

# Gnosis Fundamental Review

Prime Rating Report V2.0

**Protocol:** Gnosis

**Version:** V2

**Previous Report:** Link to previous report

**Date:** 08/12/2021

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**Reviewed by:** -

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

## Instructions

Please go to files and make a copy of this template.

Fill in all questions with a written explainer, any relevant links, and score per variable. Insert the scores in the scorecard at the end of the report.

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

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# 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:

Gnosis specialises in inventing new *market* mechanisms for decentralised finance. The protocol has deviated wildly from their original fundraising whitepaper published in 2017. Initially they started out developing Apollo, a decentralised prediction market built on the Ethereum protocol.<sup>1</sup>

Based on this design and the Gnosis Conditional Tokens Framework, the Omen Prediction market on xDai chain (soon to be Gnosis chain) is live.<sup>2</sup>

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<sup>1</sup> <https://bitcointalk.org/index.php?topic=1529098.0>

<sup>2</sup> <https://omen.eth.link>

Their current portfolio of innovative solutions includes:<sup>3</sup>

Gnosis Protocol v2 / Cowswap –

- Coincidence of Wants (cow) - “an economic phenomenon where two parties each hold an item the other wants, so they exchange these items directly.”<sup>4</sup>
- COW Swap is a proof-of-concept dapp (decentralized application) built on Gnosis Protocol v2 (GPv2).
- In Cowswap professional market makers can be integrated directly. For the top ~30 tokens GnosisDAO can establish liquidity without requiring enormous amounts of capital.
- Cow swap is quite successful, with 3.24 billion USD in trading volume so far.<sup>5</sup>

Gnosis safe –

- A smart contract based multisig wallet
- Gnosis has been developing blockchain-based wallet solutions since 2017, and has earned a reputation in the industry for engineering and security expertise. The Gnosis Safe Multisig (<https://gnosis-safe.io/>) is the most trusted platform to store digital assets on Ethereum and the only formally verified smart contract wallet. 133 billion USD in ERC20 coins are stored in Gnosis safes.<sup>6</sup>

Gnosis Auction –

- Originally “DutchX” - an auction site of new tokens for other protocols.<sup>7</sup> Now an improved version called Gnosis Auction capable of performing Batch Auctions.<sup>8</sup>

	 Gnosis Auction	 DutchX	 Uniswap	 Balancer LBP	 Liquorice Gen (IBCO)	 PolkaStarter
Price determined by supply and demand	✓	✓	✗	✗	✓	✓
Front-running resistant	✓	✗	✗	✗	✗	✗
Manipulation resistant	✓	✗	✗	✗	✗	✗
Bidder protection	✓	✓	✗	✗	✗	✗
Restricted participation	✓	✓	✓	✓	✓	✓
KYC optional	✓	✓	✓	✓	✓	✗
Support any ERC token	✗	✗	✗	✗	✗	✓
Free to use	✓	✓	✓	✓	✓	✗
Penalties for unlocking tokens	✗	✗	✗	✗	✗	✓

<sup>3</sup> <https://research.binance.com/en/projects/gnosis-protocol>

<sup>4</sup> <https://blog.gnosis.pm/introducing-gnosis-protocol-v2-and-balancer-gnosis-protocol-f693b2938ae4>

<sup>5</sup> <https://dune.xyz/gnosis.protocol/Gnosis-Protocol-V2>

<sup>6</sup> [https://dune.xyz/tschubotz/gnosis-safe\\_2](https://dune.xyz/tschubotz/gnosis-safe_2)

<sup>7</sup> <https://dutchx.readthedocs.io/en/latest/>

<sup>8</sup> <https://blog.gnosis.pm/announcing-gnosis-auction-launch-390124d56248>

Gnosis Chain –

- Originally xDAI chain, both the Gnosis and the xDAI community have officially voted to rebrand cDAI chain to “Gnosis Chain”. This means that GNosis also now has their own blockchain protocol, an EVM based sidechain to Ethereum (voted on Dec 7th 2021).<sup>9</sup>

Overall, the number of innovations the Gnosis team has produced that innovate both technical and organisational aspects of other protocols is truly impressive!

**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:**

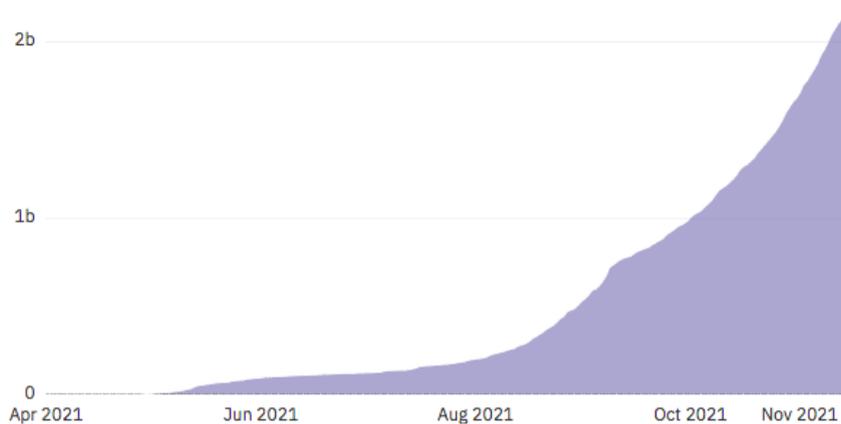
As stated in the section above, Gnosis offers multiple innovative solutions. While some of their products have failed to achieve product market fit (e.g. the Gnosis prediction market), other solutions (e.g. Gnosis safe, COW swap) have established themselves in promising markets.

User adoption of several products is rapidly increasing (see charts below)<sup>10</sup>:

Gnosis Protocol v2:

Cumulative Volume on GPv2 GPv2\_volume\_information  
Volume information on GPv2 (incomplete)

@CryptoOrca



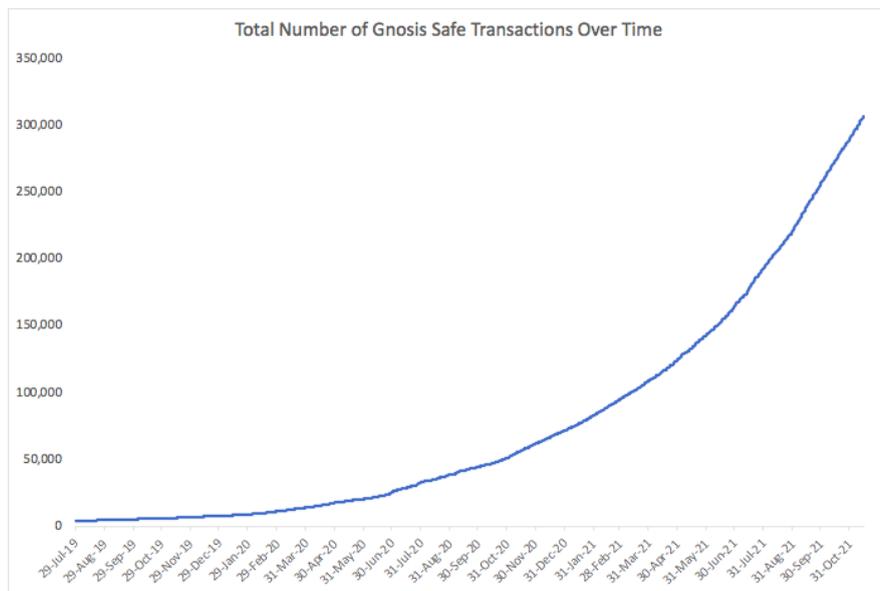
9

<https://snapshot.org/#/gnosis.eth/proposal/0x8f8d2118ef3a8fa9f8b1814ce2ae34ae8776548716a45ce69082f3e266465f48>

10

<https://daopulse.xyz/the-current-market-position-of-gnosis-unique-ecosystem-and-the-implications-of-an-xdai-chain-3e41836c9cdf>

Gnosis Safe:



Overall, after the failure of the Gnosis Prediction markets / conditional tokens to attract a meaningful number of users<sup>11</sup>, the recent solutions by GNosis are indeed attracting users (and other protocols).

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:

As Gnosis has developed a wide range of products, it is not straightforward to assess the market size for the "protocol".

#### Gnosis Protocol v2 / COW swap

Cow Swap is a UI of Gnosis Protocol v2 and has positioned itself as a viable alternative to the leading DEX aggregators. It's total trading volume of 3.25 billion USD is sizable and the usage of the protocol is growing fast.<sup>12</sup> They recently achieved a record of ~91 million USD in trading volume on one day on December 7th<sup>13</sup> The target market for an efficient DEX like Cow Swap is large - basically the whole DEX market (~8 billion USD/24h) could be the target market in theory.<sup>14</sup> More realistically, the DEX volume on the Ethereum network (5 billion USD/24h)<sup>15</sup> is a target. DEX volume in general is growing strongly:

<sup>11</sup> [https://dune.xyz/Greame87/conditional-token-framework\\_1](https://dune.xyz/Greame87/conditional-token-framework_1)

<sup>12</sup> <https://dune.xyz/gnosis.protocol/Gnosis-Protocol-V2>

<sup>13</sup> <https://twitter.com/MEVprotection/status/1468281987353960448>

<sup>14</sup> <https://www.coingecko.com/en/dex>

<sup>15</sup> <https://dune.xyz/hagaetc/dex-metrics>



## DEX Volume

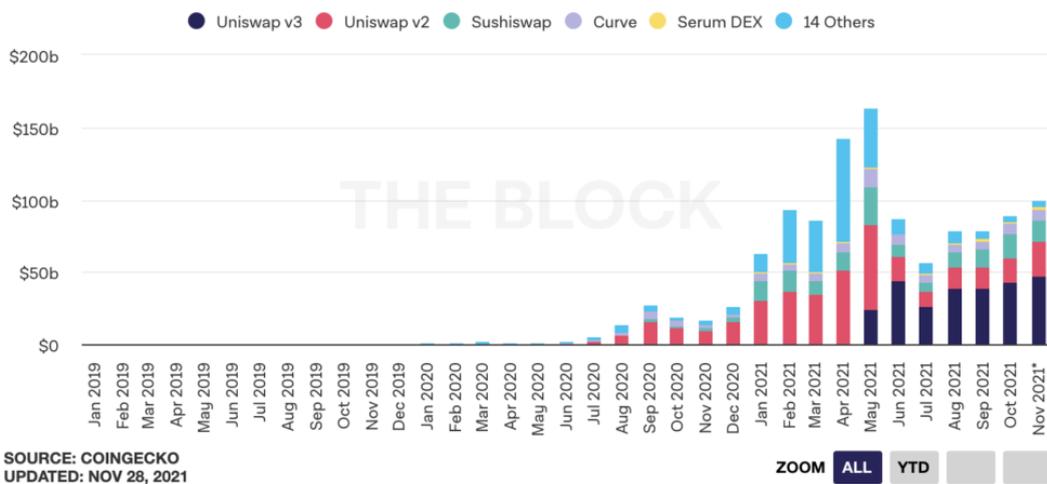


Chart embedded from [The Block Crypto Data](#).

16

### Gnosis Safe

More than 38.800 safes deployed that have a TVL of more than 128 billion USD in ERC20 tokens alone<sup>17</sup>. Yet, this is clearly only the beginning as DAOs are the “next big trend” in Crypto according to media outlets like CNBC.<sup>18</sup> All DAOs need to manage their assets in a secure way - and Gnosis safe is the market leader.

### Gnosis Chain

xDAI chain will be rebranded to ‘Gnosis chain’. This chain could be as large as current cheap alternatives to the Ethereum mainchain (e.g. Binance Smart Chain - TVL of 16 billion USD).<sup>19</sup>

Overall, the target market for several solutions of Gnosis is substantial and the market segments show signs of sustainable growth.

**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

<sup>16</sup> <https://esiznews.com/decentralized-trading-platforms-reach-nearly-100-billion-volume-in-november/>

<sup>17</sup> [https://dune.xyz/tschubotz/gnosis-safe\\_2](https://dune.xyz/tschubotz/gnosis-safe_2)

<sup>18</sup>

<https://www.cnbc.com/2021/10/25/what-are-daos-what-to-know-about-the-next-big-trend-in-crypto.htm>

|

<sup>19</sup> <https://defillama.com/chains>

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

**Answer:**

As laid out in the section above, Gnosis has developed a wide range of products. Thus, we have to compare each solution with the relevant competitors:

The original protocol of a prediction market has struggled to establish itself in the market, but so have its competitors (like Augur or Polymarket). Main competitor Augur v2 has been around since 2018 and yet the number of active markets has not topped 100 and growth is painfully slow<sup>20</sup>

Gnosis Protocol v2 / COW swap

The total trading volume of 3.25 billion USD is sizable and the usage of the protocol is growing fast.<sup>21</sup> They recently achieved a record of ~91 million USD in trading volume on one day on December 7th<sup>22</sup>. Yet, these numbers are dwarfed by competitors such as UNiswap (10 billion USD in TVL<sup>23</sup> and a 7day trading volume of 22 billion USD<sup>24</sup>). So COW swap has to be seen for what it is - a smaller player.

Gnosis Safe

For smart contract based multisig, Gnosis is clearly the market leader and benchmark. The numbers of more than 38.800 safes deployed that have a TVL of more than 128 billion USD in ERC20 tokens alone shows this clearly<sup>25</sup>.

Gnosis Chain

xDAI chain is a top alternative to the Ethereum mainchain and other EVM based chain such as Polygon POS, Binance Smart Chain or Avalanche C-Chain. The merge and rebranding to "Gnosis Chain" that was officially voted for (in both the xDAI and Gnosis communities) will further strengthen the Gnosis brand.

Overall, we rate the competitiveness of Gnosis as high, as they have one leading product and several ones with solid market growth. Its brand stands for innovation and security, thanks to the success of Gnosis Safe.

**Score: 7**

## 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

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<sup>20</sup> <https://dune.xyz/CBB/stats-for-augur-v2>

<sup>21</sup> <https://dune.xyz/gnosis.protocol/Gnosis-Protocol-V2>

<sup>22</sup> <https://twitter.com/MEVprotection/status/1468281987353960448>

<sup>23</sup> <https://defillama.com/protocol/uniswap>

<sup>24</sup> <https://dune.xyz/gammastrategies/Uniswap-v3-Volume-and-Fees-Collected>

<sup>25</sup> [https://dune.xyz/tschubotz/gnosis-safe\\_2](https://dune.xyz/tschubotz/gnosis-safe_2)

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:**

Gnosis safe is clearly an irreplaceable part of the ecosystem. Almost 40.000 Gnosis safes have been deployed so far - the most successful multisig smart contract by far. This means the Gnosis brand is associated with security and trust.<sup>26</sup>

One xDAI chain has been rebranded to Gnosis Chain, this will add to the brand as well.

Aside from the strong brand, the Gnosis safe has a lot of integrations (so called "safe apps").<sup>27</sup> Further, Gnosis Safe has been integrated in other frontend, such as Parcel, Smart Defi and Linen App.<sup>28</sup>

Gnosis Protocol has also established a collaboration with Balancer - the Balancer-Gnosis-Protocol (BGP). This is powered by COW<sup>29</sup>

Another interesting partnership is "Zodiac" – a tool built by Gnosis Guild that integrates DAO tooling features with Gnosis Safe.<sup>30</sup>

Overall, it is very hard to copy Gnosis safe, as it is the most widely trusted solution on the market. The strong brand and reputation gives Gnosis a clear moat.

**Score: 13**

## 2. Tokenomics

The Tokenomics section assesses the function of a protocol's token. This includes the token distribution, functionalities of the token, the ability of the token to incentivize positive behavior in the protocol, and the ability of the token to capture a portion of the value created.

### a) Is the token sufficiently distributed? (15 points)

The token distribution can be an indicator of a healthy protocol. When the protocol tokens are widely distributed among different stakeholder groups and contributors, this genuinely improves the coordinating capability of the token and strengthens the resiliency of the protocol. Was the initial distribution balanced between relevant stakeholders? Are the tokens distributed over sufficient participants (10, 25, 100 largest addresses)?

**Answer:**

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<sup>26</sup> [https://dune.xyz/tschubotz/gnosis-safe\\_2](https://dune.xyz/tschubotz/gnosis-safe_2)

<sup>27</sup> <https://blog.gnosis.pm/introducing-gnosis-safe-apps-faef908f69c6>

<sup>28</sup> <https://docs.gnosis-safe.io/clients/third-party-frontends>

<sup>29</sup> <https://blog.gnosis.pm/introducing-gnosis-protocol-v2-and-balancer-gnosis-protocol-f693b2938ae4>

<sup>30</sup>

<https://daopulse.xyz/the-current-market-position-of-gnosis-unique-ecosystem-and-the-implications-of-an-xdai-chain-3e41836c9cdf>

Gnosis has a total supply cap of 10,000,000 GNO.

Thereof, 8 million belong to the treasury (0xec83f750adfe0e52a8b0dba6eeb6be5ba0bee535). These represent >90% of the non-circulating supply and are controlled by GnosisDAO and thus GNO holders. The contract has an 8-year linear vesting period to maintain a predictable supply.

Source: <https://forum.gnosis.io/t/gip-16-gnosis-chain-xdai-gnosis-merge/1904/7>

495,410 GNO tokens belong to 0x604e4557e9020841f4e8EB98148DE3D3cDEA350c, a disbursement account. This account has a 5-year linear vesting period allocated to Gnosis Ltd and is partially for staff incentivization.

Source: <https://blog.gnosis.pm/announcing-gnosisdao-a7102fcf9224>

278,565 GNO tokens belong to 0x2EF2E49695F00fa835fB851c0575822f5f076a13, a gnosis safe.

The GnosisDAO safe (0x0DA0C3e52C977Ed3cBc641fF02DD271c3ED55aFe) owns another 94,188 GNO tokens.

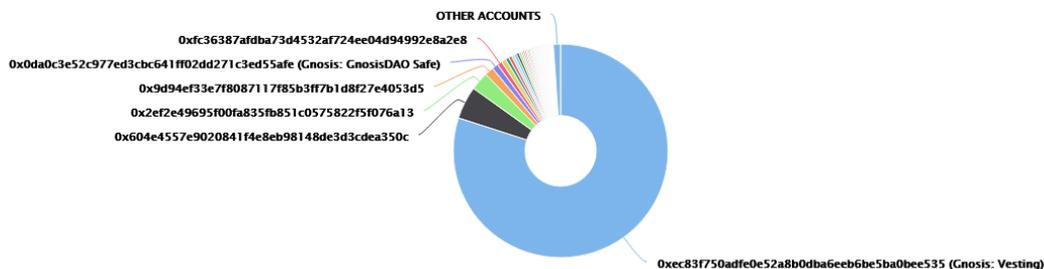
In total, 13,137 unique Ethereum addresses are holders of GNO tokens. This includes addresses of custodians who hold VISR tokens for several individuals as well as LP contracts that hold GNO. One such example is the Balancer Vault (0xBA1222222228d8Ba445958a75a0704d566BF2C8), which holds 73,188 GNO tokens.

The top 100 holders collectively own 98.91% (9,891,348.53 Tokens) of Gnosis

Token Total Supply: 10,000,000.00 Token | Total Token Holders: 13,136

Gnosis Top 100 Token Holders

Source: Etherscan.io



Source: <https://etherscan.io/token/0x6810e776880c02933d47db1b9fc05908e5386b96>

Score: 7

## 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:

In the past the gnosis token was introduced for the Gnosis prediction market as a pure utility token.

<https://blog.gnosis.pm/what-are-gnosis-tokens-the-new-access-based-token-model-e59c5a490af6#.xg4zyzoms>

In the future, GNO is necessary for running a validator on Gnosis Chain (after merge with xDAI chain). The stated goal is that everyone in the world can run a full node on hardware they can run at home with as little as 1 GNO to become a validator.

Source: <https://twitter.com/koeppele/status/1465779406870360072?s=20>

This was voted for on Dec 7th 2021. see:

<https://snapshot.org/#/gnosis.eth/proposal/0x8f8d2118ef3a8fa9f8b1814ce2ae34ae8776548716a45ce69082f3e266465f48>

The strategic implication this vote has shows clearly that the GNO token is a governance token can be used for influencing decisions (caveat: most voting power is held by the Gnosis team)

**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:**

No as Gnosis has deviated wildly from their original fundraising whitepaper published in 2017. There has been wide public criticism for the bad fit of GNO tokens with the current products of Gnosis.

<https://thedefiant.io/there-is-now-a-floor-for-gno-with-gnosisdao-arcas-jeff-dorman-said/>

**Score: 1**

### **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:**

It is well known, that the GNO token which was created back in 2017 does not fulfil its purpose as Gnosis has a multitude of innovative projects but GNO plays no role in most of them.

In late 2020, the GNO token was even trading below the project's total assets. Subsequently, a hedge fund argued that GNO should make a tender offer for all GNO tokens.

<https://thedefiant.io/there-is-now-a-floor-for-gno-with-gnosisdao-arcas-jeff-dorman-said/>

The gnosis team holds massive assets in the form of ETH and some proceeds from selling some of the 250k ETH they raising in the 2017 auction. But no clear accrual and distribution mechanism exists.

**Score: 1**

## 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 GNO token is traded on Top Tier exchanges such as Kraken.com and Binance as well as some other smaller centralized exchanges. Liquidity and 24h traded volume are medium (< 1 million on the most liquid pair).

Further, GNO is traded on DEXes such as Balancer, Uniswap and Kyber with limited liquidity.

Source: <https://www.coingecko.com/en/coins/gnosis>

**Score: 3**

## 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:**

As GNO is traded on DEXes such as Balancer, Uniswap and Kyber with limited liquidity, GNO can be used to provide an LP for these AMMs and earn yield. Other than that, there are currently no use cases of GNO such as lending, etc.

In the future, GNO will play an important role on the xDAI chain (soon to be Gnosis chain).

**Score: 3**

## 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:**

Gnosis was founded in 2015 by Martin Köppelmann and Stefan George as part of ConsenSys, the Ethereum venture production studio. In April 2017, Gnosis raised funds and spun out of ConsenSys to become an independent company.<sup>31</sup> The Gnosis Board of Directors includes Joe Lubin and Jeremy Millar from Consensys.

Team:

Joe Lubin - Board member, Co-founder: Also, co-founder of Ethereum and Consensys.<sup>32</sup> Publicly active on Twitter.<sup>33</sup>

Jeremy Millar - Board member, Co-Founder, Chief of Staff: Also, chief of staff at Consensys.<sup>34</sup>

Martin Köppelmann - CEO, Co-Founder: Also "Initiator" at Circles UBI.<sup>35</sup> Publicly active on Twitter.<sup>36</sup>

Stefan George - Co-Founder, CTO. Also, CTO at Consensys.<sup>37</sup> Publicly active on Twitter.<sup>38</sup>

Friederike Ernst - COO. Also, co-host on Epicenter Podcast. PhD with post-doc training at Columbia and Stanford.<sup>39</sup> Publicly active on Twitter.<sup>40</sup>

Silke Noa Elrifai - CLO. Stanford Law Alum.<sup>41</sup> Publicly active on Twitter.<sup>42</sup>

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<sup>31</sup> <https://messari.io/article/gnosis-joins-the-messari-disclosures-registry?referrer=asset:gnosis>

<sup>32</sup> <https://twitter.com/ethereumJoseph>

<sup>33</sup> <https://twitter.com/ethereumJoseph>

<sup>34</sup> <https://www.linkedin.com/in/jemillar/>

<sup>35</sup> [www.linkedin.com/in/koeppelmann/](https://www.linkedin.com/in/koeppelmann/)

<sup>36</sup> <https://twitter.com/koeppelmann>

<sup>37</sup> <https://www.linkedin.com/in/stefangeorge/>

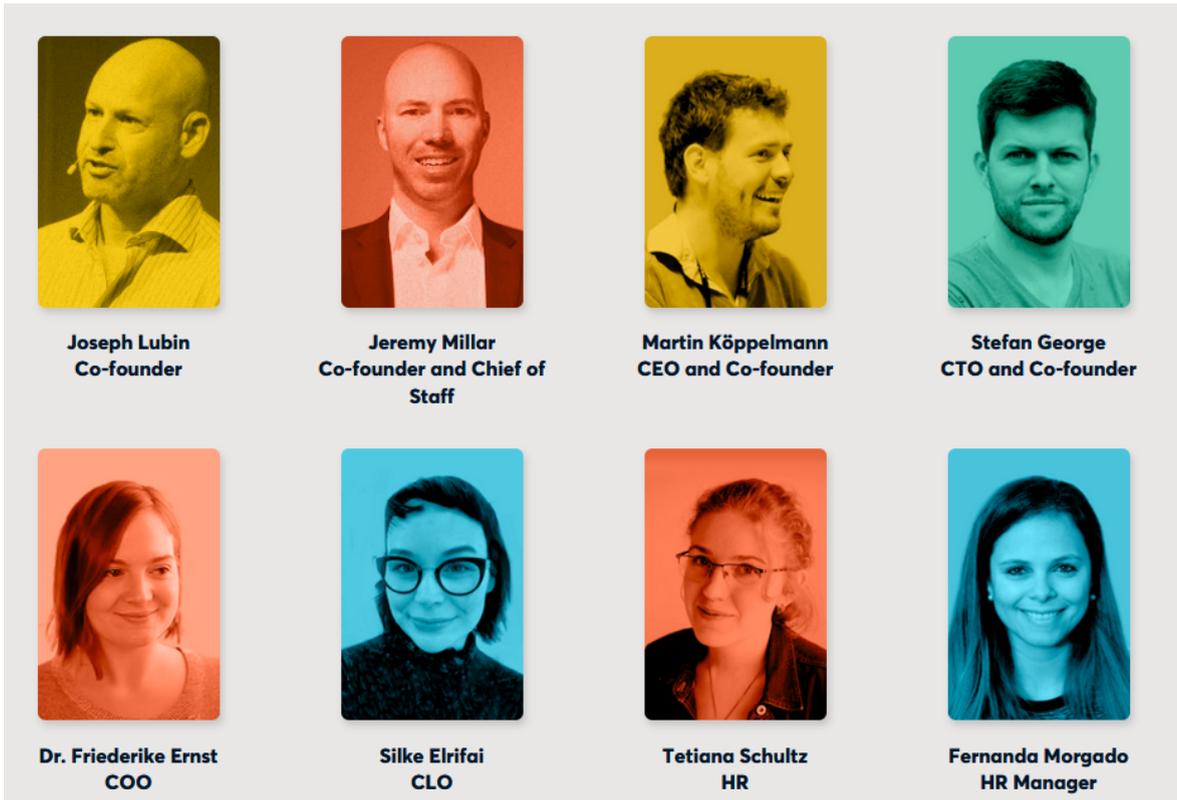
<sup>38</sup> <https://twitter.com/StefanDGeorge>

<sup>39</sup> <https://www.linkedin.com/in/friederikeernst/>

<sup>40</sup> [https://twitter.com/tw\\_tter](https://twitter.com/tw_tter)

<sup>41</sup> <https://www.linkedin.com/in/elrifai/>

<sup>42</sup> <https://twitter.com/silkenoa>



43

Overall, the Gnosis team consists of industry leaders with the highest credibility.

**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:**

In addition to the extensive defi and crypto experience in the Executive team (see above), other team members also have relevant experience to their field and to Gnosis' market. A strong HR team can further help to attract and retain talent:

Tania Schultz - HR Manager. 3 years experience as HR Manager and L&D specialist in IT, ZEO Alliance. Additional experience in event and community management, and hackathon facilitation.<sup>44</sup>

Fernanda Morgado - HR Manager. 10+ years experience as HR Manager in engineering. Master's degree in international HR.<sup>45</sup>

**Score: 10**

<sup>43</sup> <https://gnosis.io/careers/>

<sup>44</sup> [www.linkedin.com/in/tania-schultz/](https://www.linkedin.com/in/tania-schultz/)

<sup>45</sup> [www.linkedin.com/in/fbmorgado/](https://www.linkedin.com/in/fbmorgado/)

## c) Does the team participate and help shape the public debate? (5 points)

To what extent do the protocol contributors participate in the public debate around open finance? Are the team members giving presentations, sharing their thoughts and opinions, and do they help raise the collective intelligence of the industry?

### Answer:

Yes, Gnosis is very active publicly. They regularly attend Ethereum related conferences and meetups all over the world. Personally, I (f13r) have attended several Ethereum conferences and Gnosis was always present.

A YouTube search for Joseph Lubin returns video clips from a wide range of speaking and media appearances, including CNBC, SXSW, Decrypt, DCentralCon, Web3Labs, and more.<sup>46</sup>

Moreover, conference, podcast, and media footage can be found for Jeremy Millar,<sup>47</sup> Martin Köppelmann,<sup>48</sup> Frederike Ernst,<sup>49</sup> in connection to their contributions to DevCon, ConsensysMedia, Bankless, Epicenter, ChronoLogic to name a few.

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:

Gnosis raised 250k ETH in 2017, and gave investors 460k GNO in return (worth \$12.5mm USD at the time). Arca Hedge Fund has made very public concerns regarding the integrity of Gnosis' use of initial investors' funds. Gnosis has pivoted and according to the December 2020 Decrypt article. while Gnosis hasn't followed through with Arca's initial requests, Jeff Dormand of Arca commented:

When we started our communication with Gnosis and Consensys, there was no public information available, no investor communication, and a severely undervalued GNO token backed by no utility and no financial value. Since then, Mr. Köppelmann has indicated that Gnosis will be providing more transparency, they have turned the GNO token into an "asset backed" token (fully backed by the assets in the DAO), and have engaged more openly with investors.<sup>50</sup>

However they spend the resources on many projects and have a high burn rate of approximately \$7.5mm per year with 65 employees, despite not generating any substantial revenue. A recent example is financing of Gnosis Chain development. Gnosis DAO is ready to provide 400,000 GNO

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<sup>46</sup> [https://www.youtube.com/results?search\\_query=joseph+lubin](https://www.youtube.com/results?search_query=joseph+lubin)

<sup>47</sup> [https://www.youtube.com/results?search\\_query=jeremy+millar](https://www.youtube.com/results?search_query=jeremy+millar)

<sup>48</sup> [https://www.youtube.com/results?search\\_query=martin+koppelmann](https://www.youtube.com/results?search_query=martin+koppelmann)

<sup>49</sup> [https://www.youtube.com/results?search\\_query=frederike+ernst](https://www.youtube.com/results?search_query=frederike+ernst)

<sup>50</sup> <https://thedefiant.io/there-is-now-a-floor-for-gno-with-gnosisdao-arcas-jeff-dorman-said/>

(~\$190 million) in the form of various incentives to help develop the Gnosis chain, attract new protocols, and grow the user base. This was decided in the recent GIP-16 voted for on Dec 7th.<sup>51</sup>

This score represents actions of the team to this extent. It also reflects on the nature of the defi and Web3 industry more broadly. The environment rapidly changes, norms and standards are regularly in flux, the future is rarely clear and projects regularly pivot, change positions and readjust priorities according to the whims of the industry.

**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:**

Gnosis invented the industry's gold standard, the Gnosis DAO and thus knows how to handle security. They both use a DAO and multi-sig. The admins behind it are one of the most credible experts in the whole industry.

**Score: 18**

### 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:**

Distributions of GNO tokens and ETH are affected on-chain. An example can be viewed here:

<https://snapshot.org/#/gnosis.eth/proposal/0x8f8d2118ef3a8fa9f8b1814ce2ae34ae8776548716a45ce69082f3e266465f48>

**Score: 12**

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<sup>51</sup> <https://forum.gnosis.io/t/gip-16-gnosis-chain-xdai-gnosis-merge/1904>

### 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:**

Unfortunately, the DAO is still fully controlled by Gnosis and Consensys. The recent 5% airdrop proposal that failed to reach the requisite number of votes is indicative of this misalignment, as only Gnosis employees voted<sup>52</sup>.

**Score: 2**

### d) Governance technology/infrastructure (10 points)

The Governance infrastructure relates to the technology, software, and models used by the protocol's governance. Does the protocol have a reliable and usable voting mechanism? Are there channels for governance debate? Is there sufficient documentation available?

**Answer:**

The [forum](#) is the place where Gnosis Improvement proposals (GIPs) are debated. The voting takes place on [snapshot](#), where gnosis has a dedicated space.

**Score: 9**

### 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:**

Yes, the process is formalised and so called "GIPs - Gnosis Improvement Proposals" can be proposed in the Forum and then voted on snapshot. A total of 19 GIPs have so far been proposed and voted on, which indicated that the standardized process is indeed repeatable and adhered to<sup>53</sup>.

**Score: 9**

## 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

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<sup>52</sup> <https://thedefiant.io/there-is-now-a-floor-for-gno-with-gnosisdao-arcas-jeff-dorman-said/>

<sup>53</sup> <https://forum.gnosis.io/c/dao/gips/21>

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:

A legal entity exists since 2017<sup>54</sup> and all names of the directors are listed publicly<sup>55</sup>:

*Gnosis Ltd.*

*World Trade Center*

*6 Bayside Rd, GX111AA Gibraltar*

Their operations are taking place in Full Node Berlin, Germany. They have another legal entity under German law registered there: [Gnosis Service GmbH](#)<sup>56</sup>

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:

While Gibraltar is not a top tier jurisdiction, it is a sustainable basis to expand operations.

Score: 7

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<sup>54</sup> <https://www.datocapital.com/gi/companies/Gnosis-Ltd.html>

<sup>55</sup> <https://gnosis-safe.io/imprint>

<sup>56</sup>

<https://www.northdata.com/Gnosis+Service+GmbH,+Berlin/Amtsgericht+Charlottenburg+%28Berlin%29+HRB+188071+B>

## Scorecard

<b>1. Value Proposition</b>	<b>Points</b>
a) Novelty of the solution	15 / 15
b) Market fit/demand	10 / 15
c) Target Market Size	8 / 10
d) Competitiveness within market sector(s)	7 / 10
e) Integrations & Partnerships	13 / 15
<b>Total Points - Value Proposition</b>	<b>53 / 65</b>
<b>2. Tokenomics</b>	<b>Points</b>
a) Is the token sufficiently distributed?	5 / 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?	1 / 10
d) Is the value capture model able to accrue and distribute value?	1 / 10
e) Is the token sufficiently liquid to enable active use and trade?	3 / 5
f) Are there any extrinsic productivity use cases?	3 / 10
<b>Total Points - Tokenomics</b>	<b>17 / 60</b>
<b>3. Team</b>	<b>Points</b>
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?	4 / 5
d) Is the team able to effectively attract and coordinate resources?	7 / 10
<b>Total Points - Team</b>	<b>36 / 40</b>
<b>4. Governance</b>	<b>Points</b>
a) Admin Keys	18 / 20
b) Extent of Governance capabilities	12 / 15
c) Active Governance contributors	2 / 5
d) Governance infrastructure	9 / 10
e) Robustness of Governance process	9 / 10
<b>Total Points - Governance</b>	<b>50 / 60</b>

<b>5. Regulatory</b>	<b>Points</b>
a) Does the protocol have any legal accountability?	<b>15 / 15</b>
b) What is the quality of the legal jurisdiction?	<b>7 / 10</b>
<b>Total Points - Regulatory</b>	<b>22 / 25</b>
<b>Total</b>	<b>178 / 250</b>

### **About the Author:**

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MatJ