



Fundamental Report

Prime Rating Report V2.1

Protocol: DFX Finance**Version: 2.1****Date: 23/05/2022****Previous Report: –****Author: Degem2priceless****Reviewed by: xm3van****Season/competition: Season 3**

Scorecard

1. Value Proposition	Points
a) Novelty of the solution	7 / 15
b) Market fit/demand	5 / 15
c) Target Market Size	8 / 10
d) Competitiveness within market sector(s)	4 / 10
e) Integrations & Partnerships	4 / 15
Total Points - Value Proposition	28 / 65
2. Tokenomics	Points
a) What is the extent of the token's capabilities?	2 / 10
b) Initial token allocation	12 / 15
c) Continuous token issuance & tokenomics mechanisms	5 / 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?	0 / 5
f) Are there any extrinsic productivity use cases?	2 / 10
Total Points - Tokenomics	28 / 60
3. Team	Points
a) Is the team credible and public?	15 / 15
b) Does the team have relevant experience?	10 / 10
c) Does the team participate and help shape the public debate?	1 / 5



d) Is the team able to effectively attract and coordinate resources?	8 / 10
Total Points - Team	34 / 40
4. Governance	Points
a) Admin Keys	20 / 20
b) Extent of Governance capabilities	5 / 15
c) Active Governance contributors	4 / 5
d) Governance infrastructure	6 / 10
e) Robustness of Governance process	7 / 10
Total Points - Governance	42 / 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	157 / 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: [DFX Finance](#) is an Ethereum-based decentralized exchange protocol with a dynamically tuned [bonding curve](#) optimized for fiat-backed stablecoins (like USDC, CADC, EURS, XSGD, etc) using real-world forex price feeds. In order to create a global platform for trading fiat-backed stablecoins, the protocol uses:



PrimeRating

- An AMM optimized for efficient swaps
- Stablecoin issuers (in various countries)
- Liquidity providers

The list of fiat-backed stablecoins on the platform are USDC, CADX, EURS, XSGD, NZDS, TRYB and XIDR.

[The protocol](#) uses an oracle powered by ChainLink to provide external FX price feeds into the pricing engine. The oracle does not dictate the price, but rather provides a reference point for the bonding curve. This will help shift the optimal range of capital along the bonding curve without user intervention.

Each currency is paired with USDC. USDC is treated as a bridge currency in the DFX AMM between all the other stablecoins. This allows it to maintain the most liquid pools to facilitate swaps without fragmenting liquidity.

DFX also has [Key Performance Indicator \(KPI\) options](#). These are synthetic tokens that will pay out more rewards if a project's KPI reaches predetermined targets before a given expiry date. Every KPI option holder has an incentive to improve that KPI because their option will be worth more. This is intended to align individual token holder interests with the collective interests of the protocol.

Being a decentralised exchange for stablecoins, DFX Finance (founded in 2021) has competitors like [Curve \(2020\)](#), [Ardana \(2021\)](#), [Dopple Finance \(2021\)](#) and [Depth.Fi \(2021\)](#). DFX Finance hasn't introduced any major innovations and doesn't differ much from these stablecoin DEXs mentioned.

Also, it can be seen that apart from Curve which was established earlier, DFX Finance (as well as the other stablecoin DEXs listed) were founded later and around the same time, which gives an indication that these protocols might just have adopted and learnt Curve's innovation so as to find their share of the stablecoin DEX market.

Technically, the protocol's minor innovation comes in two forms. The first is the hybrid stablecoins which will be majority collateralized by fiat-backed stablecoins of the same currency as well as a minority amount of DFX tokens. The second lies in its KPI options that will pay out more rewards if a project's KPI reaches predetermined targets before a given expiry date. In terms of organisational innovation, there isn't much other than trying to align individual token holder interests with the collective interests of the protocol using KPI options. The protocol is scored a 7 for these collective minor innovations

Score: 7

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: User metrics were hard to come by but It was found from the protocol's [discord](#) that there are currently 1,927 users (1356 users at the time of query). This isn't a true reflection of the number of users because the protocol gave a sum of their total number of holders on Ethereum and polygon, a terrible metric to use for measurement of daily users.



A search on Dune however shows that the protocol currently averages around [50 users](#) daily on Polygon and [15 users](#) on Ethereum bringing the total to 65. These numbers have contributed to the protocol's current TVL of [\\$46M](#) which is just around 0.48% of [Curve's TVL](#) alone, not even factoring in the whole TVL generated by the stablecoin DEX market. These numbers don't really indicate demand being met and more needs to be done by the protocol. It must be noted that checks on [Defillama](#) actually show that DFX finance's TVL comes only second to Curve's (strictly comparing stablecoin DEXes), suggesting that the protocol might be targeting the right market. Still the metrics generated don't really show that the protocol has found a market fit and so the protocol is scored a 5.

Score: 5

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:

The protocol has stablecoins for currencies like USD, EUR, CAD and SGD. The total available market therefore points to the foreign exchange market, which will be the real world market segment for distribution. According to [Yahoo Finance](#), the foreign exchange market has daily trading volumes of \$6.6 trillion and is worth an estimated \$2.409 quadrillion.

This figure seems too generalised though and looking at the available market for DeFi only, Coingecko estimates the [stablecoin market](#) to be worth over \$160 billion. To further generate a service available market for the protocol, a list of stablecoin DEX's was generated and the total market cap of these protocols were found as shown below:



Protocol	Market cap (\$)
Curve	540M
DFX	16.3M
Depth.Fi	45k
Ardana	18.5M
xSigma	191k
Total	575.036M

Note: The table doesn't show all stablecoin DEXes. Only DEXes with readily available metrics and market caps above \$10k were selected.

From the table, the estimated total market cap of stablecoin DEXes shows that the protocol's service available market is not very huge compared to the general stablecoin market. However, it is substantial and has the potential to grow.. The protocol therefore scores an 8 for this.

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

Answer:

With a daily [trading volume](#) of \$700k, [TVL](#) of \$46M and 65 users (check 1b), the protocol's metrics don't look impressive even though it outperforms other protocols. It has the second highest [TVL](#) after Curve but has a very low trading volume, which shows that it has competitive capabilities but is yet to establish itself in the market. This can be seen from the table below:

Protocol (DEX)	Trading Volume (\$)	TVL (\$)	Real volume (\$)
Curve	200M	8.9B	85M
Dopple Finance	17k	432k	N/A
Depth.Fi	50.2k	3.2M	N/A
DFX Finance	700k	46.M	150k

Note: Real volume is the total volume traded across exchanges that is devoid of wash trades.



A look at the real volume of the protocols also shows a further reduction in the amounts traded across the protocols with the biggest trading volumes on the table, that is DFX and Curve. DFX Finance's real volume actually reduces its competitive capabilities. Moreover, because it is a DEX, its competitiveness can be further declined when compared to general DEXes like Uniswap, Sushiswap and Pancakeswap. This means the protocol has to really put in more effort to firmly establish itself in the market. To be fair though, a formal direct competition (that is the stablecoin DEX category) will be maintained for judgement and the protocol will be scored a 4 since it has got competitive capabilities in that sector.

Score: 4

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: DFX has no horizontal/vertical integrations. The following are the partnerships found for DFX network:

1. [Telcoin Partnership](#)

With the deployment of DFX on Polygon, it enlisted Telcoin who is building a user-owned remittance network on top of DFX. DFX will provide forex capabilities to Telcoin who will service their users with mobile first global money movement.

2. [InsureDAO Partnership](#)

This partnership ensures that InsureDAO helps DFX users protect their assets from hacking and other damages. Additionally, InsureDAO will distribute INSURE token rewards to their insurance's underwriters. INSURE token rewards are also limited to the whitelisted pools

3. [Project X](#)

Project X is a joint initiative between DFX and PayTrie AB Inc. The aim is to increase the demand and trading volume of CADC in the broader market by trying a deeper integration with the stablecoin, and in the process bring more value to the DFX protocol and its users.

The partnerships above are very limited in number and also do not lead to any serious integrations whatsoever. They do little in giving meaning to the "unforkable" value that the section demands and so the protocol is scored a 4 for that.

Score: 4

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) 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 allows participants to participate in [governance](#) even though the protocol [hasn't switched](#) fully to a DAO yet.

Other than that, all LP providers also receive DFX tokens as rewards from fees generated from the DFX exchange

The protocol is awarded a 2 because the token provides limited utility to token holders.

Score: 2

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: The [protocol](#) has a total supply of 100M DFX tokens. Of this number, there are [14.5M](#) tokens currently in circulation. As a fairly recent project (2021), every stakeholder, including founders and investors will be distributed tokens on a continual basis, with the bulk of the tokens distributed to the community. By month 96 (8 years), all 100 million tokens will have been distributed. The [allocation](#) is as follows:



Allocation

Each allocation is vested linearly within its own period.

Token Holders	Allocation	Vesting Period
Liquidity Providers	35%	96 months
Treasury - Ecosystem DAO	20%	36 months
Pre-Seed (9 investors)	9.2%	24 months
Seed (11 investors)	10.8%	36 months
Future Token Sale	5%	36 months
Founders (4 founders)	15%	36 months
Dev Fund	5%	36 months

From the table, in 3 years 5% (5M) of the tokens will have been moved to the protocol’s developer fund, 15% (15M) will have been given to the founders, 5% (5M) will have been offered up for a token sale and 20% (20M) will have been moved into the DFX treasury.

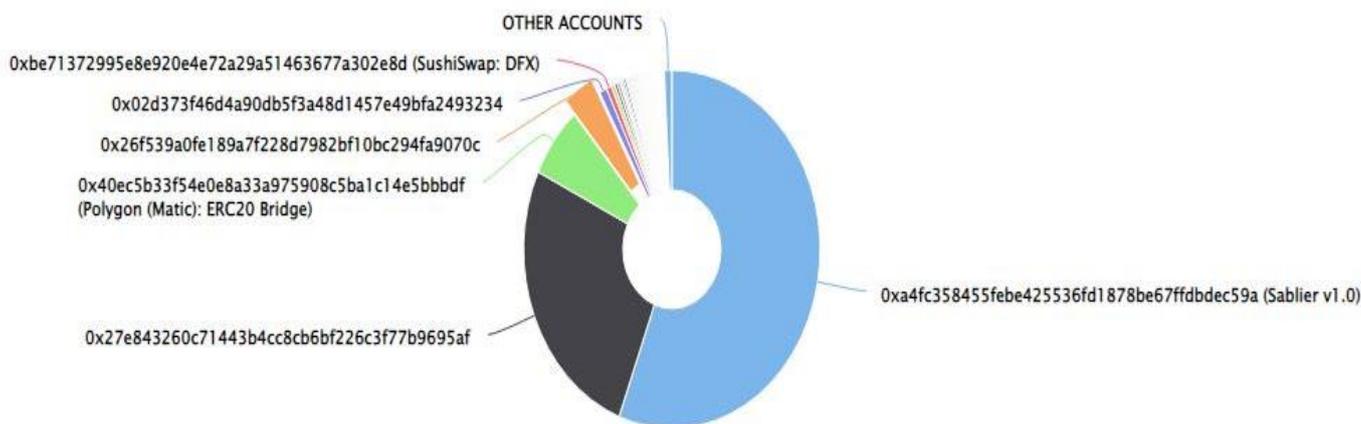
20% (20M) of the tokens are allocated for investors. The [seed round](#) has already taken place and raised \$5M from 10.8M tokens (10.8%). A [pre-seed round](#) in early November with BoostVC, Castle Island Ventures, Hex Capital and a few angel investors was done to the protocol the capital to move forward and pay for development and security audits. The amount raised from the sale of 9.2M (9.2%) tokens wasn’t mentioned.

35% (35M) of the tokens are going to be [distributed](#) in 3 years to liquidity providers in 3 phases:

According to etherscan, there are currently 817 [holders](#) of the DFX token. Of this number, the top [100 holders](#) account for 99% of the tokens.

DFX Token Top 100 Token Holders

Source: Etherscan.io



Source: Etherscan



PrimeRating

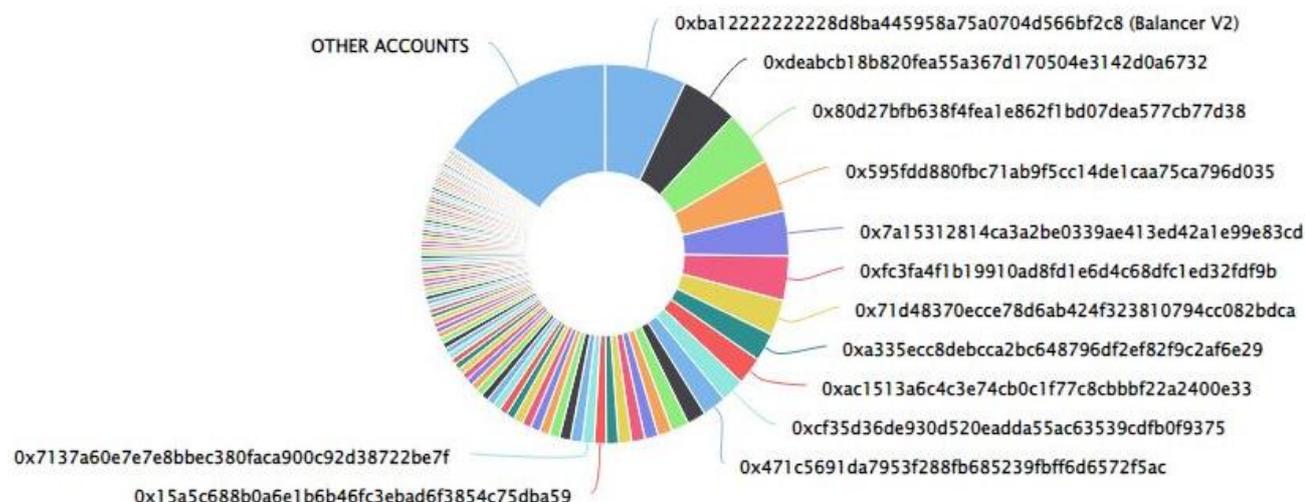
- The largest token holder address with 55.8% of the tokens represents the [vesting funds](#) address which comprises the liquidity provider allocation, the dev fund allocation, the founder allocation and the future token sale allocation
- The [treasury](#) accounts for 3.38%
- The [governance](#) multisig address accounts for 26.3% of the tokens.
- Exchange tokens account for 1.02% of the total supply

Together, this sums up to 86.5%. The remaining 13.5% belongs to ordinary token holders. The 13.5% added to 1.02 (exchange tokens) sums up to 14.52%. This percentage is directly proportional to the 14.52M DFX tokens in [circulation](#).

Also, of the tokens in circulation, [6.43M](#) of them have been bridged to Polygon. On Polygon, there are 1,114 holders and the top 100 holders account for 84.5%. This can be seen below:

DFX Token (PoS) Top 100 Token Holders

Source: [polygonscan.com](#)



Source: [Polygonscan](#)

- The largest token holder address here is an exchange address ([Balancer](#)) which accounts for 7.2%
- The remaining addresses are largely ordinary holder addresses bridging the DFX token from Ethereum to Polygon for liquidity.

The token distribution of the protocol is balanced because first of all, aside from making provision for current users it actually makes provision for future users of the protocol. Unlike other protocols that distribute tokens in one go, DFX does it differently as it foresees the possibility of more users joining the protocol and so distributes the tokens in 3 phases. Secondly, the distribution benefits all relevant stakeholders which includes the team, investors and the users.

The vesting schedules also look fair and are designed to ensure long-term commitment but the problem is that there's no distribution curve or any other distribution chart from the protocol to show exactly how the tokens are being distributed into circulation following the vesting periods and token allocations. The best reference found for



such a distribution is an [API](#) from the protocol showing the tokens in [circulation](#). The protocol gets a -1 because of this.

Finally, there's at least 60% of the tokens being given to the users/community (liquidity providers + treasury + future sale) which is quite significant. This ensures that the community gets majority control of the protocol. The protocol would have been scored a 13 but because of the -1 deduction it results in a 12

Score: 12

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: The distribution incentivises users/the community to participate in liquidity provision by issuing 35M tokens to liquidity providers in [3 phases](#) as follows:

Phase 1 - 65% Allocation

- Total: 22,750,000 DFX
- Per Month: 710,000 DFX
- Per Pool / Month: 236,666 DFX
- Period: 32 months

Phase 2 - 25% Allocation

- Total: 8,750,000 DFX
- Per Month: 273,438 DFX
- Per Pool / Month: 91,146 DFX
- Period: 32 months

Phase 3 - 10% Allocation

- Total: 3,500,000 DFX
- Per Month: 109,375 DFX
- Per Pool / Month: 36,458 DFX
- Period: 32 months

This distribution also factors in future users as the distribution is spread over 8 years (96 months).

The token issuance is meant to incentivise the community to participate in liquidity provision - and governance in the long run. The more liquidity a user provides, the more DFX tokens the user earns both from the liquidity allocation tokens and the fees generated from transactions on the DFX exchange. More DFX tokens directly translates to more governance rights on the part of the user, an incentive for positive-sum behaviour.

This issuance model is reasonable, but would have been justified however, if voting did not function as a signal to the team (the protocol [hasn't switched](#) fully to a DAO yet). This results in a deduction of -2. Also, the token issuance is spread over 8 years which might seem like a long vesting period but what happens after that? Will the protocol continue functioning or not? I assume the protocol will definitely continue functioning, so this model is flawed. The



fees generated from the trading platform are too little and cannot sustain the incentivisation. The protocol gets a -3 for this as well.

Nevertheless, in its current state the token issuance improves protocol coordination and the protocol scores a 5 overall.

Score: 5

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 protocol distributes value to DFX users in two ways to incentivise users and to improve coordination.

1. According to the [discord FAQs](#), the protocol takes a swap fee of 0.05% and they are paid to LP providers

2. Users can settle key performance indicators (KPIs) on the exchange in return for DFX tokens. Key Performance Indicator (KPI) options are synthetic tokens that will pay out more rewards if a project's KPI reaches predetermined targets before a given expiry date. Every KPI option holder has an incentive to improve that KPI because their option will be worth more.

The goal of the KPI options program is to motivate Total Value Locked (TVL) growth of DFX protocol and it will track TVL in DFX pools. Users also get KPIs just by being liquidity providers.

These value accrual mechanisms support coordination but don't necessarily make the protocol self-sufficient. The protocol is awarded a 7 for this.

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: The token has very limited availability as shown by [Coingecko](#) below:



DFX Finance Markets

 Display Unconverted[Affiliate disclosures](#)

#	Exchange	Pair	Price	Spread	+2% Depth	-2% Depth	24h Volume
*	eToroX Sponsored						
*	Crypto.com Sponsored						
1	Sushiswap	DFX/WETH Live Chart	\$0.957777	0.6%	\$21,024	\$20,961	\$490,689
2	Balancer (Polygon)	DFX/USDC	\$0.965699	0.6%	\$6,659	\$6,639	\$153,164
3	Sushiswap (Polygon POS)	WETH/DFX Live Chart	\$0.962971	0.61%	\$3,184	\$3,174	\$95,318
4	BKEX	DFX/USDT	\$0.941507	6.38%	\$0	\$0	\$61,927

Score: 0

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 to LP on [Sushiswap](#) and [Balancer](#).

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 team are publicly identified and listed below:



1. [Adrian Li](#) - Co-founder
2. [Kevin Zhang](#) - Co-founder
3. [Henry Chan](#) - Co-founder
4. [Harry Chan](#) - Software Engineer
5. [Coty Kuhn](#) - Growth marketer

The team is credible because in the past several years, members of the core team [built PayTrie](#), a stablecoin onboarding service for the Canadian market. PayTrie's experience in this field allows them to be the ideal issuer of the Canadian stablecoin, CADC, and provide strategic direction for DFX.

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 members have relevant experience as shown below:

1. [Adrian Li](#): He was the senior software developer for [Consensys](#) (Aug 2018 - March 2019), director of frontend engineering & developer relations for [Truffle Suite](#) (Aug 2018 - May 2020), software developer for [Rangle](#) (2017) and a senior developer for [bOx](#) (2017 -2018). His skills include data analysis, AutoCAD, C++, Sql database design, operations research, JavaScript, HTML, mobile applications, systems programming and linear programming.
2. [Kevin Zhang](#): He is the co-founder of [PayTrie](#), was the senior blockchain engineer for [Consensys](#) (2017 -2019) and worked with [TD Banking](#) as their IT engineer (2015), IT solutions developer (2016), and blockchain developer (2017). His skills include mobile applications and architecture, SSL, HTML + CSS, jQuery and JavaScript.
3. [Henry Chan](#) - He is also a co-founder of [PayTrie](#), was the regional director (Toronto) for [Consensys](#) (2016 - 2019), the product manager for [WeiFund](#) (2016-2017) and a business technology analyst and specialist for [Deloitte Canada](#) (2014-2016). He is skilled at business analysis and strategy, project planning and management, data analysis and team leadership.
4. [Harry Chan](#) - He was the software engineer for [Ecobee](#) (2019 - 2021), a full stack developer for [Queens Technology and Media Association](#) (2018 - 2019) and a software engineering intern at [Consensys](#) (2017 - 2019). He is skilled at Python, JavaScript, Scrum, full-stack development, solidity, shell scripting, docker, data analytics, SQL, react.js, C++, and Github.
5. [Coty Kuhn](#) - He is the founder of [Restore Token](#) (2017-2021), worked as a VTC facilitator and maintainer at [SRG Government Services](#) (2019-2021) and also worked as a video teleconferencing [operator](#) at the Defence Intelligence Agency of Florida (2015-2019). His skills include video editing and videography, photography, adobe photoshop and leadership.

It's worth mentioning that as part of the protocol's [roadmap](#), these are some of the things it looks forward to and how the team fits accordingly:



- Integration with other DeFi protocols and services – Kendrick and Harry
- DFX token listings on exchanges – Henry
- Enhanced governance portal – Kevin
- Aggregate on/off ramp integration - Adrian

It can be seen that the skill sets of the team members align well with the protocol they're building. The protocol scores the full mark.

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: There are a couple of [videos](#) where the team talks about decentralised exchanges, stablecoins and how DFX helps improve that sector in DeFi. The team also holds bi-weekly [AMAs](#) where they talk about stablecoins, the DFX token and its impact on DeFi.

Not much can be found by the team other than that. The protocol is scored a 1 for its limited contribution.

Score: 1

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 raised some funds and has some mechanisms in place to attract some monetary resources as stated here:

- The team raised \$5M from a [seed round](#) in Feb 2021.
- The team has allocated 5% (5M) tokens for a [future token sale](#) to raise more funds.
- The team has allocated another 5% (5M) tokens to a [developer fund](#)

In terms of human resources:

- The protocol organises [hackathons](#) to attract developers to build on products it is developing
- The team organises [contests](#) so as to enable the community promote the protocol.



- The team also has a “marketing ideas” channel in their discord to invite any member to submit ideas that can promote the protocol in various ways

Checks from the protocol’s discord shows that the team coordinates quite well

Score: 8

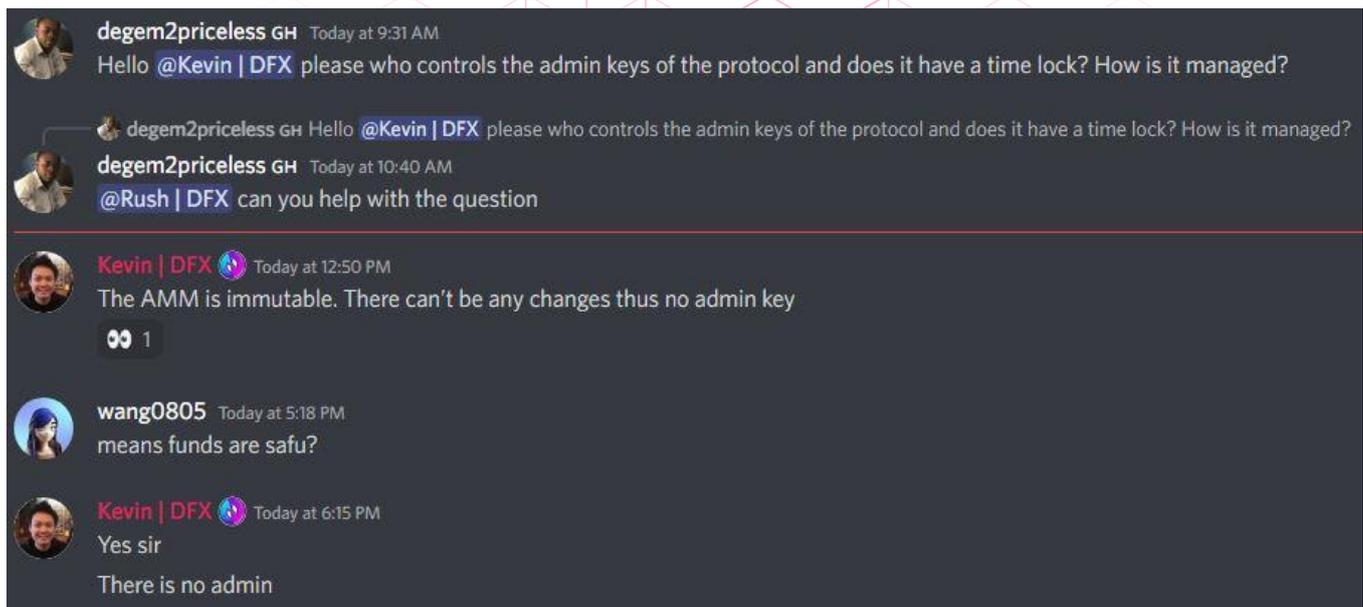
4. Governance

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: According to Kevin the co-founder, the protocol is immutable. There can’t be any changes thus no admin key. This can be verified in a chat with him on discord below:



Further inquiry about upgradability of smart contracts was made but the same conclusion was arrived at. There’s no admin key or timelock and the contract can’t be changed anymore. Essentially, if they wanted to upgrade they’d have to fork the code and migrate operation to the new contract.



June 3, 2022

**degem2priceless GH** Today at 12:12 AMThis is awesome [@Kevin | DFX](#) How about upgradability of smart contract? Any info about that?**Kevin | DFX** Today at 12:22 AM

There is no upgradeability for the current version of the contract

That's why there is no admin key or timelock

Can't change the contract anymore

[@Kevin | DFX](#) There is no upgradeability for the current version of the contract**degem2priceless GH** Today at 12:33 AM

Thank you Kevin

Here, the protocol will be scored a 20 because its immutability is equivalent to a capable DAO running it. The team isn't involved in any way. Also, users funds are safe.

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: Presently, the votes do not affect on-chain changes because the protocol is [yet to switch fully](#) to a DAO where DFX token holders will be able to submit proposals and vote on protocol changes as a decentralized community.

However, DFX users are fairly active during votes and do partake consistently in governance debates (check 4c.) which brings about proposals necessary to improve and advance the protocol. This directly translates to trust on behalf of the team members. We can say governance at least has some influence on operations

Score: 5



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: Voters are fairly active on the protocol's voting site and the protocol's [forum](#). The [numbers](#), though small, have been consistent in all the votes held by the team. The table below gives an average of the last 7 votes held on Snapshot:

Proposal	Number of voters	DFX used
DIP-007	89	2.2M
DIP-006	78	2.4M
DIP-005	42	1.7M
DIP-004	48	1.1M
DIP-003	41	1.5M
DIP-002	29	0.53M
DIP-001	35	1.1M
TOTAL	362	10.53
Average	51.7	1.5M

As can be seen above, voters have been very consistent with an average of 51 votes and 1.5M DFX used. The data actually indicates the number might continue to grow. Checks on the individual proposals on Snapshot also show that small voter participation is quite high and votes are devoid of whale votes. This points to a diverse group of voters as well and the protocol will be scored a 4. The -1 is resulting from the fact that voter numbers are still minimal (in double digits).

Score: 4

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 has an active [discord channel](#) for governance debates. It also has a [forum](#) which was set up quite recently (Sept 2021), but is also active. The [voting site](#) is reliable because it serves the purpose of [signalling](#) the team concerning certain decisions. Also, even though votes do not affect on-chain changes for now, voters are quite



active and do participate in bringing up proposals necessary to improve the protocol in various ways so we can say the voting mechanism is useful.

Score: 6

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. On governance, according to the protocol's [discord voting FAQs](#) channel, anyone can submit a DFX proposal. Once you have submitted the proposal on the [forum](#), it will be active for 7 days. After the forum proposal takes place, it will go through a final vetting process by the DFX team to make sure everything is okay. This process usually takes less than a week and then it will be posted for an actual vote. Once the DFX team posts the proposal for voting, the voting platform (Snapshot) will take a "snapshot" of all the addresses that hold DFX. All those addresses will then be eligible to vote. This means that someone cannot simply buy DFX tokens to vote on an already ongoing proposal and this is meant to help reduce the risk of influence by large investors (or whales).

Overall the process promotes good governance and the protocol scores a 7.

Score: 7

5. Regulatory

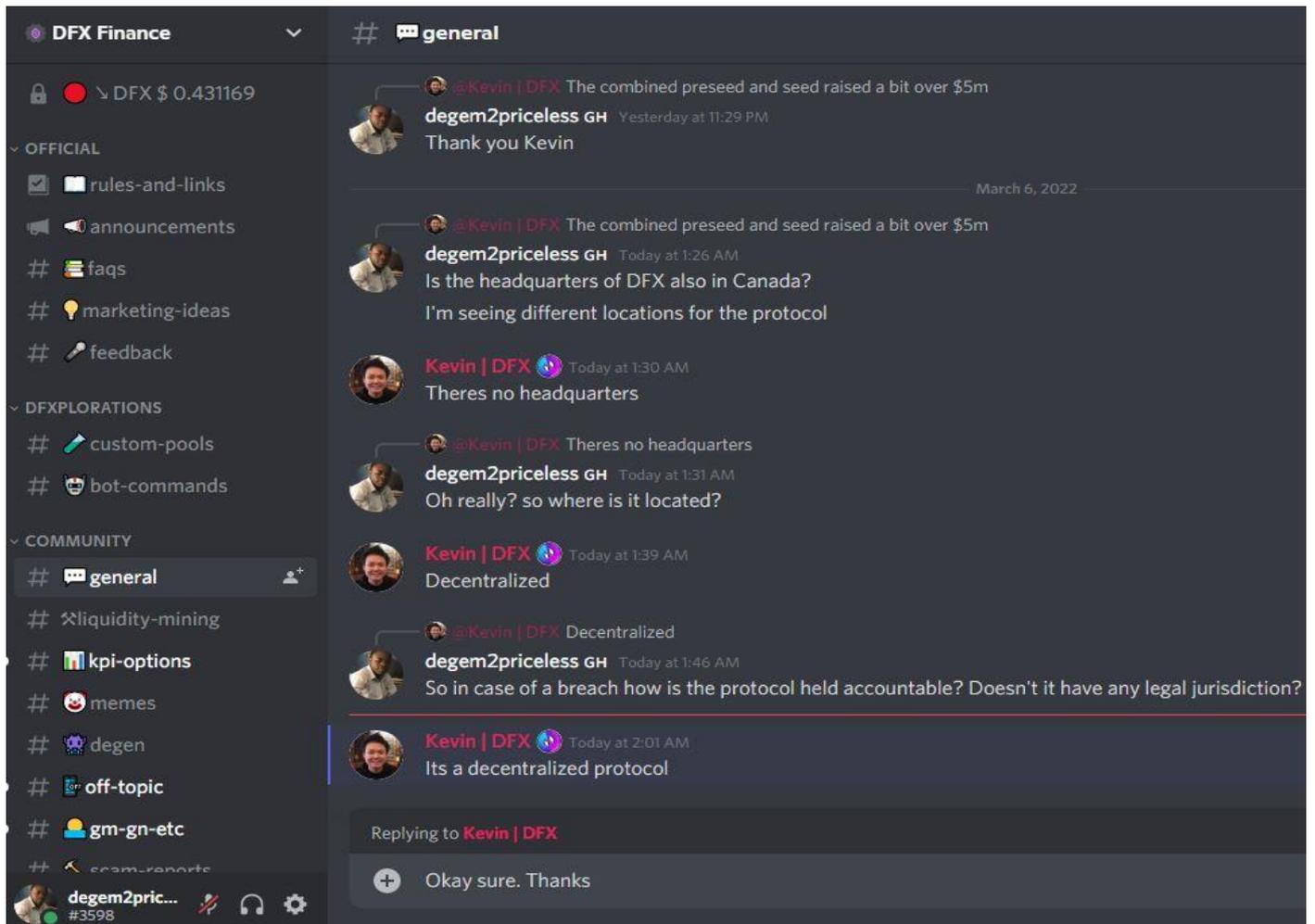
The Regulatory section describes the extent and quality of the regulatory environment that affects the Protocol. To be able to guarantee functionality, security, and legality the protocol should comply with regulatory requirements, or limit itself to facilitating services to users who are willing to 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: [Crunchbase](#) gives the location of the protocol as London, England. Other sites mention [New York](#) and [Canada](#) as the locations, but the protocol's official [LinkedIn page](#) gives no location for the protocol, rather stating the location as "[Every City, Worldwide](#)". This implies the protocol has no legal jurisdiction.

A chat with the co-founder Kevin on [discord](#) confirms this.



It's quite interesting to note though that the protocol states at the bottom of its [website](#) that it is built by AMM Labs Inc. [Amm Labs Inc.](#) is a Canadian Corporation filed On November 20, 2020. The company's filing status is listed as active and its file number is 1251064-2. The registered office province on file for this company is Ontario (the jurisdiction). The company's principal address is 165 Commerce Valley Dr W 110, Thornhill, ON L3T 7V8 CA. The company has 4 contacts on record. The contacts are Adrian Li, Henry Chan, Kendrick Tan, and Kevin Zhang.

These are indeed the founders/team of the protocol so clearly, they can be held responsible in case of a breach of the protocol.

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: Canada is a top tier jurisdiction with applicable laws.



Score: 10



About the Author: [Degem2priceless](#). I am a crypto and web 3 researcher and enthusiast looking forward to gaining experience as a rater with DAOs and making a full time living off cryptocurrencies.