

Fundamental

Prime Rating Report V2.0

Protocol: Reflexer.finance

Version: 1.0

Previous Report: [Link to previous report](#)

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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.

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: The Reflex Protocol leveraged MakerDAOs multi collateral stable coin DAI codebase to create a new financial instrument named a reflex index. A single collateral index designed to dampen the (very high) volatility of the underlying asset, increase utility and protect DeFi users from market shocks. In contrast to a pegged coin a reflex index is not pegged to a specific value, the reflex index follows the value of the underlying asset, but dampening mechanisms reduce the volatility of the reflex index in comparison to the underlying asset.

Next to the first reflex index backed by ETH called RAI, the protocol also aims at providing the created infrastructure to other protocols enabling them to make use of less volatile assets as debt collateral for example.

[Whitepaper](#)

Score: 12

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: When comparing the [RAI](#) to pegged stable coins as [DAI](#), [USDC](#), [USDT](#), [aiUSD](#) or [FRAX](#) the market cap as well as the number of holders is significantly lower. I would argue that the comparison is not as straightforward due to the different mechanisms the RAI adheres to, which is more difficult to grasp for end-users and at first glance even counter-intuitive, a stable coin that is not stable in the most common denomination USD. The protocol was integrated by multiple high profile lending protocols, such as Aave, Yearn and Fuse as collateral and is also used as a [reserve currency](#) in some [DAOs \(also shown on the RAI holder list on Etherscan\)](#)(FEI protocol, Frax Finance, GnosisDAO) showing initial signs of product-market fit.

Score: 8

c) Target market size? (10 points)

The target market size evaluates the current and future size of the problem the protocol is aiming to solve. The category of the Open Finance solution can be used as a reference to the target market (for example: Lending). Because Open Finance is by definition global, the global market for a specific problem equals the target market size.

Answer: The use cases for reflex indexes are versatile, which makes estimating the target market size more difficult. The primary use cases are debt collateral within DeFi and being the reserve currency within DeFi, Focusing on using RAI as debt collateral, the total market size for lending in DeFi is [\\$ 46 Billion](#) and the 20 largest DAOs together hold [\\$6 Billion](#) in their treasury, which points also to a high potential market.

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: As mentioned above as RAI is a very new type of stable coin it is difficult to compare to pegged stable coins. Although there are significant factors that differentiate the RAI from pegged

stable coins, in the market cap comparison or when considering the number of holders, RAI is less distributed and has a much lower market cap, but integrations from key protocols also point at the potential of the protocol as DeFi reserve currency, which is a use case with very high potential within DeFi as it is a DeFi native stable coin, only backed by Eth. This lack of reference outside of DeFi is a competitive edge over other stable coins.

Stable Coin	Market Cap (\$)	Holders	Pegged
DAI	8,869,291,881.0	439,006	Yes
USDT	37,828,710,009.8	4,259,094	Yes
USDC	35,967,458,951.6	1,331,109	Yes
FRAX	1,284,074,681.9	6,053	Yes
RAI	77,729,265.7	2,517	No

*taken from etherscan

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 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: The RAI is integrated with a lot of high profile DeFi protocols: the money markets: Aave, Fuse, Yearn, Barnbridge, as collateral or reserve asset: FEI protocol, Frax Finance, GnosisDAO as well as listed on the relevant exchanges: Uniswap, Sushiswap, Curve, CoinbasePRO.

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: The governance or ungovernance token of the reflexer protocol is the FLX, with a total supply of 1M. [The token was initially distributed as follows:](#)

- 35% GEB Foundation (out of which 0,687% were airdropped to ProtoRAI users)
- 21% distributed to early supporters and backers (with 2-year vesting, 1-year fully locked)
- 20% employees, contributors & service providers (with varying vesting schedules)
- 11,3% various investors (with 2-year vesting, 1-year fully locked)
- 9,31% corporate property of reflexer labs - no vesting
- 3,39% distributed to DAOs involved in bootstrapping Reflexer (with 2-year vesting, 1-year fully locked)

The current distribution of the FLX token can be checked [here](#), at the time of writing only 35% of the total supply is in circulation of which ~20% is held by the treasury, and ~5% is in the [Uniswap V2 FLX/WETH](#) pool, so ~10% is really distributed, of which the largest 10 holder addresses (non contract) control ~3% and the 10 largest contract holder addresses hold also ~3% (20 addresses controlling ~60%).

Score: 10

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: The protocol token [FLX](#) serves two main purposes, a backstop mechanism for RAI and governance. The backstop mechanism: FLX can be staked, accruing value while providing security to the protocol, governance: the protocol aims at being ungoverned, not relying on any human interaction but being totally controlled by code, this ideal state is the goal where the governance should take RAI, by setting the relevant parameters for the automation with real-life data and continually renounce control of the governance token, once the RAI is running almost automatically the governance is limited to spending the treasury to advance the protocol and if necessary update the oracle part of the RAI.

Score: 8

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: The initial distribution favored early adopters and backers, and the ungovernance token is distributed in [different ways](#): minting and LPing RAI on either Uniswap V2 or Uniswap V3 and staking FLX, providing the first line of defence for the protocol. Notably the liquidity incentives include minting of RAI, meaning providing liquidity with RAI bought on the secondary market does not earn FLX incentives, an interesting mechanism to make sure the incentives actually create more RAI in circulation.

Score: 8

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: Yes, the value capture is included in the stability mechanism of the RAI token, which accrues value if the RAI market price is higher than the redemption price, this value is distributed to the protocol balance sheet as well as the community (FLX stakers).

Score: 8

e) Is the token sufficiently liquid to enable active use and trade? (5 points)

Is the token widely available and is there sufficient liquidity available to facilitate all protocol functionalities?

Answer: The token is available on [Uniswap V2](#) with a 24h trading volume of 2.4 million and a 2% depth of 700k.

Score: 1

f) Are there any extrinsic productivity use cases for the token? (10 points)

Besides the protocol's value distribution model as described in 2. d), can the token be used productively on other protocols (e.g. as collateral, for lending, LPing, yield farming, etc.)?

Answer: No the governance token can not be used outside of the protocol

Score: 1

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 two founders are public, CEO Stefan Ionescu and Co-Founder Ameen Soleimani, both with a lot of prior experience in the web3 space. A couple of team members are available on [LinkedIn](#) but it is often not clear what their responsibilities are.

Score: 8

b) Does the team have relevant experience? (10 points)

Are there any documents or trails available to showcase the track record of the team? Do the team members have relevant backgrounds and skill sets?

Answer: As only the two Co-Founders Stefan Ionescu and [Ameen Soleimani](#) are really publicly available, it is difficult to judge the full team from first-hand information. But both Stefan and Ameen have a lot of prior experience in the web3 space. Ameen is the founder and CEO of [spankchain](#) and MolochDAO. This and their backing by notorious investors in the space(the LAO, Paradigm) and the success of the protocol point to a very capable team.

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: Yes, the two co-founders are very public and are often on podcasts and talks sharing their vision of the future of web3, not only focusing solely on the reflexer protocol.

Defiant podcast with [Ameen Soleimani](#), Bankless podcast with Stefan Ionescu [1](#) & [2](#),

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: Yes, the team was able to raise the initial funding for the protocol, with which the bootstrapping was executed, this was raised from different parties, other DAOs as well as Investors, which shows the broad acceptance of the protocol.

Score: 8

4. Governance

The Governance section evaluates how the protocol is governed and who the governors are. The different governance functionalities and processes are evaluated to determine to what extent the Protocol will be able to self-govern in a way that ensures the development of the protocols while respecting the needs of all current and future stakeholders.

a) Admin Keys (20 points)

Admin Keys allow some critical functionalities of a protocol to be controlled by an admin. This allows the developers to react to potential bugs, but also creates a risk as the developers could potentially misuse the admin keys to exploit the protocol. Does the protocol have admin keys and how are they managed?

Answer: The founder and CEO is critical of governance in general, which is why the ultimate goal is to have as little governance as possible to guarantee the functionality of the protocol without any need for trust in the team or humans behind the protocol. ([at 12:55](#)) But currently, none of that has been implemented and how the governance for the spending the treasury is currently conducted (only within the forum, not on-chain) is not trustless, but there is a [discussion](#) to set a proper governance framework up until the end of January 2022.

Score: 10

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: The goal of the protocol is to [limit governance powers](#), enabling the almost complete automation of the system, eliminating all human interaction and thus the necessity of trust in that human interaction to truly enable trustless money. The presented timeline for the renouncing of control puts the first steps at April 2022 in the meantime the control of the relevant parameters in the contracts is still in the hands of the team.

Score: 10

c) Active Governance contributors (5 points)

Governance is a process that can be rather resource-intensive if executed well. To ensure good governance is practiced by the protocol, it's important to have a sufficient number of governors allocate resources to the governance process of the protocol. How many individuals participate in the debate around the protocol? How active are voters?

Answer: [The forum](#) is active and initially there was a lot of debate and traction from a broader community, but recently the contributors have diminished and the core contributors are also the people actively discussing proposals if they are discussed at all. As mentioned in the first section there is a discussion on the [forum](#) to create an on-chain governance infrastructure but nothing has been implemented so far.

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: Aside from their [Discord](#) server, the [forum](#) is currently the only governance infrastructure, which is not trustless or based on Ethereum. Currently, proposals are almost exclusively written by the CEO and voted on with forum surveys. Not a solid infrastructure for trustless governance. The [roadmap](#) for bigger decisions regarding the protocol states that they are to happen in April and August 2022, but how this will be implemented is unknown.

Score: 4

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 creating social consensus. Does the protocol have a formal governance process? How robust is the governance process and does it promote good governance?

Answer: Currently proposals are published, discussed and voted on in the [forum](#). Mostly written by the CEO and voted on with a forum survey, the participation in these votes was very limited in the past couple of months >10 votes each.

Score: 5

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: Yes the company behind the protocol has a legal entity in Delaware, USA called Reflexer Labs Inc.

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: Delaware USA

Score: 10

Scorecard

1. Value Proposition	Points
a) Novelty of the solution	12 / 15
b) Market fit/demand	8 / 15
c) Target Market Size	8 / 10
d) Competitiveness within market sector(s)	7 / 10
e) Integrations & Partnerships	13 / 15
Total Points - Value Proposition	48 / 65
2. Tokenomics	Points
a) Is the token sufficiently distributed?	10 / 15
b) What is the extent of the token's capabilities?	8 / 10
c) Is the issuance model able to improve the coordination of the protocol?	8 / 10
d) Is the value capture model able to accrue and distribute value?	8 / 10
e) Is the token sufficiently liquid to enable active use and trade?	1 / 5
f) Are there any extrinsic productivity use cases?	1 / 10
Total Points - Tokenomics	36 / 60
3. Team	Points
a) Is the team credible and public? (No, Partly, Yes & Anon , Yes & Public)	8 / 15
b) Does the team have relevant experience?	8 / 10
c) Does the team participate and help shape the public debate?	5 / 5
d) Is the team able to effectively attract and coordinate resources?	8 / 10
Total Points - Team	29 / 40
4. Governance	Points
a) Admin Keys	10 / 20
b) Extent of Governance capabilities	10 / 15
c) Active Governance contributors	2 / 5
d) Governance infrastructure	4 / 10
e) Robustness of Governance process	5 / 10
Total Points - Governance	31 / 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	144 / 250

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