



# Fundamental Report

Prime Rating Report V2.1

**Protocol:** O3 Swap  
**Version:**  
**Date:** 18/02/2022  
**Previous Report:** [Link to previous report](#)

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**Season/competition:** Season 2

## Scorecard

| 1. Value Proposition  | Points         |
|---|----------------|
| a) Novelty of the solution  | 12 / 15        |
| b) Market fit/demand  | 5 / 15         |
| c) Target Market Size   | 5 / 10         |
| d) Competitiveness within market sector(s)                                  | 3 / 10         |
| e) Integrations & Partnerships  | 3 / 15         |
| <b>Total Points - Value Proposition</b>                                     | <b>28 / 65</b> |
| 2. Tokenomics   | Points         |
| a) Is the token sufficiently distributed?                                   | 8 / 15         |
| b) What is the extent of the token's capabilities?                          | 1 / 10         |
| c) Is the issuance model able to improve the coordination of the protocol?  | 2 / 10         |
| d) Is the value capture model able to accrue and distribute value?          | 0 / 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         |
| <b>Total Points - Tokenomics</b>  | <b>13 / 60</b> |
| 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?                                  | 0 / 10         |
| c) Does the team participate and help shape the public debate?              | 2 / 5          |
| d) Is the team able to effectively attract and coordinate resources?        | 3 / 10         |
| <b>Total Points - Team</b>  | <b>13 / 40</b> |
| 4. Governance   | Points         |



|   |                 |
|---|-----------------|
| a) Admin Keys                                       | 0 / 20          |
| b) Extent of Governance capabilities                | 0 / 15          |
| c) Active Governance contributors                   | 0 / 5           |
| d) Governance infrastructure                        | 0 / 10          |
| e) Robustness of Governance process                 | 0 / 10          |
| <b>Total Points - Governance</b>                    | <b>0 / 20</b>   |
| <b>5. Regulatory</b>                                | <b>Points</b>   |
| a) Does the protocol have any legal accountability? | 7 / 15          |
| b) What is the quality of the legal jurisdiction?   | 4 / 10          |
| <b>Total Points - Regulatory</b>                    | <b>11 / 25</b>  |
| <b>Total</b>  | <b>65 / 210</b> |

# 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)

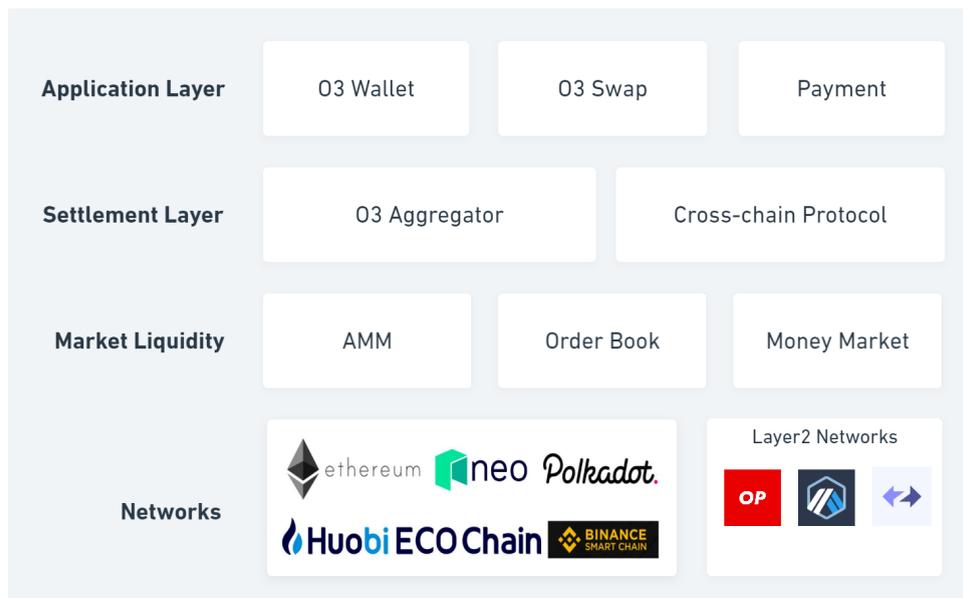
This score evaluates the novelty (uniqueness) of the protocol. Has the protocol introduced any new innovations that help solve user's problems more efficiently? Is the project a fork? To what extent did they copy/fork the original?

### Answer:

[O3 Swap](#) is a cross-chain aggregation protocol built by [O3 Labs](#). By aggregating decentralised exchanges across many blockchains, O3 Swap aims to provide its users with the best prices for any trade. Furthermore, O3 Swap uses non-custodial wallets meaning swaps can be made in a secure, trustless and permissionless manner.

To do this O3 Swap uses a [4 layer structure](#):

1. Network layer: This layer connects to many blockchain networks and forms the foundation of O3 Swap. These include Ethereum, Binance Smart Chain, Neo, Huobi, Polkadot, and Ethereum Layer 2 Networks.
2. Market Liquidity: This layer aggregates liquidity from many sources on all the networks from the network layer, allowing O3 Swap to identify the best exchange quotes.
3. Settlement layer: Here, smart contracts are used to settle transactions, and cross-chain pools are used to facilitate cross-chain asset exchanges.
4. Application Layer: This layer provides an API service so developers can build applications on top of the O3 Swap protocol.



Currently, most crypto currency transactions are carried out within single blockchains and ecosystems. By aggregating exchanges across many chains O3 Swap has the potential to drastically increase both liquidity and efficiency in the decentralised crypto market.

O3 Swap's solution to do this is quite unique. Many other protocols rely on bridges, or wrapped tokens, which are controlled by centralised entities. Else they use centralised exchanges where the users do not have custody over their tokens and wallets. By building a non-custodial trustless solution, O3 Swap may be able to maintain the decentralised properties of DEXs across many chains.

**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:**

Currently there is [\\$27 billion in total value locked](#) across all DEXs. O3 Swap's mission is to tap into all of that liquidity and provide users with the best prices across all the exchanges. This is potentially a huge market as traders hunt out the best prices.

However, the [O3 Swap Hub](#) currently shows just \$ 75 million in pool deposits and \$ 600,000 in daily trading volume. Fr comparison, Multichain has [\\$7 billion TVL and \\$ 200 million](#) in cross chain daily volume.

O3 swap's volume is extremely low and would rank O3 Swap [80th amongst DEXs](#). It is possible that O3 Swap may be too soon, and the technology too complex, and that this increase in risk is not worth the money saved by doing a cross-chain trade.

**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 rise of many layer 1 blockchains in 2021 suggests that the future of crypto is going to be multi-chain. The introduction of parachains on platforms such as Polkadot and Avalanche, will introduce even more blockchains into the crypto ecosystem. Protocols which can connect many chains whilst maintaining decentralisation and security will be [essential in that multi-chain future](#).

Currently there is [\\$ 200 billion in total value locked](#) (TVL) in DeFi across all chains. Over [half of that TVL in DeFi is on Ethereum](#), and most trading on DEXs occurs on Ethereum alone. This means that the target market for O3 Swap is currently relatively small, but if the dominance of Ethereum continues to decline, it could have massive growth potential.

**Score: 5**

## 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:**

The [O3 Swap Hub](#) currently shows just \$ 75 million in pool deposits and \$ 600,000 in daily trading volume. This volume is extremely low and would rank O3 Swap [80th amongst DEXs](#). The unique selling point to O3 Swap is its cross chain transfers, meaning its direct competitors are protocols such as [Anyswap](#) (aka Multichain), [ThorChain](#), and [Hop Exchange](#).

Multichain is the clear market leader with [\\$ 7 billion TVL](#) in its cross chain bridges. It offers swaps between a similar number of chains as O3 swap and can be used with non-custodial wallets.

ThorChain is a DEX built on the Cosmos SDK and offers swaps between evm compatible blockchains such as Ethereum, Binance Smart Chain, but also non-evm chains such as the Bitcoin and Litecoin networks. This is a feature which O3 Swap's technology cannot offer. [Thorchain has \\$ 160 million TVL](#).

Hop exchange is dedicated to swaps between Ethereum scaling solutions and has [\\$ 126 million TVL](#).

O3 Swap is in the race, but struggling to catch up with it's direct competitors and establish itself within the market.

**Score: 3**

## 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:**

In 2019 O3 Labs was acquired by bitcoin.com. However this does not seem to have made much impact on the direction of O3 Swap, and it is difficult to say how much influence bitcoin.com has on the project. At best, the acquisition provides a comfortable financial safety net.

In 2021 O3 Swap [partnered with PolyNetwork](#) to provide deeper liquidity for the DEX. However this partnership backfired when PolyNetwork was hacked in August 2021 and [O3 Swap had to suspend its cross chain trading](#).



O3 Swap offers an API for developers, however there have not been any independently developed apps using it to date.

Score: 3

## 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 behaviour 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 O3 Swap token exists on multiple blockchains. It has [5000 holders](#) on Ethereum, [28,000 holders](#) on BSC, [5000 holders](#) on Polygon, and [35,000 holders](#) on Heco. The majority of these holders were acquired through the [Ice Age mining](#), and [Icing Sugar mining](#) programs where users could stake liquidity provider tokens to earn O3 tokens.

The distribution of holders looks very similar on each of the chains: The largest amount of tokens are held by O3 swap either in staking contracts, burn addresses or a deployer, then a large proportion is on exchanges, followed by a very wide, even distribution of small amounts amongst personal wallets. This probably represents the stakeholders of the protocol reasonably well; the protocol itself has the vast controlling influence, followed by a large number of users.

Score: 8

### 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:

[O3 can be burned to mint an NFT](#) which would give users the option to mint DAO3 tokens. The DAO3 token is set to be the governing token for the O3 DAO, the DAO which will be set up to control O3 Swap. However as of writing the DAO does not exist and so there is no governance capabilities. O3 could be [staked in the O3 vault](#) to earn more O3 tokens, however this has now ended. Beyond this the token can be paired as an LP on DEXs such as [PancakeSwap](#), but the low trading volume means this is unlikely to be profitable.

Score: 1

### 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 behaviour? Are all relevant stakeholders benefiting from the issuance model?

**Answer:**

O3 tokens have been issued as rewards in various promotional liquidity mining programs such as [Icing Sugar mining](#). These promotions incentivised users to deposit their tokens and provide liquidity for cross-chain swaps in the O3 ecosystem. As the chart below shows, liquidity spiked during these programs but has not lasted after the mining program ends. The mining rewards effectively rented liquidity for a short period, but has failed to attract a long term user base.



Score: 2

### d) Is the value capture model able to accrue and distribute value? (10 points)

A value accrual and distribution mechanism can help improve the utility of a token and its ability to be used as an effective coordination mechanism. Does the protocol have mechanisms to distribute some of the value created to the token holders?

**Answer:**

The distribution model does not have any mechanisms in place to distribute value to token holders.

Score: 0

### 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:**

O3 is available at [13 centralised and decentralised exchanges](#). The 24 hour trading volume is \$ 2.9 million with the



vast majority taking place at Chinese exchange Bibox. This low volume and small exchange support means it is not very liquid.

| #  | Exchange         | Pair                               | Price      | Spread | +2% Depth | -2% Depth | 24h Volume  | Volume % |
|----|------------------|------------------------------------|------------|--------|-----------|-----------|-------------|----------|
| 1  | Gate.io          | O3/USDT                            | \$0.388160 | 0.85%  | \$34,075  | \$59,341  | \$282,155   | 9.59%    |
| 2  | Bibox            | O3/USDT                            | \$0.391425 | 0.03%  | \$3,736   | \$5,797   | \$2,077,558 | 70.64%   |
| 3  | Hoo.com          | O3/USDT                            | \$0.387995 | 0.08%  | \$7,881   | \$16,901  | \$117,441   | 3.99%    |
| 4  | BitMart          | O3/USDT                            | \$0.385461 | 1.36%  | \$10,063  | \$15,557  | \$42,232    | 1.44%    |
| 5  | PancakeSwap (v2) | O3/BUSD <a href="#">Live Chart</a> | \$0.387033 | 0.6%   | \$8,347   | \$8,322   | \$83,935    | 2.85%    |
| 6  | MEXC Global      | O3/USDT                            | \$0.385762 | 0.75%  | \$1,603   | \$7,305   | \$410,562   | 13.96%   |
| 7  | XT.COM           | O3/USDT                            | \$0.384422 | 0.91%  | \$1,781   | \$11,810  | \$3,541     | 0.12%    |
| 8  | Huobi Global     | O3/USDT                            | \$0.387858 | 0.82%  | \$1,815   | \$5,397   | \$210,118   | 7.14%    |
| 9  | CoinEx           | O3/USDT                            | \$0.384865 | 0.7%   | \$1,332   | \$1,486   | \$21,868    | 0.74%    |
| 10 | ZB               | O3/USDT                            | \$0.386754 | 1.82%  | \$1,439   | \$2,073   | \$8,564     | 0.29%    |
| 11 | Gate.io          | O3/ETH                             | \$0.387426 | 3.0%   | \$12      | \$3,187   | \$24,345    | 0.83%    |
| 12 | Makiswap         | MAKI/O3 <a href="#">Live Chart</a> | \$0.388684 | 0.62%  | \$472     | \$470     | \$1,366     | 0.05%    |
| 13 | Huobi Global     | O3/BTC                             | \$0.387083 | 1.13%  | \$826     | \$80      | \$34,403    | 1.17%    |
| 14 | AEX              | O3/USDT                            | \$0.398757 | 1.24%  | \$130     | \$260     | \$81,889    | 2.78%    |
| 15 | ZB               | O3/QC                              | \$0.387596 | 4.34%  | \$0       | \$0       | \$70,956    | 2.41%    |

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:**

The O3 token can be used in a handful of liquidity pairs on DEXs but trading volume, and therefore fees, are relatively low. Otherwise, there are no extrinsic use cases.

Score: 1

## 3. Team

The Team section describes the quality of the team behind the protocol. The current version of Prime Rating favours 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:**

O3 Labs was founded by software developers [Andrei Terentiev](#) and [Nick Fujita](#) in 2018. Both officially worked for bitcoin.com after the acquisition in 2019. Nick has since moved on, while Andei remains as Director of Engineering at bitcoin.com. The public facing team for O3 Swap include [product lead, Tim Kuo, community lead, Caroline Williams](#) and communications director [Matt Powers](#). There is little information about the background of the team.

**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:**

Information regarding the current team members and their experience is not publicly available.

**Score: 0**

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

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

**Answer:**

The team members only participates publicly to market and [update on the progress of O3 labs](#). However the official [O3 Labs twitter](#) account does attempt to drive engagement by commenting on the crypto twitter issues of the day.

**Score: 2**

## **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 acquisition of O3 Labs by bitcoin.com has certainly given the project a good financial safety net, allowing them to experiment and take chances with new projects such as O3 Swap. However the critical problem for O3 Swap at this point is attracting liquidity and users. In that regard the team is failing as both are in decline.

**Score: 3**



## 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:**

There is no public information available regarding admin keys. O3 Swap is run by O3 Labs, itself owned by bitcoin.com. It is likely that the keys are in control of this private company.

**Score: 0**

### 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 O3 DAO has [been proposed](#) to take control and decentralise O3 Swap. However, as of writing the DAO has not been formed and the Governance button on O3 swap simplays says "Coming Soon":



**Score: 0**

### 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:**

There is no active governance in place and so no active contributors.

**Score: 0**

### 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 [O3 Swap Litepaper](#) outlines the intentions for governance infrastructure for the O3 DAO:

1. A proposal is submitted on Discord. The proposal must meet certain guidelines, then it is voted on by users. Once it reaches a certain threshold of likes it proceeds to the next stage.
2. The proposer must hold a certain amount of DAO3 tokens and submit the proposal in the O3 governance portal.
3. DAO3 holders can vote using their tokens on the governance portal. Regardless of whether the vote passes, if the number of votes reaches quorum, all voters will be rewarded with O3 tokens
4. A 2-day notice period starts if a proposal is approved. During this period, users and O3 Labs can value the potential risk and users can take measures to protect their assets.
5. When the notice period finishes, the execution starts.

As of writing the O3 governance portal does not exist and this process has not been tested.

**Score: 0**

### **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:**

As of writing the O3 governance portal does not exist and this process has not been tested.

**Score: 0**

## **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:**

[O3 Swap is developed by O3 Labs.](#) [O3 Labs was acquired by bitcoin.com in 2019.](#) [Bitcoin.com is owned by Saint Bitts LLC.](#) There is however, limited information about how much control bitcoin.com currently has over O3 swap.

**Score: 7**



## 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:**

As explained above, O3 Swap is owned by St Bitts LLC, which is registered in [St Kitts and Nevis](#).

**Score: 4**

**About the Author:** @SlamBadley Crypto detective with a dark academic past.

