Fundamental Report

Prime Rating Report V2.1

Protocol: Loopring
Version: 2
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Previous Report: [Link to previous report](#)

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Season/competition: Season 3

Scorecard

1. Value Proposition	Points
a) Novelty of the solution	11 / 15
b) Market fit/demand	10 / 15
c) Target Market Size	10 / 10
d) Competitiveness within market sector(s)	5 / 10
e) Integrations & Partnerships	10 / 15
Total Points - Value Proposition	**46 / 65**
2. Tokeneconomics	**Points**
a) What is the extent of the token's capabilities?	5 / 10
b) Initial token allocation	9 / 15
c) Continuous token issuance & tokenomics mechanisms	1 / 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?	2 / 10
Total Points - Tokenomics	**29 / 60**
3. Team	**Points**
a) Is the team credible and public?	12 / 15
b) Does the team have relevant experience?	8 / 10
c) Does the team participate and help shape the public debate?	3 / 5

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d) Is the team able to effectively attract and coordinate resources?	**7 / 10**
Total Points - Team	**30 / 40**
4. Governance	**Points**
a) Admin Keys	**13 / 20**
b) Extent of Governance capabilities	**1 / 15**
c) Active Governance contributors	**1 / 5**
d) Governance infrastructure	**3 /10**
e) Robustness of Governance process	**2 / 10**
Total Points - Governance	**20 / 60**
5. Regulatory	**Points**
a) Does the protocol have any legal accountability?	**5 / 15**
b) What is the quality of the legal jurisdiction?	**5 / 10**
Total Points - Regulatory	**10 / 25**
Total	**135 / 250**

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: Loopring is a program designed to work on top of Ethereum's blockchain (a layer-1, or base, blockchain). This means that Loopring seeks to make the experience of using Ethereum faster by processing elements of Ethereum transactions on its own network. You can think of it as creating a side road off the main highway to help ease congestion. The unique idea behind this project is that it is the first zkRollup protocol on Ethereum and it offers a scalability boost (increased transactions on the Ethereum network by up to 1000x) and reduces the cost to about 0.1% of Ethereum transactions. That is, less than a cent. Loopring accomplishes this high transaction output and low cost through something called zkRollups. Zk stands for "zero-knowledge," which itself is short for "zero-knowledge proofs." This is a method of processing transactions privately. It allows one party to prove to another party that something is true without providing any extraneous information about the transaction itself.

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Loopring has a DEX protocol that combines both the automated market maker and order book features. In addition to its exchange protocol, the Loopring platform features an automated execution system that runs on Ethereum and allows for the cross-exchange trading of various assets built on the layer-1 protocol (Ethereum). Both decentralized and centralized exchanges can use Loopring platform, allowing them to create liquidity across as many exchanges as possible. The benefit of this besides the increased liquidity is that it offers access to better pricing for investors without having them go through the stress of cross-checking several different exchanges. The protocol users deposit their assets on-chain into a zkRollup smart contract, which are then represented in an off-chain data structure called a Merkle tree. Transactions then occur off-chain, and changes to the state of the Merkle tree (user transfers, trades, etc.,) are aggregated by relayers and compressed with a cryptographic proof (zkSNARK) attesting to its validity. Because of these validity proofs and transaction data stored on-chain, users are always able to withdraw their assets from Loopring L2 to Ethereum creating further assurance for users.

The protocol has clearly introduced a very sound technical innovation.

Score: 11

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: Ethereum is expensive to use. With the unfriendly gas fees and slow transaction speed, it has been a race to create a simple solution to help solve these 2 problems without jeopardizing the third key element of security in the blockchain trilemma. The Loopring protocol developers clearly had this in mind while they were building this project. The protocol comes at a very critical time when Ethereum layer-1 speed and transaction cost are a major cause for concern among users. Having developed Loopring to solve these problems, it is important to also be able to attract users and keep them. The total number of users has grown by more than 20% since the last report was compiled to 104k users, while it is ranked 4th on the list of top decentralized exchange (DEX) coins on coingecko. Total value locked (TVL) is about $76.1million according to DeFiPulse. It is clear that loopring is enjoying an increased number of users with the increasing adoption of DeFi. However, other protocols are outperforming it on TVL and even the percentage of new users added. There is room for more competitiveness from loopring since the market is still very promising.

Top Decentralized Exchange (DEX) Coins by Market Capitalization ⬤ Show Stats

The Decentralized Exchange (DEX) market cap today is $10.2 Billion, a 1.8%↑ change in the last 24 hours. Read More about Decentralized Exchange (DEX)

Decentralized Exchange (DEX)

#	Coin		Price	1h	24h	7d	24h Volume	Mkt Cap	Last 7 Days
☆ 34	Uniswap	UNI	$5.30	0.9%	2.7%	2.7%	$88,878,013	$2,428,787,691	
☆ 67	THORChain	RUNE	$2.93	-0.9%	0.1%	4.9%	$47,682,697	$878,633,716	
☆ 76	PancakeSwap	CAKE	$4.48	0.3%	-0.7%	3.4%	$54,861,451	$733,143,864	
☆ 82	Loopring	LRC	$0.530232	-0.1%	-0.5%	0.6%	$58,097,369	$659,514,602	
☆ 89	Synthetix Network	SNX	$2.74	1.6%	0.1%	-4.7%	$38,397,589	$601,835,258	

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: With current data, the total value locked (TVL) in decentralized finance (Defi) protocols according to DeFiPulse is about $49 billion at the time of writing this report, Loopring has $76.1 million. Meaning that the protocol has over 90% of the current total DeFi market share of $49 billion to compete for. On projections, according to Forbes, the dex trading volume hit $1 trillion in 2021. An 858% rise from 2020. Also, according to a recent study by Emergen Research, the global Decentralised Finance (DeFi) market size is expected to reach USD 507.92 Billion at a steady compound annual growth rate (CAGR) of 43% in 2028. The target market size is large.

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

Answer: Ranked 4th amongst the list of decentralized exchange (DEX) protocols on Coingecko and Coinmarketcap (based on market cap). Loopring's TVL and total number of users are small relative to Uniswap and PancakeSwap. Even based on trading volume, the loopring DEX is lagging far behind. Enjoying just about 0.1% of the total volume in a

market with over 2 trillion dollars daily trading volume according to stats from Coingecko.There is still a lot of catching up to do for loopring. The difference in performance among them are summerised below.

Protocol	Number of users	Total value locked (TVL)	24h Volume.
Loopring	104k users	76.1M	$2,292,543
Uniswap	3.9M	7.04B	$977,488,539
Pancakesawp	4.4M	2.97B	$151,726,789

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: *Partnerships*: Loopring has strategic partnerships with the following brands;
1. GameStop: Loopring protocol will be used to power the company's NFT marketplace.
2. Bitfwd: Bitfwd partnered with Loopring to help host workshops, build open-source tools, and help advance decentralized solutions. (Source)
3. TokenMarket: TokenMarket has partnered with Loopring for the purpose of accelerating and advancing the security and transparency of its Security Exchanges using the latest iteration of the Loopring protocol (Loopring 3.0). (Source)
4. Chainlink: Loopring and Chainlink have collaborated across several oracle integrations in Loopring's v3 zkRollup DEX protocol. (Source)
5. Changelly: With this partnership, users can use their credit cards to purchase LRC directly through Changelly. (Source)
6. Infinitio: Infinitio has partnered with Loopring to integrate Loopring's protocol for decentralized token exchange into the Infinito blockchain platform. With the Loopring protocol interaction, developers and businesses will be able to quickly and easily build decentralized exchanges. (Source)
7. SECBIT Labs: SECBIT Labs provides security auditing services for all ERC20 token smart contracts listed on the Loopring Protocol. (Source) and a few others.

Integration: Loopring is particularly application-specific, meaning; that building on the loopring protocol is not allowed. Only two products are built on the Loopring protocol: the Loopring Exchange (Web DEX) and the Loopring Smart Wallet (mobile).

While the protocol does not allow for building on its platform, it is described as an agnostic protocol meaning that it can be deployed on other blockchains. Besides the lack of openness of the protocol, it has excelled in creating good partnerships with many brands to compensate to an extent for its lack of openness.

Score: 10

2. Tokeneconomics

The Tokeneonomics 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) 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: LRC is the native token for the Loopring ecosystem and can be used for the following:

1. Staking by holders to earn protocol fees (a percentage of the volume flowing through all Loopring-based DEXes), and is staked by DEX owners as a bond for service-level guarantees ([Source](#))
2. As a medium of exchange in the loopring ecosystem
3. Hodling this token grants you a share of protocol fees/rewards ([Source](#))

Score: 5

b) Initial token allocation? (15 points)

Token distribution can be an indicator of a healthy protocol and, if done well, can improve coordination and alignment among different stakeholders. Was the genesis/initial distribution fair and balanced? Are the tokens distributed widely or is the ownership concentrated and skewed toward early insiders? Are vesting schedules aligned with long-term vision?

Answer:

Details	Allocation (%)	Vesting schedule
Public Sale	50	No vesting schedule.
Founding Team	20	2 years lock-up period. The monthly payout for the 2-year vesting period
Project growth	10	No vesting period
Loopring Ecosystem Advancement Fund (LEAF)	20	No vesting period
Total	100	Not Applicable

In Aug. 2017, Loopring held a public token sale in which it offered 50% of the total token supply. Offering 697.5 million Loopring (LRC) tokens, they raised 120,014 ether (ETH). There were 12,921 incoming transactions from 1,287 unique addresses. After the token sale, Loopring offered investors the chance to lock up their LRC in two smart contracts to receive interest (~5%) at a later date: the mid-term incentive contract (6-9 months) and the long-term incentive contract (18-36 months).

However, institutional investors did take part in the public sale. The breakdown from institutions was 1,000 ETH from NEO Council, 1,000 ETH from Xinghe Capital, 500 ETH from ChainFunder, and 500 ETH From Qtum. In total, the project received 8771.45 ETH from larger investors known to them, with the rest being from anonymous participants. ([Source](#))

Of the total supply, 50% of the tokens were allocated to investors. 20% of tokens were allocated to the Loopring Foundation. 20% was earmarked for the founding team members subject to a 2-year lock-up period and after 2 years, the tokens vest monthly over a 2-year period (1/24 monthly). The remaining 10% of the Foundation's tokens are used to pay fees to contractors, auditors, exchanges, etc. 3.2% of the 10% aforementioned will be vested into the Loopring Ecosystem Advancement Fund (LEAF). Currently, LEAF holds 16.8% of LRC tokens, and with the above-mentioned 3.2%, LEAF will hold 20% of the token supply. LEAF has been set up to reward community contributors and developers. ([Source](#)).

Looking at this schedule, it is clear that Loopring started with the sale of 50% of the total supply of LRC to the general public covering institutional investors, 20% was allocated to the team, 10% for project growth, 20% for LEAF. The 50% adheres with the industry standard and distribution is not skewed towards insiders. The founding team was the team that built the protocol and the product and they are entitled to 20% of the total distribution. If you closely examine the distribution schedule above, you would discover that the vesting schedule spans across 24 months after a lock up period of 2 years. This is relatively short and doesn't institute long-term commitment. Moreover, Loopring as a project launched in March 2017, most of the tokens have been unlocked and in circulation.

Score: 9

c) Continuous token issuance & tokenomics mechanisms (10 points)

Most token distribution schedules have built-in inflation. This section evaluates the purpose of that continuous token distribution. Is it justifiable? Does it help improve the coordination and alignment of incentives for the protocol? Does it incentivise positive-sum behaviour? Are the benefits flowing to all relevant stakeholders or just select groups?

Answer: According to [coinmarketcap](#), the total circulating supply for the loopring token, LRC, is 1,373,873,439 and currently, 97% is in circulating supply. According to [Messari](#), to regulate the LRC economy, they have a deflationary system such that any increase in the number of tokens is at a reducing rate, most importantly, they created a programmatic burn in the protocol.

If we refer back to section 2b, we would discover that the issuance of LRC tokens is completed as LRC is already being used to reward technical and non-technical contributors. And even though the majority of the tokens are already in circulation, the deflationary measure and the programmatic burn should earn them some points hence the score.

Score: 1

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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: beyond the regular use cases of the token, in Loopring's Tokenomics v2 article, LRC will be used to incentivize behavior that is beneficial for the Loopring ecosystem, have a say in said system, and further ignite the transition to Ethereum L2. Loopring is structured to charge 20% on protocol fees to relayers (similar to validators). The 20% that accrues from protocol fees is then distributed in the 8:1:1 ratio. 80% goes to Liquidity Providers (LPs) on Loopring order books and AMM, 10% goes to insurers; users who put capital into a safety insurance fund, and the last 10% goes to Loopring DAO which decides how to spend these funds: buyback and burn, impermanent loss protection, further liquidity incentives, grants, etc. Loopring has a way to accrue value for stakeholders and a way to distribute them. The DAO is non-functional therefore, it is a little difficult to measure how Loopring DAO continues with this system

Score: 7

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: According to coinmarketcap, there are over 100 CEX and DEX where LRC is listed and can be traded. The trading volume as of the day this report was written was $153M+. Comparing this figure to the total liquidity on Uniswap LRC/ETH of $645,736.34, you would find that there is enough liquidity to cover transactions and facilitate protocol functionalities. There are also substantial transactions going on the Loopring DEX. since the institution of the DEX, there have been 3.49M trades with a trading volume of $5.1B, 104K users, and TVL of $232M.

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: LRC doesn't really have deep use cases outside its ecosystem, however, LRC can be LP on Uniswap. As it was mentioned before, the token doesn't really have extrinsic use cases.LRC can also be used for lending, cross-chain

circulation, and liquidity building on WePiggy
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 identities of the core contributors and team can be publicly identified and verifiable. Loopring was founded by Daniel Wang, a software engineer based in China who worked at internet companies including Google and JD.com. Steve Guo CTO and cofounder of Loopring.. Also forming part of the core founding team members are Jay Zhou and Johnston Chen. Details about some other members of the team can be found here.

Score: 12

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: Daniel Wang currently works as the Founder and CEO of Loopring Foundation. He Previously worked at

ZhongAn Insurance as the Senior Engineering Director, Co-Founded companies like coinport technology, VP Product and Services, and VP of engineering. He was also Tech Lead & Senior Software Engineer at Google. Daniel Wang attended the University of Minnesota in 2005.

[Steve Guo](#) is currently the chief technology (or technical) officer (CTO) at Loopring. He was the CEO and Co-founder of Dora Network, a blockchain solution provider company from 2018-2019. He was also the CTO and co-founder of PowerMo (2012-2015). He graduated from The University of Science and Technology of China.

[Jay Zhou](#) was a blockchain & cryptocurrency Advisor for ZhongAn Insurance, a risk management, ICO service, and marketing operation company in 2017. He was also in charge of brand risk management/communication for PayPal from 2012-2014 and a CS project mentor at Stanford University from 2018-2019.

With the [other members](#) of the team, we are quite convinced of the competence of this team based on their qualifications and experience.
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: [Daniel Wang](#) spoke at the World Crypto Economic Forum and The Bitcoin, Ethereum & Blockchain SuperConference in January and February 2018 respectively. He was [interviewed in 2020](#) and was also a speaker at the [Ethereum development conference](#) (EDCON) in 2021. Jay Zhou and Steve Guo have also been very active in the [space](#) in [interviews, and public discussions](#) and they have been featured in articles.

Score: 3

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: Loopring raised a total of $45M in funding from their initial coin offering in 2017. However, a tightening of regulations around these offerings in China at that time caused Loopring to return a large portion of the funds raised in the ICO. According to Wang, the team refunded around 80% of the funds raised, and the Loopring team used the remaining funds (about $9M) to further develop their exchange. This obviously was a big blow considering the early promising signs and the expectations. The funding appears sufficient, it is still arguable that they would have done far better with 100%. They are also able to attract some of the top industrial experts as advisors like Julien Bouteloup.

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: Loopring operates a [multiSig/OnlyOwner permission system (admin keys)](#) and each signature has a clearly defined role. The Loopring Smart Wallet contract has a super administrator who cannot change any Wallet status or transfer the tokens in the Wallet without user authorization. However, the super administrator has the right to do the following operations:

(1) Modify the global whitelist so that there is no daily limit for transfers to any address in the whitelist;

(2) Register new functional modules optional for the users;

(3) Change the mapping relationship between ENS and address. This operation will cause the assets transferred to the same ENS to actually be transferred to different addresses. Therefore, you need to verify the receiving address when transferring funds through ENS.

In order to fix problems in time, the team has super administrator rights for exchange contracts. With this permission, Loopring can change the verification data used for contract deployment and zero-knowledge proof. It has adopted 4/6 multi-signature to manage the super administrator rights, and in the future, a time-lock function will be added to increase transparency. ([Source](#))

What all of this information translates to is

1. There are 6 signatures for the smart contracts and 4 of the signatures are maintained by the team
2. There is no time-lock function meaning that it is also very likely that users are not given time to react to changes in the smart contracts.
3. Users are not at the risk of losing their funds.

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:

Loopring DAO is not active yet, decisions making is by the founding team but they rely on signals from the community.

Score: 1

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: Loopring DAO is not active yet, decisions making is by the founding team but they rely on signals from the community. Discussions take place on the [Discord channel](#) and there have only ever been 8 votes on their [Snapshot](#). This is because the DAO has not launched yet but the discord and snapshot are signals to the team on what and what not to do.
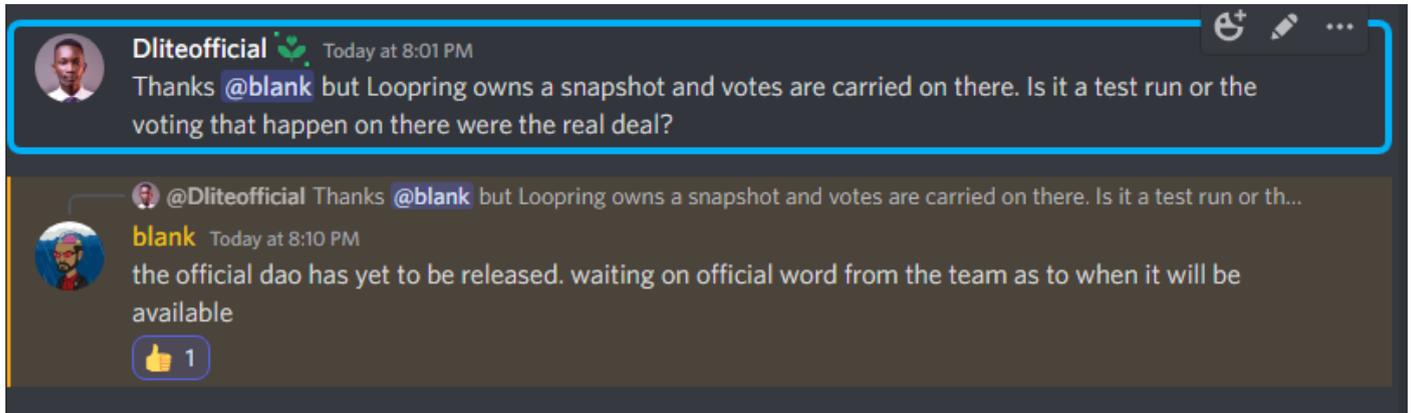**Score: 1**

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:

Although, there is a [snapshot page](#) for Loopring where LRC token holders can vote on different issues, it is not reliable. The reliability of the snapshot page was challenged on the discord channel and the image above is an indicator of what they have to say on the matter. Governance discussions are also held in the #community-initiatives channel on discord which serves as signals for the team.
Score: 3

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: For now, governance is informal as the team takes decisions on behalf of the protocol
Score: 2

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: According to CrunchBase, Loopring is registered in China as a non-profit organization, and its headquarters is in [Shanghai, China](#). Therefore, as a company, it is subject to Chinese laws and government regulations. A legal entity is connected to the protocol but there is no information about the entity available. Most protocols and exchanges build and register their project in a [more friendly environment.](#)

Score: 5

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 protocol falls under a jurisdiction with applicable laws in China. China is particularly very uptight about the operations of cryptocurrency firms within the country. However, the issue of accountability is very unclear and therefore the quality of the jurisdiction cannot be explained with certainty.

Score: 5

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