOND Token is accepted as a collateral in the lending protocol CREAM.

**Score: 3**

## 3. Team

The Team section describes the quality of the team behind the protocol. The current version of Prime Rating favors teams that are publicly identifiable. In the case of an anon team, the track record of the specific anons involved can be taken into account

### a) Is the team credible and public? (15 points)

Are the identities of the core contributors and team publicly identified? In the case of anon team members, is there any way to track their background/record?

**Answer:** The team is [public](#) and many of the members have had years of prior experience working in the space.

**Score: 11**

### b) Does the team have relevant experience? (10 points)

Are there any documents or trails available to showcase the track record of the team? Do the team members have relevant backgrounds and skill sets?

**Answer:** The team doesn't have much experience specifically in DeFi, but are very skilled development-wise with a large portion of the group [coming from Consensys](#).

**Score: 8**

### c) Does the team participate and help shape the public debate? (5 points)

To what extent do the protocol contributors participate in the public debate around open finance? Are the team members giving presentations, sharing their thoughts and opinions, and do they help raise the collective intelligence of the industry?

**Answer:** Tyler Ward often does [fireside chats](#) with other founders to show the importance of risk management.

**Score: 4**

Score	Description
4-5	The team actively participates in the public debate as thought leaders
2-3	The team occasionally participates in the public debate
0-1	The team does not participate in the public debate

Please delete this table after adding a score

### **d) Is the team able to effectively attract and coordinate resources? (10 points)**

How effective is the team at attracting and coordinating resources for the benefit of the protocol? Has the team raised sufficient funding or are there mechanisms in place to attract resources when needed?

**Answer:** BarnBridge has raised 1M\$ in June of 2020. While it is a highly lucrative project with over 100M\$ of treasury and 2M\$ earned in fees in 6 months, the team is very large (19 people as of July 2021) compared to other projects and probably has huge workforce costs.

**Score: 7**

Score	Description
8-10	The team has attracted sufficient resources and they can coordinate efficiently
5-7	The team has attracted sufficient resources but coordinate somewhat inefficiently
2-4	The team has not attracted sufficient resources and need to attract more
0-1	The team has not attracted sufficient resources and is coordinating highly inefficiently

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## **4. Governance**

The Governance section evaluates how the protocol is governed and who the governors are. The different governance functionalities and processes are evaluated to determine to what extent the Protocol will be able to self-govern in a way that ensures the development of the protocols while respecting the needs of all current and future stakeholders.

### **a) Admin Keys (20 points)**

Admin Keys allow some critical functionalities of a protocol to be controlled by an admin. This allows the developers to react to potential bugs, but also creates a risk as the developers could potentially misuse the admin keys to exploit the protocol. Does the protocol have admin keys and how are they managed?

**Answer:** The Admin of the contracts is the BarnBridge DAO, controlling the contracts through on-chain Governance (coupled with Snapshot to get community feedback beforehand). The Governance system has a 4-day Queued period, then a 4-day grace period between a proposal being accepted, and executed.

**Score: 18**

### **b) Extent of Governance capabilities (15 points)**

Distributed governance allows the token holders to participate in the governance of open finance protocols. How much influence does the governance mechanism have? Are the votes affecting on-chain changes or do they function solely as signals to the team?

**Answer:** BarnBridge was one of the first protocols to use a DAO-first approach. The original users voted on the creation of the DAO and the distribution of the token. The current BOND & vBOND tokens currently grant control over the treasury (100M\$+), the liquidity mining programs and the modification of tranching parameters.

**Score: 13**

### **c) Active Governance contributors (5 points)**

Governance is a process that can be rather resource-intensive if executed well. To ensure good governance is practiced by the protocol, it's important to have a sufficient number of governors allocate resources to the governance process of the protocol. How many individuals participate in the debate around the protocol? How active are voters?

**Answer:** Almost 1.5 million BOND tokens staked in the Governance system. All past votes were over the 40% quorum, with ~600 000 vBOND voting on Proposals (voters for last Proposals : 88, 78 & 98).

**Score: 3**

## d) Governance technology/infrastructure (10 points)

The Governance infrastructure relates to the technology, software, and models used by the protocol's governance. Does the protocol have a reliable and usable voting mechanism? Are there channels for governance debate? Is there sufficient documentation available?

**Answer:** Governance uses an [on-chain system](#), a [forum](#) and [Snapshot](#). The on-chain system is an original governance architecture based on Diamond contracts inspired from Aragon. The Governance cycle is forum discussion -> Snapshot sentiment poll -> on-chain vote.

**Score: 9**

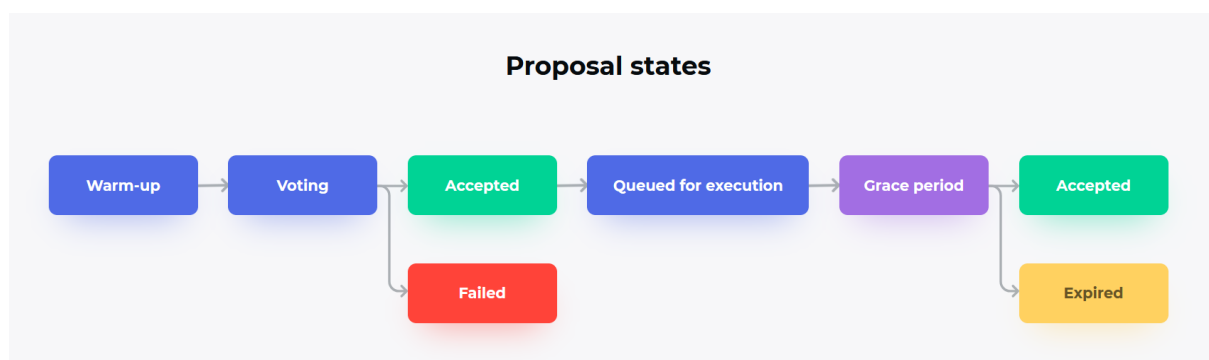
## e) Robustness of Governance process (10 points)

This score requires documentation specifically on the governance process that sets the basic framework in terms of agreements, norms, and language for governing the protocol and to create social consensus. Does the protocol have a formal governance process? How robust is the governance process and does it promote good governance?

**Answer:** BarnBridge has a very solid governance process measuring governance activity ("skin in the game") with a locking mechanism granting double voting power. The proposal threshold, quorum and acceptance threshold all depend on the number of tokens locked in the Barn.

The governance process is very well explained in the documentation.

There is a governance forum to discuss on future proposals, a Snapshot to do temperature checks and a whole governance flow for on-chain voting :



**Score: 9**



## 5. Regulatory

The Regulatory section describes the extent and quality of the regulatory environment that affects the Protocol. To be able to guarantee functionality, security, and legality the protocol should comply with regulatory requirements, or limit itself to facilitating services to users who are willing to operate outside of the traditional regulatory environment.

### a) Does the protocol have any legal accountability? (15 points)

Does the protocol have any form of legal accountability? Can users and partners hold the protocol accountable in case of a breach of the agreement?

**Answer:** Since the IP and all financial services are done by an unregistered DAO there is virtually no legal responsibility. This is dangerous because [tranching](#) is a very regulated business that is only allowed to established institutions like banks, need to be rated beforehand and have very clear disclosures on risks..

**Score: 6**

### b) What is the quality of the legal jurisdiction? (10 points)

If the protocol has a legal entity, what is the quality of the jurisdiction the entity is established in? Will the jurisdiction be able to facilitate the legal framework for the protocol to expand while remaining accountable.

**Answer:** The team doesn't have any official corporation, however they specify the interface is hosted by a US Corporation in the T&C, which probably also hosted the fundraising the past year.

**Score: 8**

## Scorecard

1. Value Proposition	Points
a) Novelty of the solution	10 / 15
b) Market fit/demand	9 / 15
c) Target Market Size	8 / 10
d) Competitiveness within market sector(s)	9 / 10
e) Integrations & Partnerships	13 / 15
<b>Total Points - Value Proposition</b>	<b>49 / 65</b>

<b>2. Tokenomics</b>	<b>Points</b>
a) Is the token sufficiently distributed?	12 / 15
b) What is the extent of the token's capabilities?	6 / 10
c) Is the issuance model able to improve the coordination of the protocol?	7 / 10
d) Is the value capture model able to accrue and distribute value?	7 / 10
e) Is the token sufficiently liquid to enable active use and trade?	5 / 5
f) Are there any extrinsic productivity use cases?	3 / 10
<b>Total Points - Tokenomics</b>	<b>40 / 60</b>
<b>3. Team</b>	<b>Points</b>
a) Is the team credible and public? (No, Partly, Yes & Anon , Yes & Public)	11 / 15
b) Does the team have relevant experience?	8 / 10
c) Does the team participate and help shape the public debate?	4 / 5
d) Is the team able to effectively attract and coordinate resources?	7 / 10
<b>Total Points - Team</b>	<b>30 / 40</b>
<b>4. Governance</b>	<b>Points</b>
a) Admin Keys	18 / 20
b) Extent of Governance capabilities	13 / 15
c) Active Governance contributors	3 / 5
d) Robustness of Governance process	9 / 10
e) Governance infrastructure	9 / 10
<b>Total Points - Governance</b>	<b>52 / 60</b>
<b>5. Regulatory</b>	<b>Points</b>
a) Does the protocol have any legal accountability?	6 / 15
b) What is the quality of the legal jurisdiction?	8 / 10
<b>Total Points - Regulatory</b>	<b>14 / 25</b>
<b>Total</b>	<b>195 / 250</b>

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