PrimeRating

Fundamental Report

Prime Rating Report V2.1

Protocol: Sake Swap
Version: 2.1
Date: 22/02/2022
Previous Report: None

Author: Capo67
Reviewed by: Lavi
Season/competition: Season 2

Scorecard

1. Value Proposition	Points
a) Novelty of the solution	3 / 15
b) Market fit/demand	0 / 15
c) Target Market Size	7/ 10
d) Competitiveness within market sector(s)	0/ 10
e) Integrations & Partnerships	3 / 15
Total Points - Value Proposition	**13 / 65**

2. Tokeneconomics	Points
a) Is the token sufficiently distributed?	2 / 15
b) What is the extent of the token's capabilities?	3 / 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?	2 / 10
e) Is the token sufficiently liquid to enable active use and trade?	1 / 5
f) Are there any extrinsic productivity use cases?	2/ 10
Total Points - Tokenomics	**12/ 60**

3. Team	Points
a) Is the team credible and public? (No, Partly, Yes & Anon , Yes & Public)	0 / 15
b) Does the team have relevant experience?	0 / 10
c) Does the team participate and help shape the public debate?	0/ 5
d) Is the team able to effectively attract and coordinate resources?	3/ 10
Total Points - Team	**3 / 40**

4. Governance	Points
a) Admin Keys	**0 / 20**
b) Extent of Governance capabilities	**8/ 15**
c) Active Governance contributors	**0 / 5**
d) Governance infrastructure	**1 /10**
e) Robustness of Governance process	**5 / 10**
Total Points - Governance	**14 / 60**
5. Regulatory	**Points**
a) Does the protocol have any legal accountability?	**0 / 15**
b) What is the quality of the legal jurisdiction?	**0 / 10**
Total Points - Regulatory	**0 / 25**
Total	**42 / 250**

1. Value Proposition

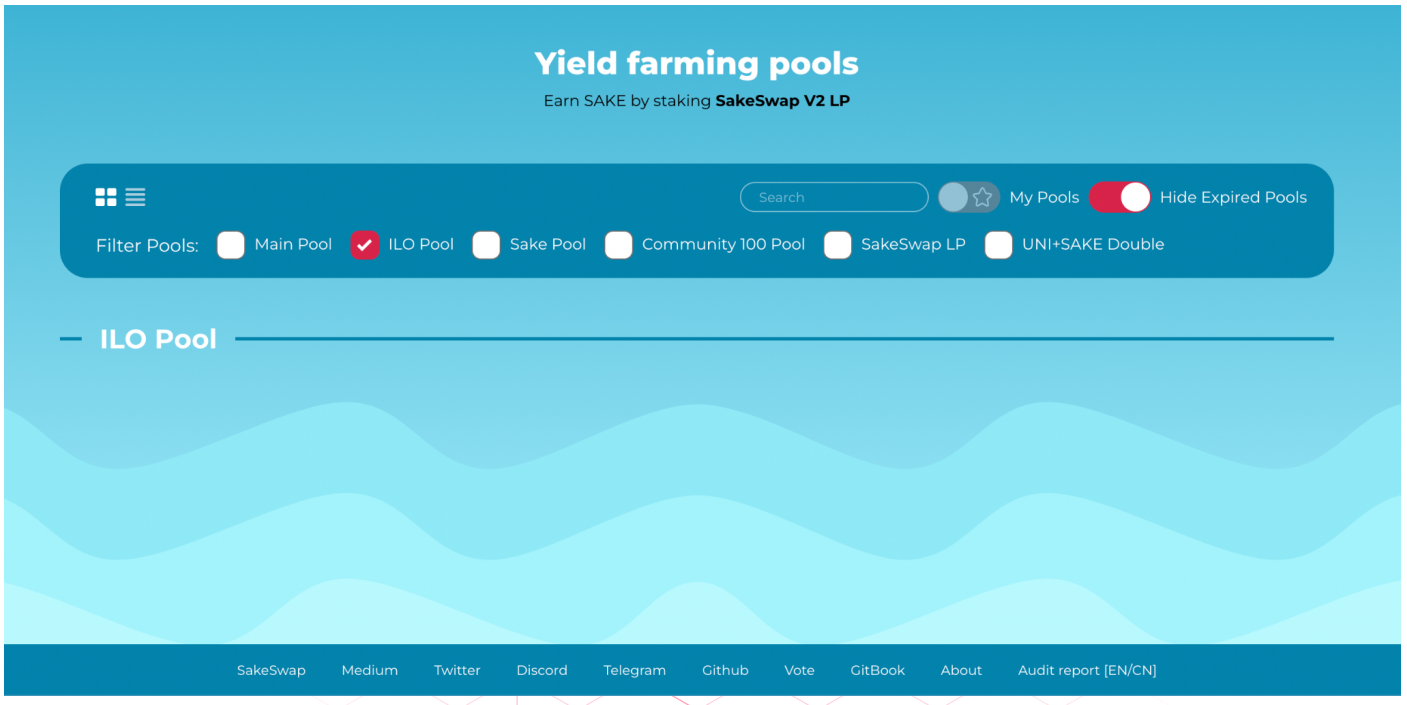
The Value Proposition section describes the value a protocol delivers to its users. Based on the proportion of the problem the protocol aims to solve and the potential of the protocol to effectively solve the problem - better than other industry solutions - a Value Proposition rating is created.

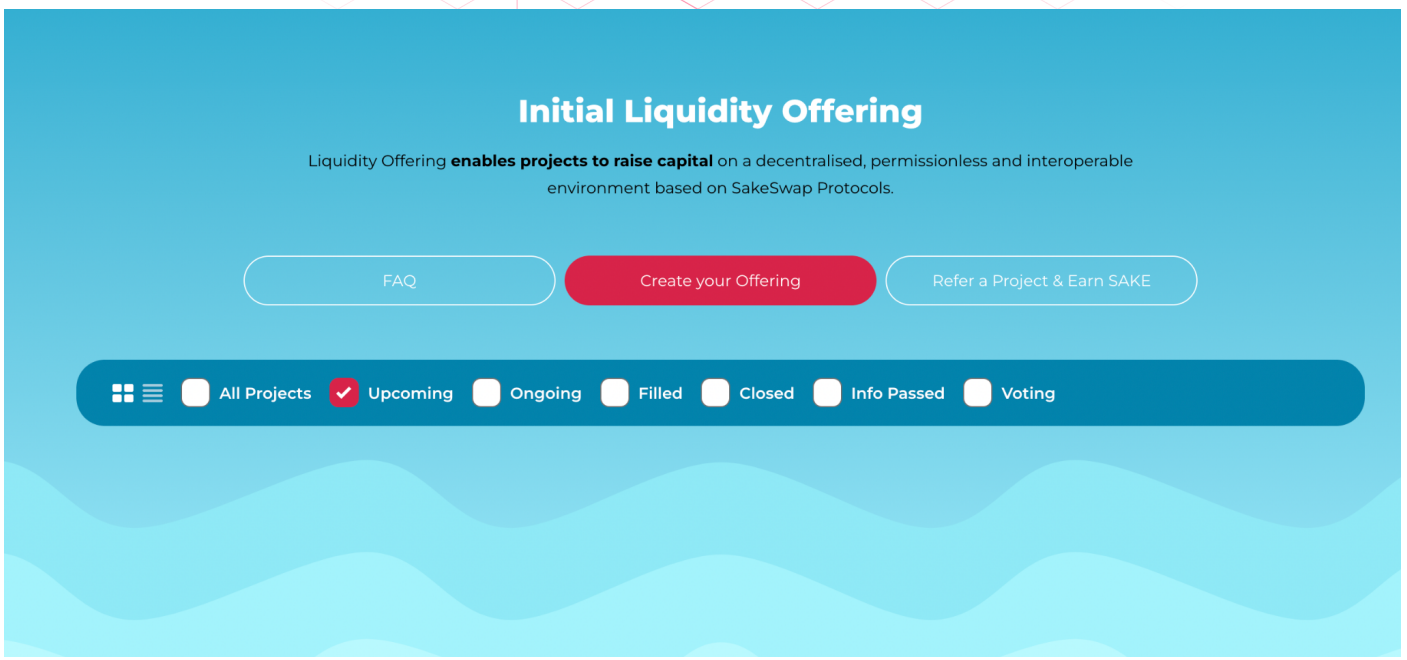
a) Novelty of the solution (15 points)

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: Okay where to even begin on this one. SakeSwap is a UniSwap fork with a few new 'ideas' , to separate itself from the cutlery jar of UniSwap forks. The two flagship additional services of SakeSwap are their ILO (Initial Liquidity Offering) and their SakePerp (Perpetual contact and a synthetix system with a virtual automated market maker (vAMM) and leverage on the Binance Smart Chain (BSC). Outside of these innovations, the SakeSwap dApp offers farms, staking, NFT's, analytics and a migration option.

Now, normally with relatively new and innovative ideas, this would render a high-ish score in the 'Novelty of the solution' section. However, if we have a look at the ILO section of active farms, we can see there are literally zero options to provide liquidity, see photo.





They did manage to have 6 projects launch using the ILO feature of SakeSwap, four being successful and two seemingly dead in the water. See photos before

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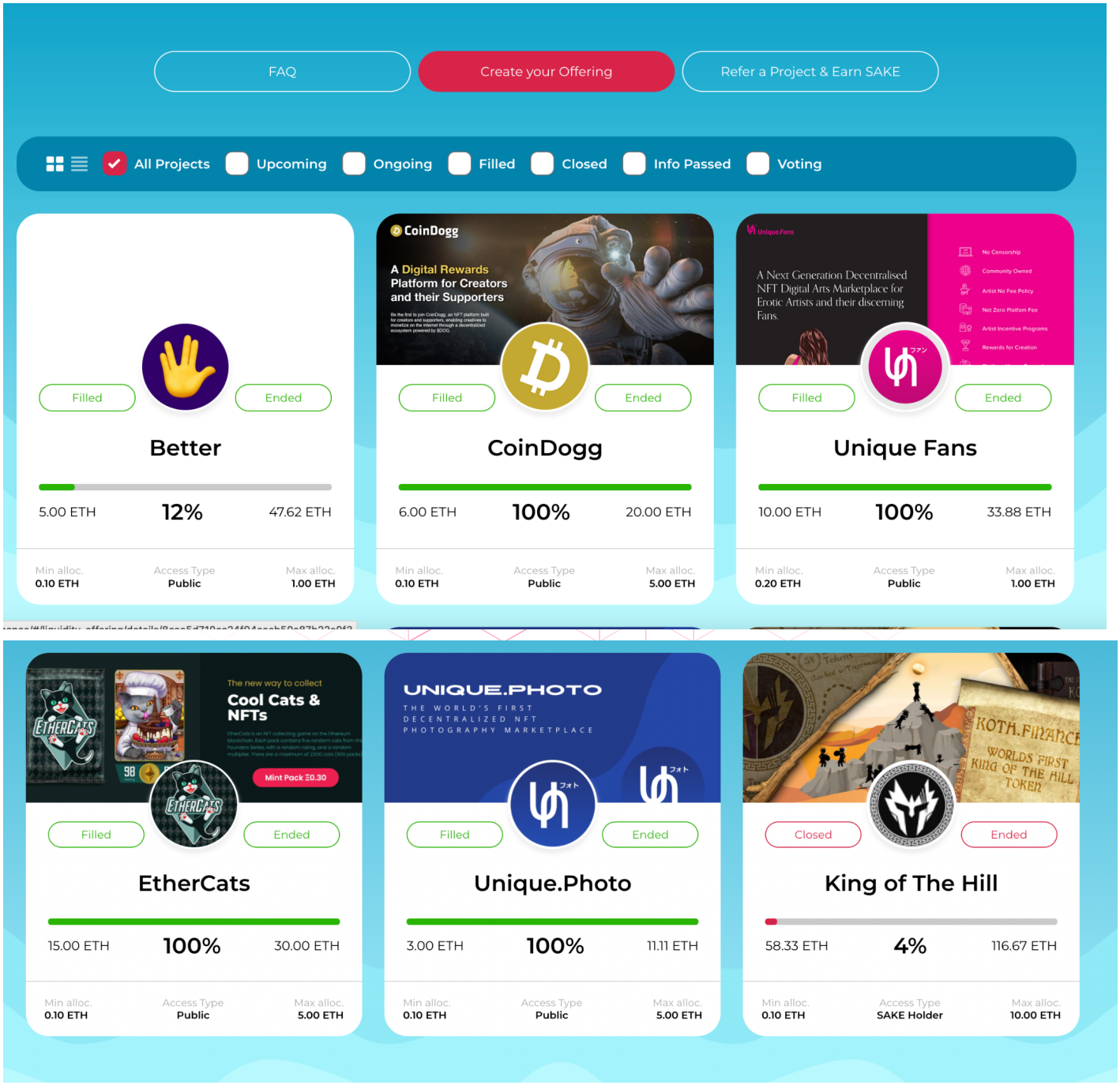
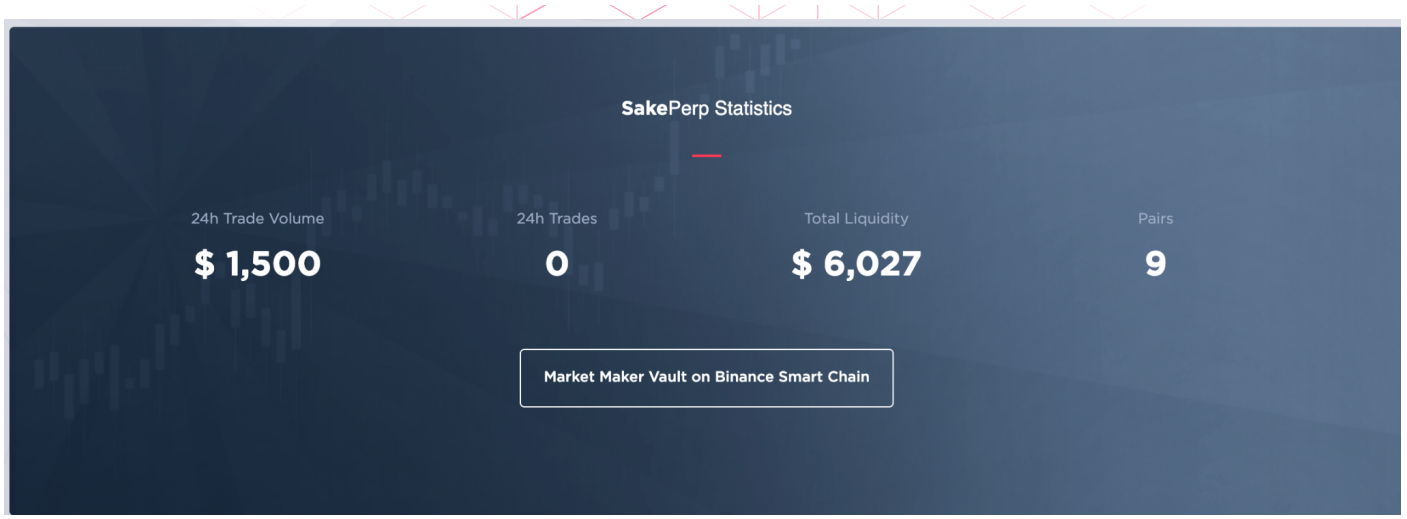


As for the SakePerp option, well… see photos below.

404 | This page could not be found.



The first of the last two photos are the direct link from their Medium article released on April 8th, 2021, and the second is an oddly confusing metric counter displaying 0 trades in 24 hours, with a total of $1500 USD 24H Trade Volume with a total of ~$6k Liquidity. You can say you're going to build the future of DeFi, but until you can prove it via trackable metrics it won't count for much.

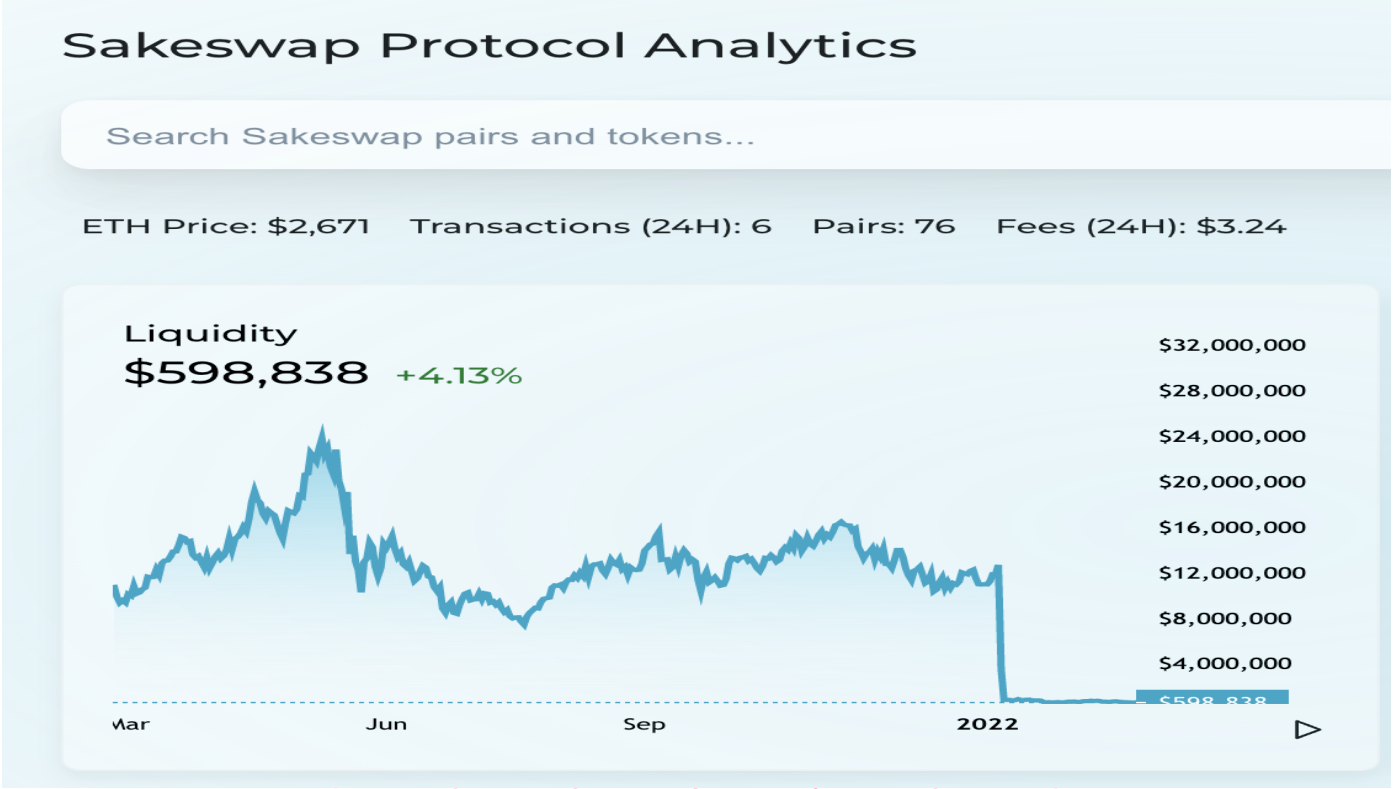
Score: 3

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: One can argue that the need for competition is necessary for growth moving forward in DeFi, however SakeSwap doesn't seem to be competing with any project or even themselves, as there is an average of less than 1 transaction per day on both the Erc-20 contract, and the Bep-20 contract. If the team was active and trying to find solutions to the roadblocks they have faced since launch, then maybe this would get a mediocre score. However, I can not justify saying that this protocol has even a MEDIOCRE market fit or demand when the team has vanished.

Ironically enough, they have their own analytics tool, which shows a likely rug pull at the end of 2021, when liquidity dropped from $11m USD to $400k USD. See photo below,



Score: 0

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: When speaking about AMM's, there is obviously a high target market size as AMM's have a market cap of $12.9 Billion USD according to coingecko on February 22nd, 2022.

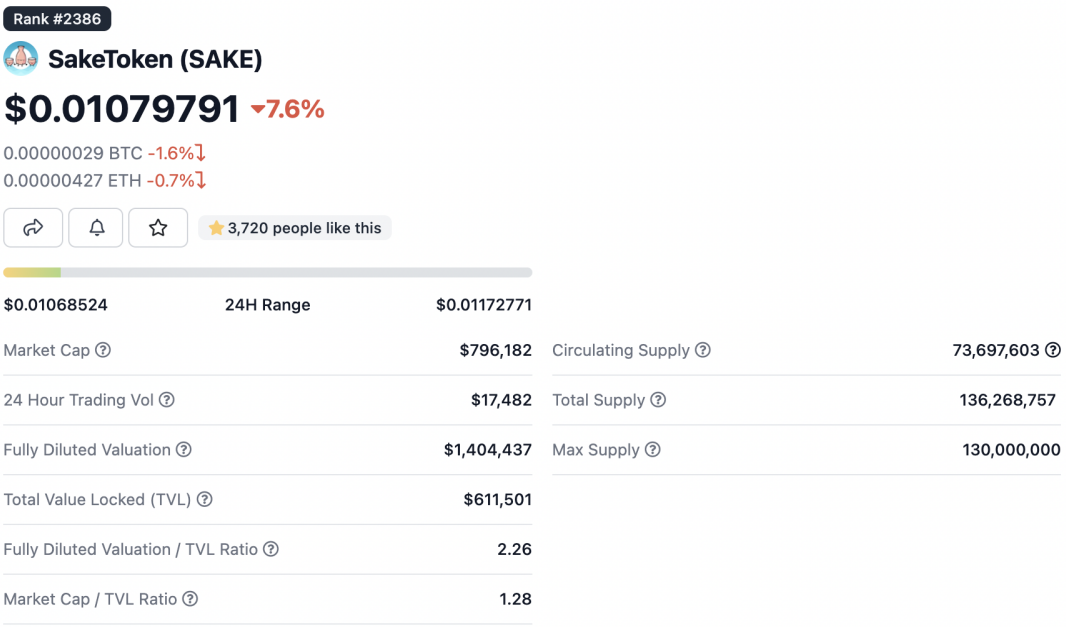
However, you will not see SakeSwap accounting for much of that, as once again the team has seemed to abandon the project and there is minimal interaction with the SakeSwap smart contracts. With that being said, this section is about the target market size of the particular protocol, this might be the only section where SakeSwap scores high.

Score: 7

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: I am going to keep this section short and sweet as it doesn't take much research to determine that SakeSwap is unable to compete with pretty much any active project in the AMM sector. I will attach two photos below which visually and metrically represent SakeSwaps ability to compete within the AMM market sector.



Here we see the 24 hour Trading Volume of Sake Token at $17,482, compared to some similar projects see photos below.

SUSHI token has a 24 hour Trading Volume of $97,390,405 USD,

UniSwap token has a 24 hour Trading Volume of $175,707,468 USD

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Rank #116

Sushi (SUSHI)

$3.46 ▲7.2%

0.00009052 BTC 3.5%↑
0.00128542 ETH 0.9%↑

101,577 people like this

$3.23	24H Range	$3.46
Market Cap		$666,767,219
24 Hour Trading Vol		$97,390,405
Fully Diluted Valuation		$864,632,232
Total Value Locked (TVL)		$5,679,635,431
Fully Diluted Valuation / TVL Ratio		0.15
Market Cap / TVL Ratio		0.12

Rank #34

Uniswap (UNI)

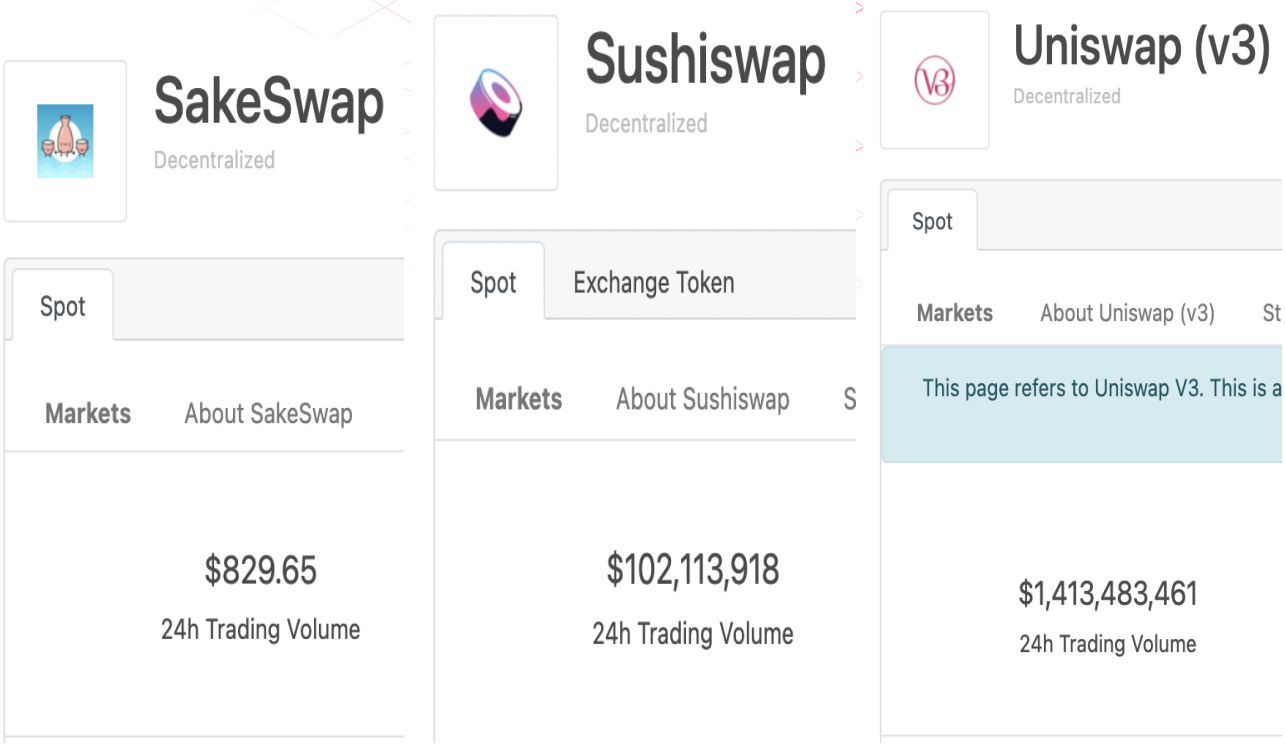
$9.16 ▲7.5%

0.00023704 BTC 3.1%↑
0.00336380 ETH 0.5%↑

179,121 people like this

$8.51	24H Range	$9.07
Market Cap		$4,181,773,962
24 Hour Trading Vol		$175,707,468
Fully Diluted Valuation		$9,160,721,546
Total Value Locked (TVL)		$7,617,787,462
Fully Diluted Valuation / TVL Ratio		1.2
Market Cap / TVL Ratio		0.55

When we look at the total volume traded on each respective DEX, we can see that SakeSwap falls short against the competitors again totaling a 24 hour DEX trading volume of $829.65 USD, SushiSwap totalling $102,113,918 USD and UniSwap totalling a whopping $1,413,483,461USD.

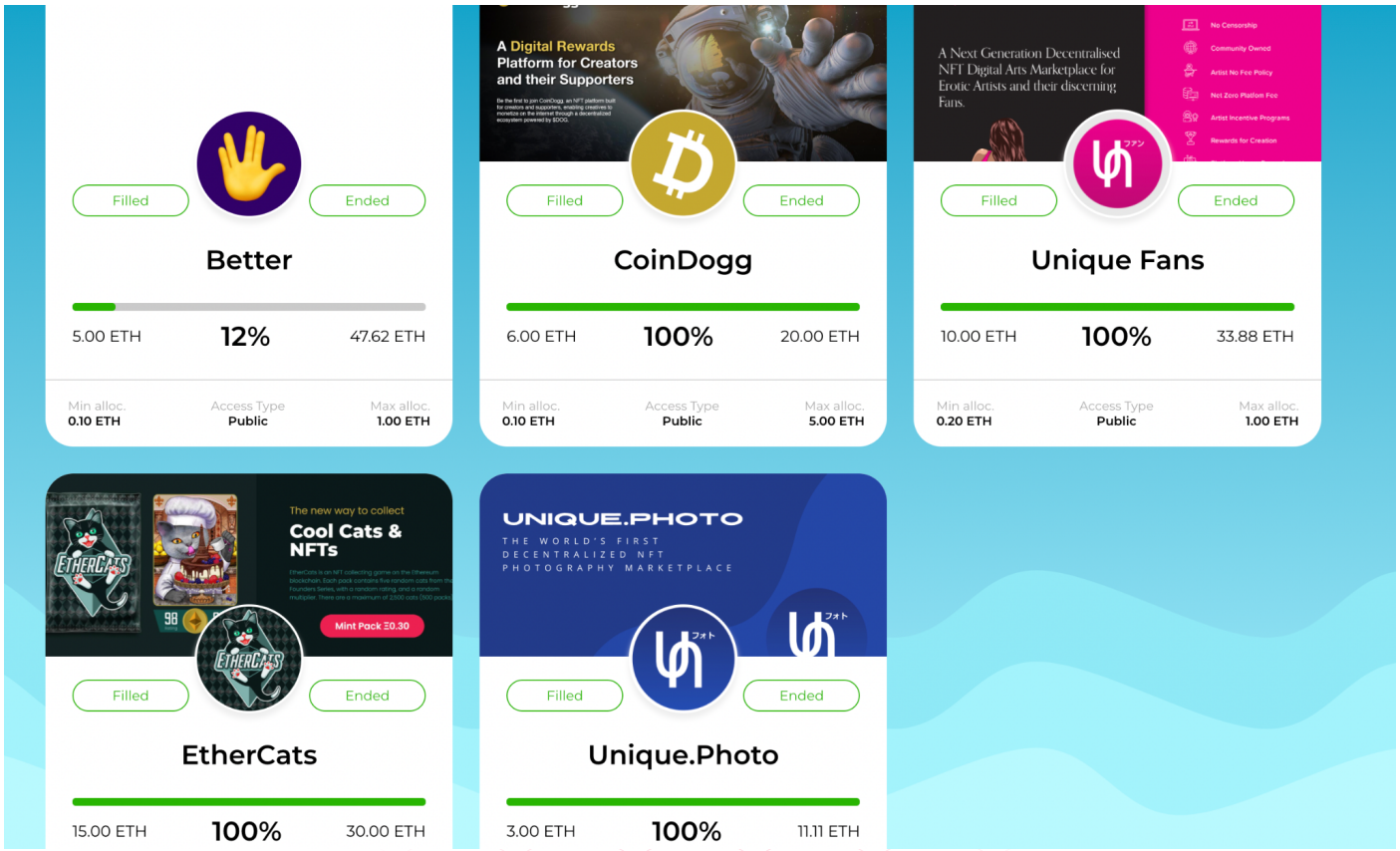


Score: 0

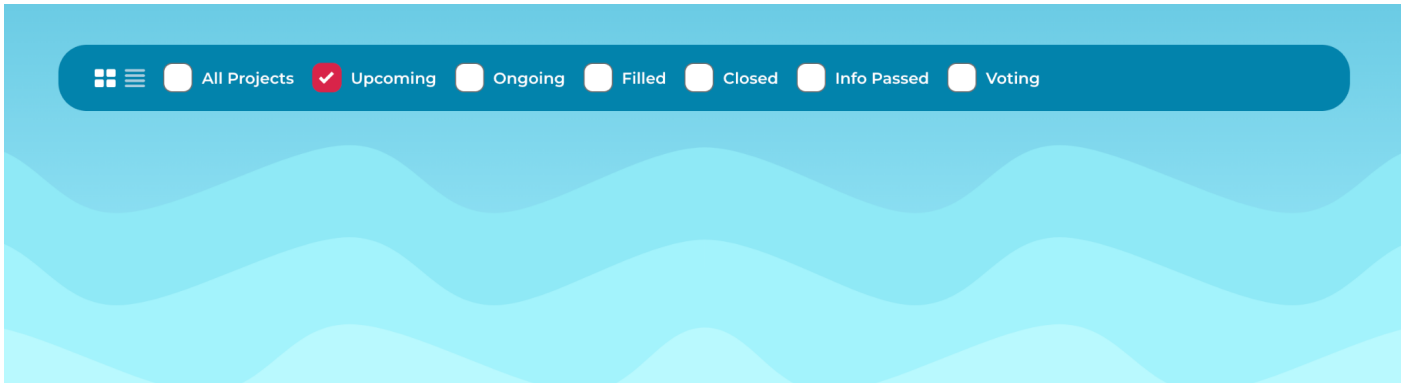
e) Integrations & Partnerships (15 points)

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).

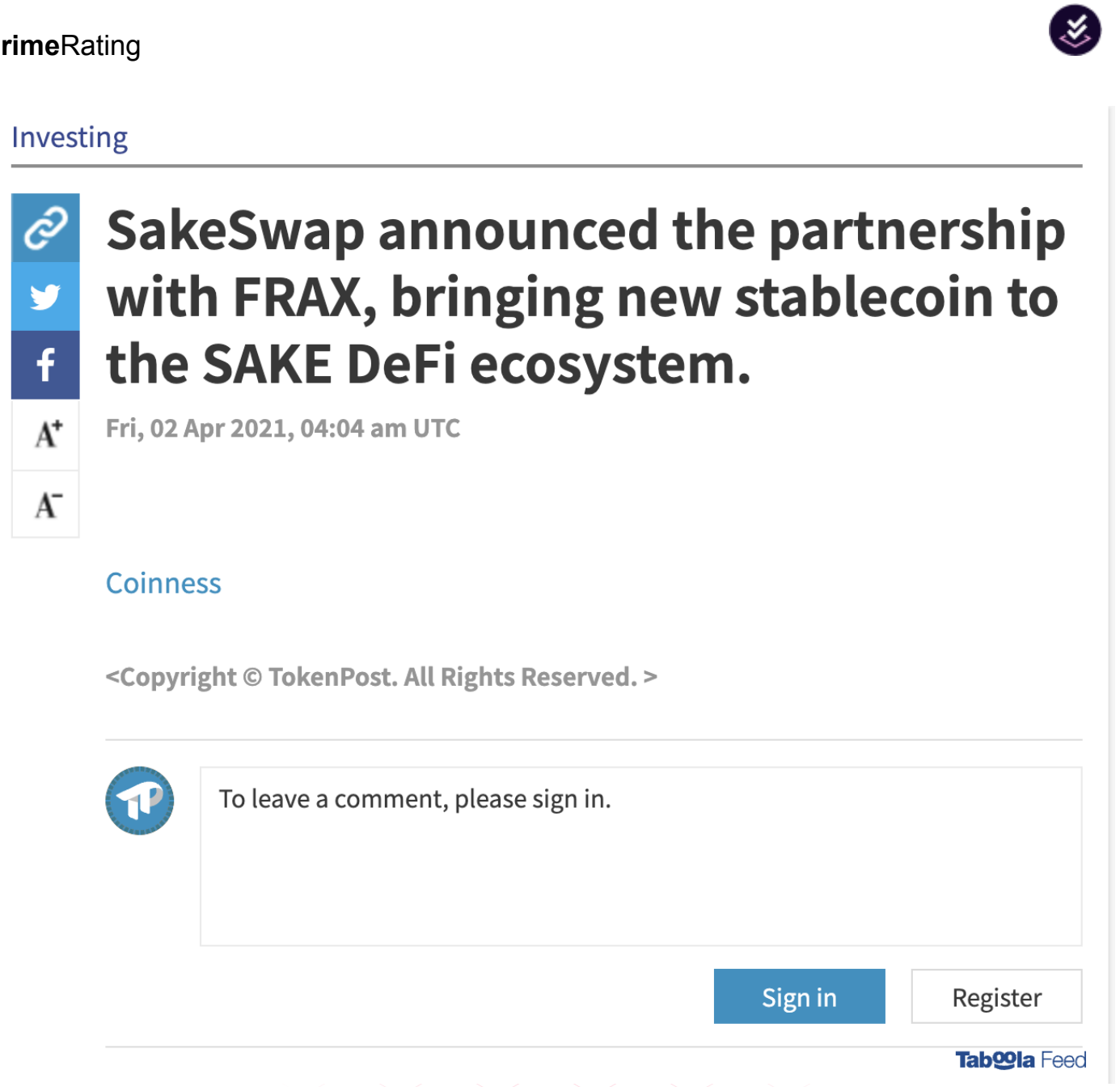
Answer: Let's start with integrations, in terms of the ILO feature SakeSwap offers, it seemed to have some success at the time of its inception have a few successful ILO's



However if we look at the upcoming projects using the protocols ILO feature, we can see that it's a big old 0.



As for partnerships, SakeSwap managed to create a partnership with QLC chain in April, 2021 right after the launch of SakeSwap and another partnership with Zenlink in May of 2021. Outside of those partnerships, which have since failed to produce any benefit to the SakeSwap Protocol, I found one article announcing a partnership with FRAX, however this is the extent of that article. See photo below.



So needless to say, I don't think SakeSwap has managed to obtain partnerships or integrations beneficial to the protocol.

Score: 3

2. Tokeneconomics

The Tokeneonomics section assesses the function of a protocol's token. This includes the token distribution, functionalities of the token, the ability of the token to incentivize positive 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)

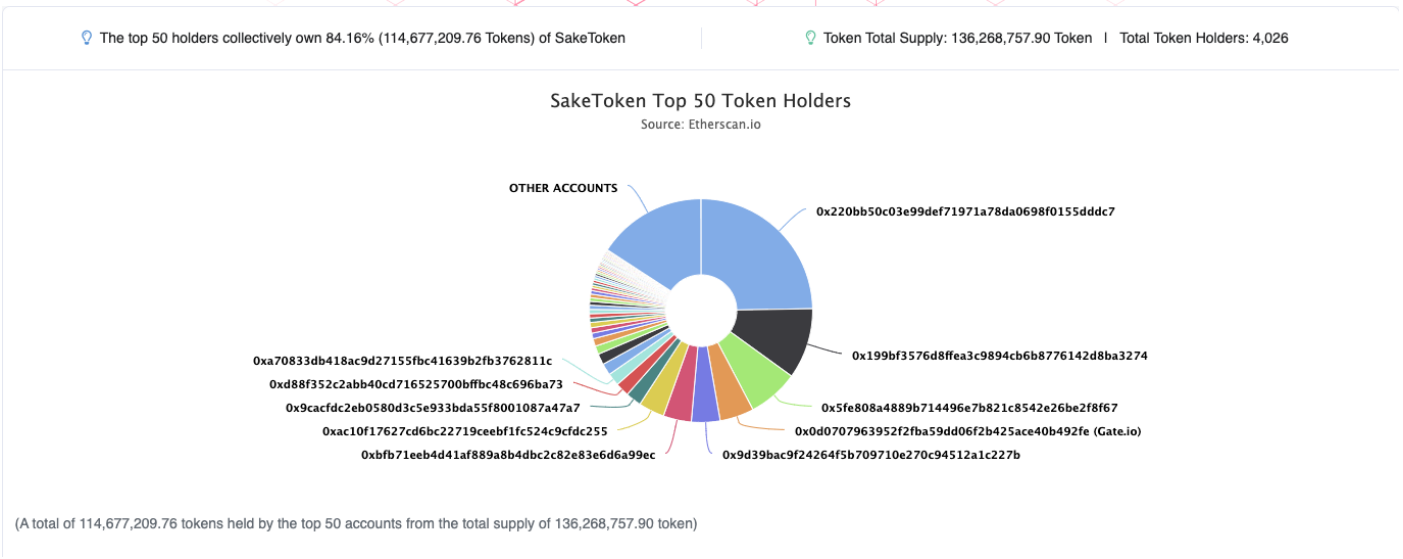
The token distribution can be an indicator of a healthy protocol. When the protocol tokens are widely distributed

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 top 50 wallets hold 84.16% of SakeToken. When looking at the wallets that hold anything over 1%, it does not seem to indicate that any of these wallets are individual holders, as most of the addresses have not interacted with the SakeToken contract address, exchange wallets or contract addresses.

When looking at the holders of SakeSwap there is overwhelming evidence that the project is dead as almost no wallet address in the top 20, disregarding exchange wallets and contract addresses, has made a SakeSwap transaction in over 60 days.

0xf546a73400d885dd0df63bb75511ac16cf30d462
0x071b8bc181ae7cb03f5faece9b5b8b25be9b0982
0x00290ffc9e9d19bda7b25c6e44d8adf55dfbf2dd
0x4d73fa10dc78aeaa6c77c7e70ac3ea3faaefb5e8
0x103acdb9a613656b78020665130bcafd29be0433



Overall SakeSwap has a very poor distribution of tokens if we are considering the future of the protocol, if there even is one anymore.

Score: 2

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 tokens capabilities are as followed, from their gitbook

"Governance

The SAKE token has two functions, which are entitling SAKE holders to governance rights and a portion of the fees paid to the protocol. Eventually, SAKE holders will own the protocol. SAKE tokens can entitle liquidity providers and traders to continue earning the benefit of the protocol development, which means the early adopters will be significant stakeholders of SakeSwap. Meanwhile, SakeSwap involves tokenomics of deflation to support the token price from a structural perspective."

This is actually a pretty decent token capability model, if the protocol was still actively voting on protocol decisions or if the protocol was being used and was generating significant fee's to the protocol itself. However as the project has almost no volume, and the Sake price is hovering around an ATL, these rewards are next to nothing.

Score: 3

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: SakeSwaps deflationary tokenomics help fight the problem of inflation, however without an active protocol, this is useless.

From the Token Distribution section in their introductory Medium article

"📈 **Token Distribution**

SAKE Token will be distributed in LP yield farming and traders trading mining.

Phase I. Yield farming: for Liquidity Providers

- default **100** SAKE per block
- **0.5 x** in the first ~5 days (35,000 blocks)
- **10 x** in the next ~**15** days (100,000 blocks)
- 1 x in the last ~15 days (100,000 blocks)

Phase 1 mining supply: 0.5*100*35,000 + 10*100*100,000 + 100*100,000 = 111,750,000

To make the yield farming as easy as possible for current Uniswap LP token holders, Uniswap LP token holders, as we have learned from Sushiswap, can start farming directly by staking their LP tokens into SakeSwap.

After the 5-day beta test farming (0.5 x), we will have 15-day Accelerated Farming (10 x) to thank our early SakeSwap supporters.

The initial set of pools:

- CeFi Stablecoins: USDT-ETH, USDC-ETH
- DeFi Stablecoins: USDC-USDT, DAI-ETH
- Lending Protocols: COMP-ETH, LEND-ETH
- Synthetic Assets: SNX-ETH
- Oracles: LINK-ETH, UMA-ETH
- AMM: CRV-ETH, SWE-ETH
- Layer 2: STAKE-ETH, SRM-ETH
- Rebase Protocol: GRAP-ETH, YAMv2-ETH, BASED-ETH
- Mining Aggregator: YFI-ETH, YFII-ETH, SUSHI-ETH
- Delicacy: SAKE-ETH (**10x** reward)
- Surprise: ❓-ETH

When SAKE governance is online, SAKE holders can propose a change to the SakeSwap protocol. Changes might include adding new pools, changing the SAKE weight or sunsetting a current pool."

This distribution model actually looks pretty good on paper, and not to beat a dead horse, but the protocol needs activity in order for this to be beneficial to the protocol itself, and since the team is nowhere to be found, and the trading volume is so low, it seems that it renders little to no benefit to the protocol.

Score: 2

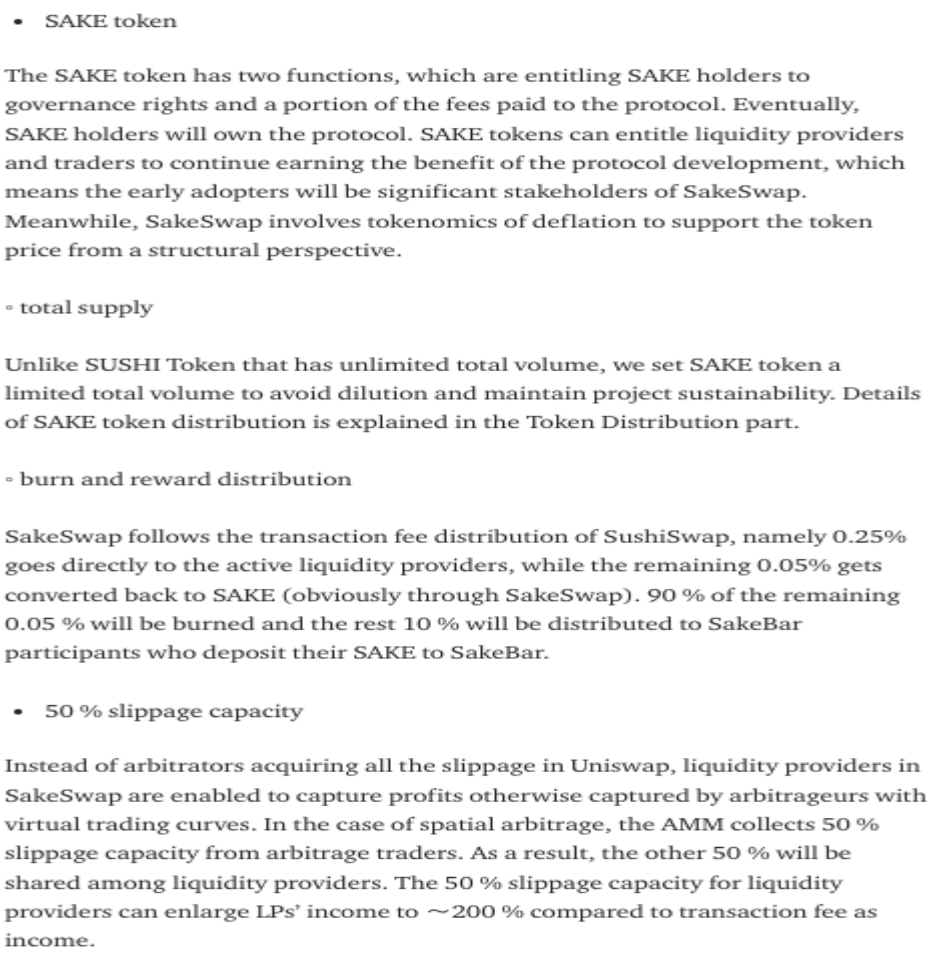
d) Is the value capture model able to accrue and distribute value?

(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: In short, yes SakeSwaps value capture model is there, but once again without active users within the protocol, the value distribution loses its…. Value.

See photo from their medium article below,



- SAKE token

The SAKE token has two functions, which are entitling SAKE holders to governance rights and a portion of the fees paid to the protocol. Eventually, SAKE holders will own the protocol. SAKE tokens can entitle liquidity providers and traders to continue earning the benefit of the protocol development, which means the early adopters will be significant stakeholders of SakeSwap. Meanwhile, SakeSwap involves tokenomics of deflation to support the token price from a structural perspective.

◦ total supply

Unlike SUSHI Token that has unlimited total volume, we set SAKE token a limited total volume to avoid dilution and maintain project sustainability. Details of SAKE token distribution is explained in the Token Distribution part.

◦ burn and reward distribution

SakeSwap follows the transaction fee distribution of SushiSwap, namely 0.25% goes directly to the active liquidity providers, while the remaining 0.05% gets converted back to SAKE (obviously through SakeSwap). 90 % of the remaining 0.05 % will be burned and the rest 10 % will be distributed to SakeBar participants who deposit their SAKE to SakeBar.

- 50 % slippage capacity

Instead of arbitrators acquiring all the slippage in Uniswap, liquidity providers in SakeSwap are enabled to capture profits otherwise captured by arbitrageurs with virtual trading curves. In the case of spatial arbitrage, the AMM collects 50 % slippage capacity from arbitrage traders. As a result, the other 50 % will be shared among liquidity providers. The 50 % slippage capacity for liquidity providers can enlarge LPs' income to ～200 % compared to transaction fee as income.

Even with a good distribution model, without activity on the protocol the value accrual is limited.

Score: 2

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

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

Answer: According to CoinGecko, SakeSwap token is only available on Gate.io. When we look at the holders section on

etherscan, we can see that the Gate.io wallet is number 4 in total holders, and when inspecting that wallet, the last transfer was 12 days ago (10/02/2022). Another indication of a dead project.

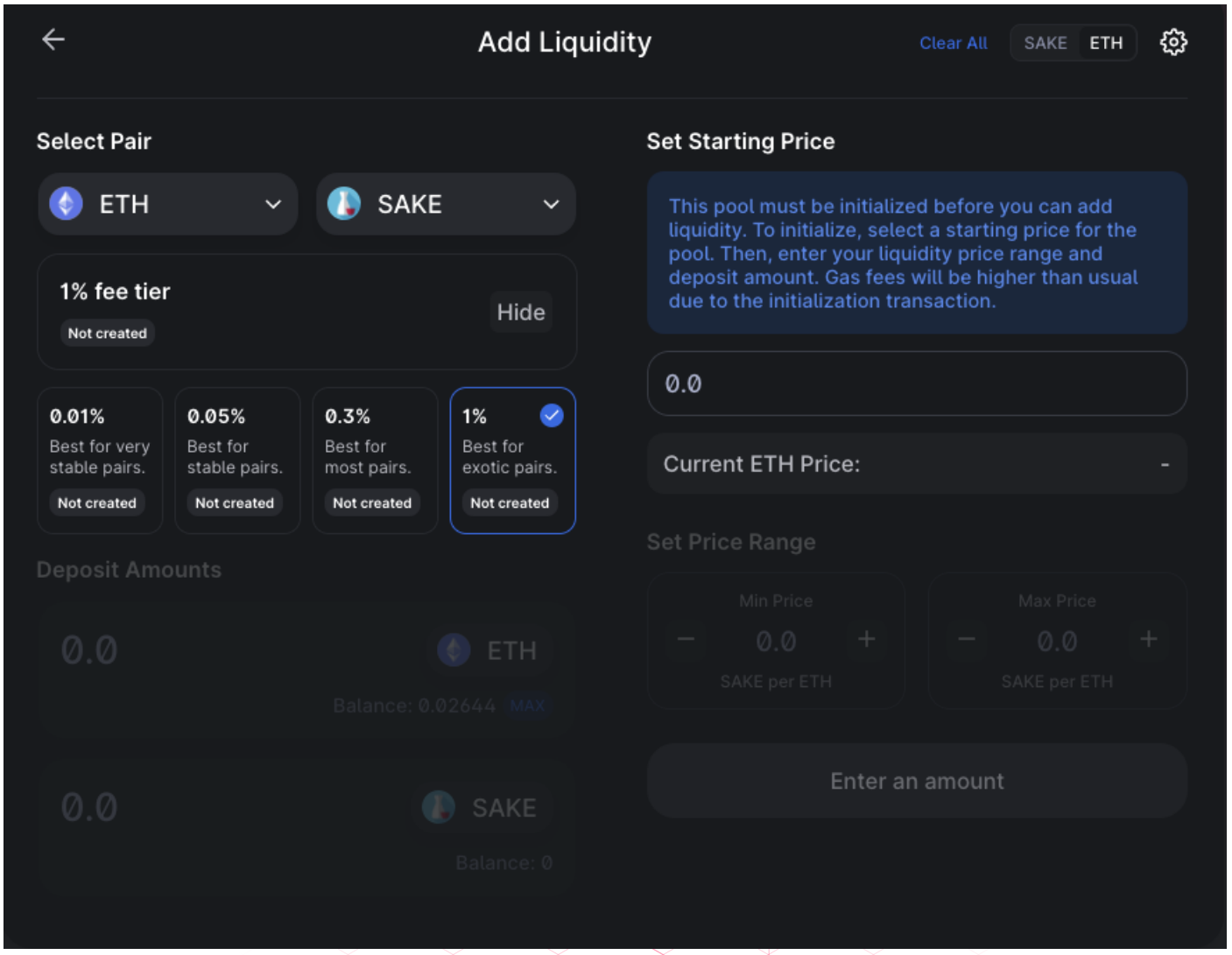
It seems that initially SakeSwap was focusing on their own DEX trying to stick true to the decentralised business model and compete directly against SushiSwap and UniSwap, which may have been detrimental to the success of the protocol.

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: Outside of LP'ing on major DEX's like UniSwap and SushiSwap there are no extrinsic productivity use cases for Sake Token. Remember, these will only be beneficial to Liquidity Providers if the token is actively being traded, which Sake Token is not, as well as high gas fee's to initiate the pool, it's doubtful you will even cover your gas costs when creating the LP.



Score: 2

3. Team

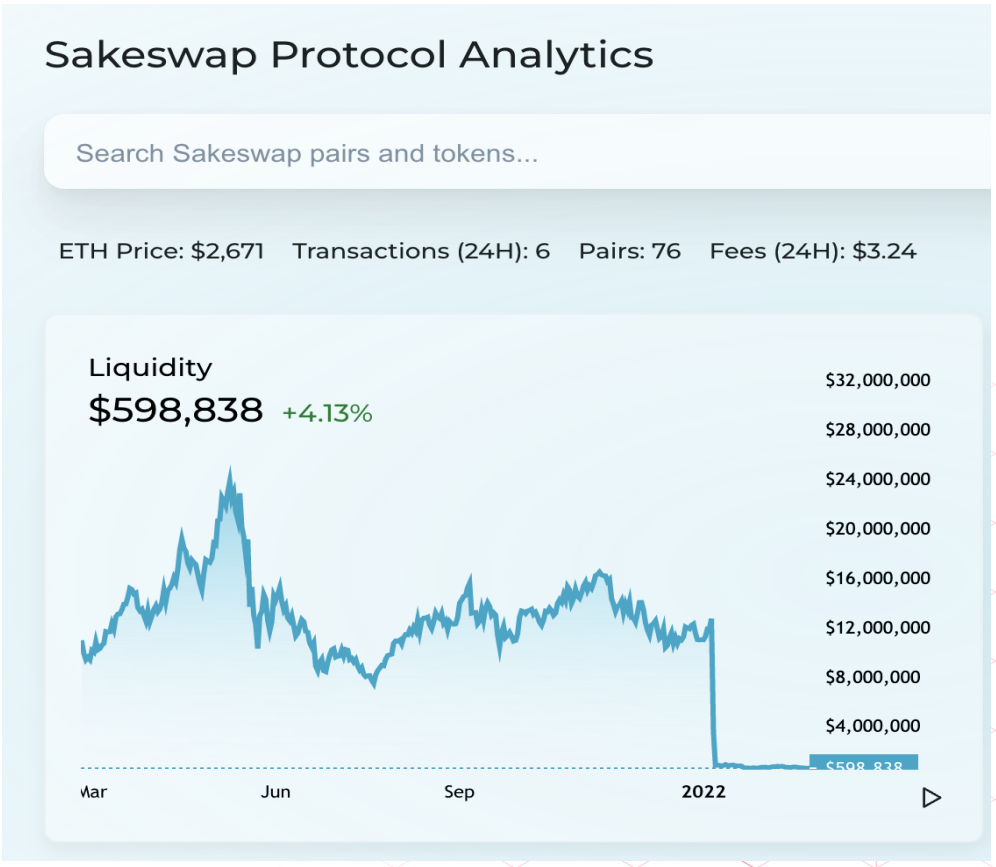
The Team section describes the quality of the team behind the protocol. The current version of Prime Rating favours teams that are publicly identifiable. In the case of an anon team, the track record of the specific anons involved can be taken into account

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: The SakeSwap team is anonymous, their twitter has not posted since November, 29th, 2021, their Telegram has been deleted, their Discord is still live but riddled with shills of other projects and questions asking about the whereabouts of the developers.

I'd like to reference the photo below again. This leads me to believe that this was most likely a rug, however without access to any of the moderators, admins, or developers to ask questions, I can not confirm or deny that this is the case. I'd also like to point out that a project that had generated as much of a buzz as SakeSwap normally finds itself under scrutiny when liquidity is drained similarly to the photo below, however searching for any news surrounding a potential rug pull within SakeSwap yields zero results.



Score: 0

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 the team is anonymous, their relevant experience is not public. If SakeSwap is any indication of their experience we can assume that they have minimal to no experience, at least within the project management category.

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: Even before the likely abandonment of the project, SakeSwaps contribution to the public debate was minimal, only touching on it when the project was first launched in an attempt to bring new investors in. Once the project lost momentum their contribution was another 0.

Score: 0

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: SakeSwap was able to raise $3 Million USD in a strategic funding round for the launch of SakePerp back in April 2021, unfortunately it did not seem to generate adequate results for the protocols advancement. Upon further investigation into the fundee's we can see that not a single investor is hyper linked, and the company names are not well known or known at all in the crypto world. See photo from the "Strategic Funding" article

> SakePerp has successfully closed a $3 million fundraising round. Participating investors include GBV, CMS, Future Fund, Longling Capital, MGNR, Digital Renaissance Foundation, and others.

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: After digging through their audit, github, and remaining active socials such as Discord and Twitter, I am unable to find any information regarding SakeSwaps admin keys.

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: Token holders vote through a snapshot, however the last submitted proposal was on July 10th, 2021 with zero collected votes.

From their Gitbook,

“For a vote to pass and become binding, it must gain a quorum of at least 15 million *UserVoterPow* and the pass rate is over 50%.”

Here it states to ‘become binding’ indicates that these votes affect on-chain changes, but due to the minimum requirement of 15 million *UserVoterPow,* and SakeSwaps incredibly low activity, it would suggest that most votes will not have enough voting activity to reach the required quorum.

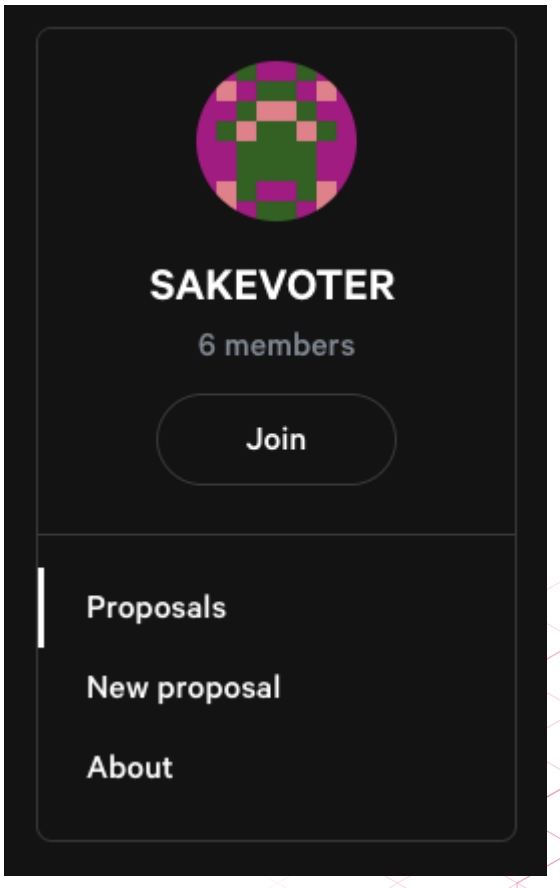
Again, this section is referring to the extent of its capabilities, so if you held 15million *UserVoterPow,* I guess you would have relatively ‘okay’ governance rights.

Score: 8

c) Active Governance contributors (5 points)

Governance is a process that can be rather resource-intensive if executed well. To ensure good governance is practised 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: When looking at the snapshot voting page, we can see there is literally 6 members on sakevoter.



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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: Outside of the governance section on their gitbook outlining the UserVoterPow calculation, there is no active discussion in the voting section on their only active social app, discord. The initial calculation is industry standard, however AGAIN, without active users it renders itself useless.

Score: 1

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 formal governance process is adequate, albeit basic and essentially dead.

Score: 5

5. Regulatory

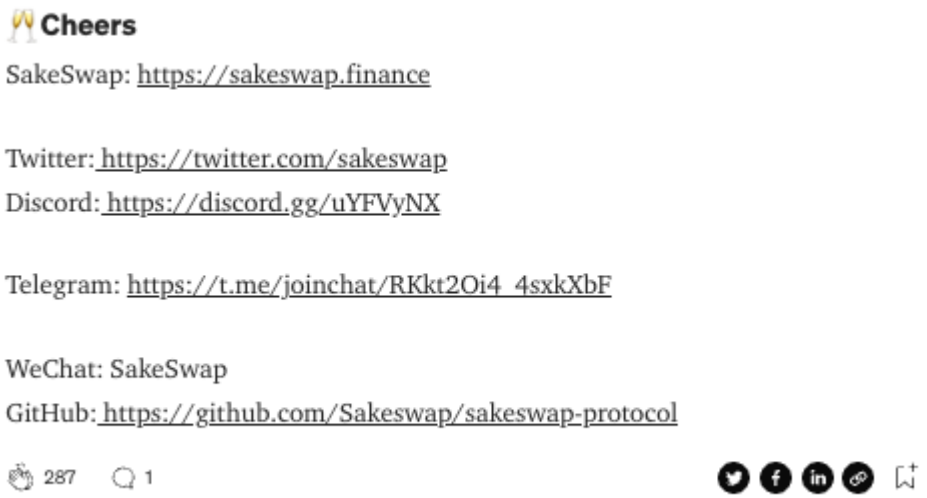
The Regulatory section describes the extent and quality of the regulatory environment that affects the Protocol. To be able to guarantee functionality, security, and legality the protocol should comply with regulatory requirements, or limit itself to facilitating services to users who are willing to 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: Short answer is no, the project has been abandoned but outside of normal price decline due to lack of team contribution, there does not seem to be any malicious transactions. Due to the anonymous team, we do not know where they come from and therefore do not know the relevant rules and regulations from where the team operates.

However, looking at the social media from their introductory Medium article, we can see they have a WeChat channel which is predominantly used in China. As well as their audit, completed by KnownSEC, is a Beijing based company. But I am not one to assume and without concrete evidence it is safe to say we do not know the location of the team, and without that there is no legal accountability.



Score: 0

b) What is the quality of the legal jurisdiction? (10 points)

PrimeRating

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: We do not know where the team operates from and therefore can not confidently say what the quality of legal jurisdiction is.

Score:0

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