

## 2.0 Fundamental

Prime Rating Report V2.0

**Protocol: Indexed Finance (NDX)**

**Version: 1.0**

**Previous Report:** [Link to 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.

## 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: Positioning themselves in the ranks of asset management protocols with a specialisation on index funds (more passive strategies) Indexed Finance operates in a still forming subsegment of the DeFi market ([Asset category](#)). Indexed Finance is built on top of Balancer liquidity pools. Balancer has the unique advantage of providing liquidity pools that can accommodate more than two assets and assign each asset to a particular weight in the pool. This brings two key features to the pools, automated rebalancing and fee charge of the indices on swaps with redistribution to the pool. So the novel concept of Indexed is that the tokens of each index sit in one of those AMM liquidity pools. When the market caps of the tokens change significantly, a Controller contract submits new target weights to the AMM → re-weighting. This presents a solution unlike DPI from Indexcoop, where the tokens are static and don't generate yield beyond the simple price appreciation of the tokens.**

Score: 9

## 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 DeFi space on Ethereum is rapidly evolving. Protocols with asset management features find decent usage. Acceptance and Trust is still building up. A TVL by Indexed Finance of [\\$25,225,098](#) indicates that.**

Score: 8

## 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: There is still a lot of room to grow for asset management protocols, especially for index based strategies. With a current [TVL of \\$2.75B](#), the target market (Asset category) represents roughly 5% of the overall TVL of Ethereum based DeFi protocols.**

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).

**Answer: Competing with protocols like Index Cooperative as benchmarks in this market sector ( Index Cooperative -->[DeFi Pulse Index](#) (DPI)). Indexed Finance positions itself still in the [top 5](#) (10-07-2021) of protocols (Mkt Cap). But the biggest index of Indexed Finance, the DEFI Top 5, with roughly \$9M TVL (12-07-2021) is still small compared to the DPI of Index Coop ([\\$138.59M](#)). That indicates a still mediocre served market segment, with a strong first mover impersonated by IC. Future development nevertheless shows tendencies towards [index based strategies](#). Probability is high that indices in the DeFi especially in the DEXes field will play a significant role like in the classic asset and therefore will leave space for more players on the market.**

Score: 5

## 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:** There is a planned [partnership](#) with Sushiswap, mainly driven by the transition to using it as their primary source of liquidity. But as for now (11-07-2021) most of the engagements were focused on [visibility and distribution channels](#). Announced partnerships e.g. with UMA are still in its proposal stage, with no [progress to be seen](#). Protocol wise this leaves a lot of potential and the current state is not representing an efficient integration path.

Score: 5

## 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:** Showing [5,836 addresses](#) (11-07-2021) with no individual addresses holding large positions (<2%) the token seems to be fairly distributed ([initially](#)). Since most of the tokens are still locked and the treasury distribution pattern/methods is still unclear a long term take about the distribution sufficiency can not be assessed.

Score: 6

### 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:** NDX is at the current state (11-07-2021) representing a [pure governance token](#). Token holders can either delegate their voting power if they hold <100,000 NDX or directly vote by themselves if they have at least 100,000 NDX (on-chain votes). This sets a limitation of usage for the token since no further utility or revenue can be extracted from the token.

Score: 4

### 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:** There is an initial supply of 10M NDX. About 44% of that amount will be allocated to the DAO treasury over the course of 9 months (beginning with March 01, 2021). 20 % are reserved for the founders, controlled by vesting periods. Around 31% will be distributed through liquidity mining. The 5% rest will be reserved for rewarding so called keepers for maintenance of the oracles and pools controllers. With Jun 2021 minting of new NDX will be available through the DAO (max 10% of supply, with 90 day periods). Decision for mining lies in the hand of the DAO, a permanent deactivation is also possible. In order to ensure the security of the project while distribution is underway, the team will retain the ability to create and vote on governance proposals. The [distribution pattern](#) forms a solid coordination base and offers incentives for participation. However with nearly half of the supply being in the hands of the DAO (44%) and 14% of that specifically reserved for distribution „in a manner to be determined by governance.“, high governance requirements are necessary to successfully finish the initial distribution and re-establish an effective decision process afterwards.

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:** Besides the initially running [Sigma program](#) there is an [extended NDX Liquidity Mining program](#) running. At present, only users who provide liquidity to DEXes (i.e. Uniswap) in the form of NDX governance tokens are considered in the reward scheme, at a rate relative to their share of the relevant liquidity pool. At the current state, there is no option to stake NDX itself, but a [proposal](#) for dividend-bearing variant of NDX (dNDX) is existent.

Score: 4

## 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:** The [token](#) is mainly traded on Bancor Network and Uniswap (v2). With the planned liquidity [transition](#) from Uniswap to Sushiswap this may change. The index products are not spread widely and are [mainly traded](#) on Uniswap (v2).

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:** There are no more external productivity opportunities than the regular LP functionalities on DEXes like Uniswap(v2) and Sushiswap (coming).

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 founder of Indexed Finance is [Dillion Kellar](#) ([twitter](#)). Before founding Indexed Finance he worked for various crypto projects on contract tasks (Solidity based) with a focus on Infrastructure/L2 solutions. His last engagement before building Indexed was at Dharma, where he tried to build a Layer-2 EVM to scale their wallet transactions. He launched a Beta version of Indexed in December 2020. Later during the pre-beta phase [Samuel JJ Gosling](#), a Frontend Developer joined in, now titled as Co-Founder of Indexed Finance. In February this year, [Baley G.](#) was added as a product manager and research expertise added in April 2021 with [Laurence E. D.](#) All in all, the team builds up to a credible team, with relevant developing, marketing and research skills. But the

core-team size still remains small, compared to their [protocol ambitions](#) („KPI goal for Q2 is to capture US\$100 million TVL within the Indexed protocol.“)→ not reached...current state approx. US\$25M)

Score: 8

## 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 has relevant track records, especially on the developer side, with Dillion Kellar and Samuel JJ Gosling. Both github pages (Dillions [github](#) profile, Samuels [github](#) profile) show decent activity. With [Laurence E.D.](#) an experienced software developer additionally joined the ranks. Baley G. as a Product Manager is still early in his career, and the risk of an underrepresented product marketing expertise re unbalance between tech <>product/marketing is given.

Score: 5

## 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:** Dillion Kellar recently spoke on the [cryptotesters podcast](#) about his product and in general about the trend of Indices in the DeFi space. He also participated in several [hackathons](#). Samuel JJ Gosling used to write some articles on his [medium page](#) back in 2018/2019 about his platform (Validity → [seems dead](#) now). But overall this does not add up to a real presence helping to shape public debates around Indices in the DeFi space.

Score: 2

## 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:** Having a [Fully Diluted Market Cap](#) of \$38M and [6 indices](#) locking \$25M (12-07-2021) the project has attracted capital so far. If the team wants to effectively gather further resources or

initiate a founding round, it also depends on the advisory they will get. Currently they have [Julien Bouteloup](#) as an advisor.

Score: 5

## 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 Indexed protocol is governed by the Indexed DAO, which is defined as all parties that hold the NDX governance token. NDX is a fork of [Compound \(COMP\)](#), this means that it utilizes the [Governor Alpha](#) module in conjunction with a Timelock contract in order to enable the DAO to implement changes that have popular support. The contract addresses for the treasury (NDX timelock contract) and the admin (Governor Alpha contract) can be found [here](#). With the [Sigma pilot](#) a committee of 5 people was created that can quickly deploy new products and enact changes to their constituent lists without facing the costs of changes as with the core products (DEFI5, CC10 and ORCL5 ) which are handled entirely by the Governor Alpha. They are operating via a [Gnosis multisig](#). The people behind the keys are referred to as the [Sigma committee](#) as a whole. It is planned that the Dao elects a new Sigma committee on a quarterly basis. With the introduction of the Sigma committee a powerful admin entity besides the Governor Alpha (contract) was created therefore bringing more exploit risks.

Score: 16

### 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:** Every NDX token holder has a voice when it comes to decisions made by the Indexed protocol as a whole, differences in the way of voting (voter/delegated vote) exist, see 2b). But the token holder has to decide if he wants to use the tokens for [voting capabilities](#) or for earning fees as liquidity. He cannot do both at the same time. Decisions bringing alterations to the protocol are

managed in a [process](#) of proposals and on-chain voting. The on-chain voting is integrated in an easily accessible UI on [Tally](#), made possible due to the use of the [Governor Alpha module](#). The decisions which do not need on-chain voting, [for instance](#) „should we establish an auction for selling 100,000 NDX to VC firms from the treasury?“ are managed via [Snapshot](#).

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:** With an [engagement ratio](#) of over 50% out of 304 voters the activity on on-chain proposals (13) is very good. But the group of top voters who carry heavy weights (Top 8) still combine around 18% of the total voting weight. The overall voting power trend is showing signs of more weight distribution in the future instead of a consolidation at the top.

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:** There is a detailed [description](#) of the governance infrastructure in the docs. There is also a [discussion forum](#) for the proposals and a [snapshot](#) page for the off-chain proposals as well as a [Tally](#) page for the on-chain proposals. Additionally there are also dedicated governance channels on [Discord](#).

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:** In the protocol section of the docs, the overall [governance](#) is clearly stated. As mentioned above the [governance processes](#) are also in detail presented. Regarding the robustness of the protocol governance, it can be said that it still needs stress testing e.g. by bad actors, game theory

exploit strategies etc.. In the current state there are also no direct measures to promote „good governance“ or in particular punish bad behaviour.

Score: 7

## 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 protocol inception and directly rooted within the distribution pattern, Indexed Finance is determined to be governed by a community led DAO. Therefore there is no direct legal accountability re entity attached to it. But nonetheless the Founders and the Core-Team of Indexed Finance are public (see Team section) and could therefore be legally targeted (questionable but possible)**

Score: 0

### 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: There is no information on any jurisdiction available at the time of writing (12-07-2021).**

Score: 0

## Scorecard

<b>1. Value Proposition</b>	<b>Points</b>
a) Novelty of the solution	9 / 15
b) Market fit/demand	8 / 15
c) Target Market Size	9 / 10
d) Competitiveness within market sector(s)	5 / 10
e) Integrations & Partnerships	5 / 15
<b>Total Points - Value Proposition</b>	<b>36 / 65</b>
<b>2. Tokenomics</b>	<b>Points</b>
a) Is the token sufficiently distributed?	6 / 15
b) What is the extent of the token's capabilities?	4 / 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?	4 / 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
<b>Total Points - Tokenomics</b>	<b>23 / 60</b>
<b>3. Team</b>	<b>Points</b>
a) Is the team credible and public? (No, Partly, Yes & Anon , Yes & Public)	8 / 15
b) Does the team have relevant experience?	5 / 10
c) Does the team participate and help shape the public debate?	2 / 5
d) Is the team able to effectively attract and coordinate resources?	5 / 10
<b>Total Points - Team</b>	<b>20 / 40</b>
<b>4. Governance</b>	<b>Points</b>
a) Admin Keys	16 / 20
b) Extent of Governance capabilities	15 / 15
c) Active Governance contributors	3 / 5
d) Robustness of Governance process	7 / 10
e) Governance infrastructure	10 / 10
<b>Total Points - Governance</b>	<b>51 / 60</b>

<b>5. Regulatory</b>	<b>Points</b>
a) Does the protocol have any legal accountability?	<b>0 / 15</b>
b) What is the quality of the legal jurisdiction?	<b>0 / 10</b>
<b>Total Points - Regulatory</b>	<b>0 / 25</b>
<b>Total</b>	<b>130 / 250</b>

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