

Fundamental

Prime Rating Report V2.0

Protocol: Tracer

Version: 1.0

Previous Report: [Link to previous report](#)

Date: 12/07/2021

Author: valp#4314

Reviewed by: a Rating Pepe

Season/competition: Season 2 / rate-athon #2

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

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: TracerDAO has a very interesting [genesis story](#), as well as the first product they launched, perpetual pools, which is a unique approach to derivatives in DeFi.

[Mycelium](#) a company based in Australia built the full DAO framework and published the contract which enabled 100 addresses to claim an initial stake in the TracerDAO, Mycelium was not part of these first 100 claimants. The team afterwards put forth a proposal to these first 100 governors to include them in the DAO as well as have them as core developers for TracerDAO.

Perpetual Pools, the first product of TracerDAO, enables the creation of tokenized, leveraged long or short positions on the underlying asset. Which in short eliminates the risk of liquidation on such a leveraged position by sacrificing some of the potential upside of such positions.

Score: 12

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: TracerDAOs perpetual pools have a total of ~ \$32m TVL, which puts them in the top ten of the [DeFi derivative market](#). According to DeFi Pulse, the total derivative market in DeFi is ~ \$3bn. Considering the novelty of the product the initial adoption is very promising.

Score: 10

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: Perpetual pools are a new alternative for the DeFi derivatives market which at the time of writing this is around ~\$3bn which leaves substantial potential for growth.

Score: 9

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). To evaluate this, metrics to directly compare with the competition can be used (e.g. TVL, trading volume, number of users).

Answer: As mentioned above with a TVL of ~\$32m TracerDAO is in the top 10 protocols in the DeFi derivative market. Though the gap in TVL to the top three competitors (according to <https://defipulse.com/> derivatives section) DYDX ~\$1bn, Synthetix ~\$694m and Nexus Mutual ~\$682m is substantial. The novelty of the solution as well as the key differences from perpetual pools to the perpetuals traded on DYDX for example though form a competitive edge in the space.

Score: 6

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: Currently there are no protocols that have integrated TracerDAOs perpetual pools, but TracerDAO has entered multiple [partnerships](#) with Web3 service providers including Risk Harbor to hedge against smart contract risk, Visor to provide liquidity efficiently on Uniswap V3 and Flex Dapp\$ for their Web3 developing services. TracerDAO was also in the first C.o.R.E. event from TOKE, a new sustainable liquidity provider in DeFi, which had a lot of success. What is also notable, is that very early on TracerDAO has partnered with RMIT Blockchain Innovation Hub to build the core mechanisms of the DAO Tokenomics, Governance ect. with a strong theoretical foundation while documenting this discussion on their own [YT channel](#).

Score: 8

2. Tokenomics

The Tokenomics section 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: Currently there are only 785 holder addresses of the TCR Token, the table below lists the 9 largest current holder addresses together holding ~95% of the total supply of the TCR Token. It has to be said in this list of 9 addresses includes the DAO contract in which TCR has to be staked in order to gain voting power as well as 4 vesting contracts, this makes it more difficult to judge the actual distribution, nevertheless currently, the largest [100 token holders](#) hold 99,62% of the total supply.

Holder	Amount	Share
Growth Fund multi Sig*	250,071,020	25.0071%
DAO* (governance Stake)	222,702,030	22.2702%
Mycelium Vesting*	155,062,184	15.5062%
Standard Vesting Contract	98,807,417	9.8807%
Arbitrum:L1 Gateway	85,998,361	8.5998%

TokemacTCR Reactor	62,854,858	6.2855%
Mycelium Multisig*	32,463,870	3.2464%
Employee Vesting	26,793,781	2.6794%
Standard Vesting Contract	25,645,000	2.5645%

*identified contract addresses from [TracerDAO docs](#)

The [Initial distribution](#) of the Token, as described in the TracerDAO docs was designed as follows:

Entity	Current Allocation (%)	Current Allocation (TCR)
DAO Treasury	64.04%	640,400,000
Mycelium	21.50%	215,000,000
Strategic Partners	10.00%	100,000,000
Academic Advisors	1.75%	17,500,000
The initial 100 governors	1.00%	10,000,000
Yamashita	1.00%	10,000,000
Governors & Alpha Testers	0.51%	5,100,000
Flex Dapps	0.20%	2,000,000
Total	100.00%	1,000,000,000

Notably even with the interesting DAO genesis Mycelium was allocated 21,5% of the initial supply which dramatically shifted voting power from the initial 100 governors.

[Yamashita](#) is an anonymos advisor (the author was not able to find any other mention of Yamashita) advisor to Mycelium and TracerDAO, the initial allocation was approved in [this](#) snapshot proposal

[This](#) shows the token allocation of the seed round to initial investors.

Score: 5

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: The Token can be staked in the DAO contract and the staker then gains governance rights. Currently, [this](#) is the distribution of voting powers in the DAO.

Score: 5

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 issuance table mentioned above shows the initial distribution which emphasises core developers, advisors, and partners, but also includes the initial 100 governors, from TracerDAO's genesis.

Currently, [TracerDAO is incentivizing](#) their perpetual pools and secondary market liquidity with liquidity mining, 1. minted perp pool tokens can directly be staked to earn TCR rewards (ranging from ~15% to ~133% APY, depending on the pool). 2. The minted pool tokens can be used to provide secondary market liquidity on Balancer, the LP-Tokens of these pools can also be staked to earn TCR rewards.

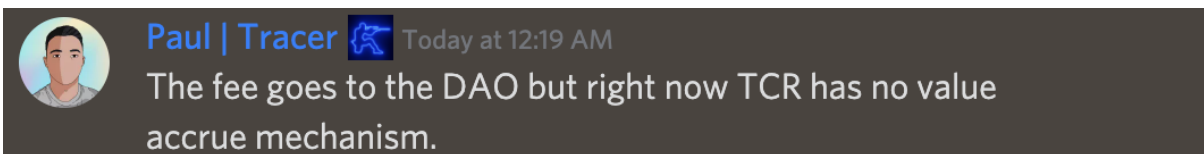
The incentives drive liquidity to the pools as well as increasing the utility of the protocol by subsidizing secondary market utility, while also distributing the native token to active users of the protocol, which enables them to take part in TracerDAO.

Score: 6

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: The perpetual pools have a yearly management fee of 1% which is directed to an address specified by the deployer of the pool, the pools that are live on Arbitrum currently are all owned by the Dev-Multi-Sig according to TracerDAO documentation.



A screenshot of a Discord message. On the left is a circular profile picture of a man with short dark hair. To the right of the picture is the name 'Paul | Tracer' in blue, followed by a blue verified badge icon and the text 'Today at 12:19 AM'. The main body of the message is white text on a dark grey background, reading: 'The fee goes to the DAO but right now TCR has no value accrue mechanism.'

*[answer](#) on TracerDAOs Discord to my question where the fees for the current pools go to.

Score: 2

e) Is the token sufficiently liquid to enable active use and trade? (5 points)

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

Answer: [TCR is listed](#) on 4 exchanges, but the liquidity is very limited on all of them, Uniswap V3 being the most liquid with a 2% depth of ~ \$20,000.00.

Score: 1

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: Aside from the staking in the Toke Liquidity Reactor which is arguably also intrinsic there is no extrinsic use case for the TCR token.

Score: 2

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 core team is mainly [Mycelium](#) is an Australian company that started TracerDAO and was contracted by the initial 100 governors to handle the development of Tracer for the next couple of years. Along with partners such as RMIT Blockchain Innovation Hub and Flex Dapp\$ (also involved in mStable). Myceliums team is public on LinkedIn, but it is unclear who is involved in TracerDAO and in what function. Some clarity can be gained following the [TracerDAO YT channel](#), as some Mycelium members engage in the videos there.

Score: 9

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: As the team is not very public it is very difficult to judge, though other parties involved have prior experience in the space (Flex Dapp\$ with mStable) and the RMIT Partnership also shows a strong theoretical foundation both technical and financial.

Score: 7

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: Yes, by participating in [community discussions](#) but most notably with their [YT channel](#), which does not only cover their products but general questions of the Web3 space, tokenomic principles, treasury management principles etc.

Score: 5

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: TracerDAO was able to raise a total of \$9m according to [Crunchbase](#) from different investors in one seed round and an ICO, with \$4,5m each. ([This](#) accepted governance proposal shows the exact token allocation and money raised in the ICO) TracerDAO uses the funds to develop and build new products as well as drive the growth of their existing perp pools.

Score: 7

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 perp [pool factory](#) is completely controlled by TracerDAO any change to it has to be voted on. This is also true for the treasury of the DAO. The single pools are not controlled by the protocol by design, as anyone can deploy such a pool.

Score: 20

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: As TracerDAO was launched very uniquely ([at ~28:00](#)) the governance capabilities were extensive from the beginning. Everything is voted on, partnerships, including new products, liquidity incentives, treasury management. The [TracerDAO snapshot shows](#) their commitment to governance, as all minor and major activities of the DAO are voted upon.

Score: 15

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: [This](#) is the current distribution of governance power. The last 10 proposals on snapshot have an average of 8 votes each. Activity in the [forum](#) is also similar, the last 10 proposals have very little engagement.

Score: 2

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: The governance infrastructure is up to industry standards, [Discord](#) for initial community discussion, a forum for a more formal discussion, and [snapshot](#) is used to vote on the proposals, and the process is well [documented](#).

Score: 10

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: TracerDAO has a clear governance process, although it is not firmed up with documentation but the proposals are all discussed, or at least brought up in the forum before they are put to a vote on snapshot. There is a vibrant governance channel on their discord, where initial discussions, prior to proposals are held.

Score: 8

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: Yes, Mycelium is [an Australian company](#).

Score: 15

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: Australia as a first world country with a democratic system and an independent legal system can be considered a top tier legal jurisdiction

Score: 10

Scorecard

1. Value Proposition	Points
a) Novelty of the solution	12 / 15
b) Market fit/demand	10 / 15
c) Target Market Size	9 / 10
d) Competitiveness within market sector(s)	6 / 10
e) Integrations & Partnerships	8 / 15
Total Points - Value Proposition	45 / 65
2. Tokenomics	Points
a) Is the token sufficiently distributed?	5 / 15
b) What is the extent of the token's capabilities?	5 / 10
c) Is the issuance model able to improve the coordination of the protocol?	6 / 10
d) Is the value capture model able to accrue and distribute value?	2 / 10
e) Is the token sufficiently liquid to enable active use and trade?	1 / 5
f) Are there any extrinsic productivity use cases?	2 / 10
Total Points - Tokenomics	21 / 60
3. Team	Points
a) Is the team credible and public? (No, Partly, Yes & Anon , Yes & Public)	9 / 15
b) Does the team have relevant experience?	7 / 10
c) Does the team participate and help shape the public debate?	5 / 5
d) Is the team able to effectively attract and coordinate resources?	7 / 10
Total Points - Team	28 / 40
4. Governance	Points
a) Admin Keys	20 / 20
b) Extent of Governance capabilities	15 / 15
c) Active Governance contributors	2 / 5
d) Governance infrastructure	10 / 10
e) Robustness of Governance process	8 / 10
Total Points - Governance	55 / 60

5. Regulatory	Points
a) Does the protocol have any legal accountability?	15 / 15
b) What is the quality of the legal jurisdiction?	10 / 10
Total Points - Regulatory	25 / 25
Total	174 / 250

About the Author: valp

General Resources:

- [Tracer YT Channel](#)
- [Bankless Meet the Nation with Tracer](#)
- [Bankless DeFi 2.0 discussion](#)