

2.0 Fundamental

Prime Rating Report V2.0

Protocol: Rari Capital

Version: 1

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 based on the [Fundamental Review Process V 1.0](#). Insert the scores per variable 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: Rari Capital offers 2 different products: Earn and Fuse. Earn, a yield aggregator, was their first product. Built off of its own code, Earn offers three different stablecoin pools and 1 ETH pool. Earn separates itself from other yield aggregators (Harvest, Yearn, etc) both through its unique yield bearing strategies and risk customization. Their next product FUSE is a Compound fork that allows anyone to "create [isolated] pools of assets which are their own distinct money markets (custom curves, oracles, etc)" ([Bhavnani](#)). Fuse separates itself from compound and other lending platforms by creating a truly permissionless platform where any asset (for now only those on Uniswap) can be used to borrow and lend with any parameters. Fuse reduces the risk for users participating in isolated money markets by giving each market a rating.

Score: 15

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: As long as Aave and Compound stay permissioned Fuse will find its niche in the excluded tokens. Earn's yield rates are competitive and at the time of writing surpass both Harvest Finance and Yearn Finance's stablecoin pools, however earn's deposits are only a fraction of either competitor.

Score: 11

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: Because Rari Capital targets both lending and yield farming both global lending markets and global retail traders are targeted. The global lending market was worth [\\$6036.37 billion](#) in 2020 and is expected to grow to \$6932.29 billion in 2021. Currently 38% of US Equities (valued about \$15 Trillion USD) are owned by Retail traders. Using the US 38% of households as an estimate for what world market size could be is around 36 Trillion USD.

Score: 10

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: [Fuse's](#) \$64 million of liquidity is nowhere near [Aave's](#) ~ \$16.8 billion or [Compound's](#) ~ \$11.4 billion of liquidity, however, both of these massive platforms are permissioned – only a select few assets can be borrowed and lent leaving many popular tokens with nowhere to go other than Fuse.. Earn's deposits are also a fraction of its competitors (Earn ~4.5 million compared to [Harvests](#) ~\$300 million or [yearn](#) ~ \$4 billion), but has higher yields than both

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: Most of the protocols that are horizontally integrated with Rari do so to use FUSE, so that their token gains more external value (Inverse, Alchemix, etc). Others allow users to borrow against previously locked capital (Olympus). Rari also has a partnership with Saffron finance, whereby Saffron uses Rari's Earn Pools to increase their yields.

Score: 9

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: RGT is distributed sufficiently over the largest [100 addresses](#) with 12.3% of total supply held by the team's vested wallet, 8% being held by SushiSwap and Uniswap, and the rest held by random addresses. 87.5% of RGT total supply was distributed to users of the Earn pools, pro rata, over a 60 day period. The other ~12.5% was sent to the Vested Wallet as payment for the developers. While token distribution effectively attracted capital, doing so over 60 days rather than an extended period of time limits the alignment for future stakeholders.

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: As per Rari's official [website](#) "\$RGT is a valueless asset that functions for the sole purpose of governance". With RGT users can create proposals or vote on proposals. Liquidity on Sushi Swap is incentivized with SLP staking.

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: Other than the initial 60 day distribution model RGT is distributed to liquidity providers on SushiSwap. Issuance isn't used to incentivize intra protocol liquidity.

Score: 2

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: Rari takes a fee from all of its services and uses 50% of the fee to [buy back](#) RGT from markets and burn said RGT, thus redistributing the protocols profits to its holders. The other 50% is sent to Rari Foundation, which donates money to 501(c)(3) Charities.

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: RGT is available on [SushiSwap](#) (\$6.1 million liquidity) and [Uniswap](#) (\$918,000). RGT is not available on any CEXs.

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: The token can be used for LPing on SushiSwap and UniSwap, lending on FUSE, and staking on Rari Capital.

Score: 5

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: All members of the core team are publicly identified with their corresponding twitter accounts and full names, therefore they are all fully trackable. Further their credibility is shown by their work on rari (and for some like CEO Jai Bhavnani by their prior experiences)

Score: 15

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 is trackable through their twitter accounts. While this is the first project for many of them, CEO Jai Bhavnani and COO Jack Lipstone had previously [developed](#) a cryptocurrency wallet, Ambo, and worked for MyCrypto.

Score: 10

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: The team members actively participate in the public debate around open finance on [twitter](#) and discord.

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: The team has been able to effectively attract the resources needed through their liquidity mining event and liquidity incentives, however after their recent [exploit](#) the team and governance still needs to work out the details on how users will get [repaid](#).

Score: 8

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 protocol has $\frac{2}{3}$ [multi - sig](#). The owners of the multi-sig and location of keys are kept secret, but are core team members. There is no time lock.

Score: 13

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 aspect of Rari Capital will be controlled by the [governance](#) mechanism", however, governance is not on - chain and is ultimately reliant on the multi-sig.

Score: 11

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:The discord and forums are active but most proposals receive ~ [10 votes](#) with one of the highest voted proposals being voted on by [96](#) people.

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: The protocol like many other protocols uses Snapshot and the [process](#) is clearly shown. Governance is had both on the forum and 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: The protocol has a formal governance process using snapshot and clearly [outlines](#) the process of making formal proposals.

Score: 10

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: There is no mechanism for legal accountability

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 jurisdiction

Score: 0

Scorecard

1. Value Proposition	Points
a) Novelty of the solution	15 / 15
b) Market fit/demand	11 / 15
c) Target Market Size	10 / 10
d) Competitiveness within market sector(s)	6 / 10
e) Integrations & Partnerships	9 / 15
Total Points - Value Proposition	51 / 65
2. Tokenomics	Points
a) Is the token sufficiently distributed?	12 / 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?	2 / 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 / 10
f) Are there any extrinsic productivity use cases?	5 / 10
Total Points - Tokenomics	36 / 60
3. Team	Points
a) Is the team credible and public? (No, Partly, Yes & Anon , Yes & Public)	15 / 15
b) Does the team have relevant experience?	10 / 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?	8 / 10
Total Points - Team	38 / 40
4. Governance	Points
a) Admin Keys	13 / 20
b) Extent of Governance capabilities	11 / 15
c) Active Governance contributors	3 / 5
d) Robustness of Governance process	10 / 10
e) Governance infrastructure	10 / 10
Total Points - Governance	47 / 60

5. Regulatory	Points
a) Does the protocol have any legal accountability?	0 / 15
b) What is the quality of the legal jurisdiction?	0 / 10
Total Points - Regulatory	0 / 25
Total	172 / 250

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