PrimeRating

Fundamental Report

Prime Rating Report V2.1

Protocol: BadgerDAO
Version: 2.1
Date: 03/03/2022
Previous Report:
https://gateway.pinata.cloud/ipfs/QmZu5G3KGjMF
T7yJg2weG2Cya8cBnpUVnjeEQ7QogmUPL2

Author: Capo67
Reviewed by: xm3van
Season/competition: Season 2

Scorecard

1. Value Proposition	Points
a) Novelty of the solution	6 / 15
b) Market fit/demand	10 / 15
c) Target Market Size	6/ 10
d) Competitiveness within market sector(s)	4 / 10
e) Integrations & Partnerships	6 / 15
Total Points - Value Proposition	**32/ 65**

2. Tokeneconomics	Points
a) Is the token sufficiently distributed?	12 / 15
b) What is the extent of the token's capabilities?	7 / 10
c) Is the issuance model able to improve the coordination of the protocol?	7/ 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?	4 / 5
f) Are there any extrinsic productivity use cases?	2 / 10
Total Points - Tokenomics	**40/ 60**

3. Team	Points
a) Is the team credible and public? (No, Partly, Yes & Anon , Yes & Public)	4 / 15
b) Does the team have relevant experience?	1 / 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?	8 / 10

Total Points - Team	**15 / 40**
4. Governance	**Points**
a) Admin Keys	**7 / 20**
b) Extent of Governance capabilities	**7 / 15**
c) Active Governance contributors	**3/ 5**
d) Governance infrastructure	**6 /10**
e) Robustness of Governance process	**7/ 10**
Total Points - Governance	**30/ 60**
5. Regulatory	**Points**
a) Does the protocol have any legal accountability?	**N/A**
b) What is the quality of the legal jurisdiction?	**N/A**
Total Points - Regulatory	**N/A**
Total	**117 / 225**

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: Badger DAO's ultimate goal is to build the necessary infrastructure to incorporate wBitcoin across multiple different blockchains in an attempt to accelerate the growth of BTC in DeFi, through the use of a decentralised autonomous organisation. From their gitbook.

Introduction:

Badger is a decentralized autonomous organization (DAO) focused on building the products and infrastructure necessary to accelerate the growth of Bitcoin in Decentralized Finance (DeFi) across multiple blockchains.

Specifically, it is an ecosystem where projects and people from across all DeFi can come together to collaborate and build different products. Shared ownership in the DAO incentivizes builders to have aligned objectives. Whilst decentralized governance ensures that those incentives remain fair to all parties and that the projects pursued are determined by the community.

Although BadgerDAO's implementation of wBTC into its Ethereum based protocol is not novel, they have introduced

the DIGG token, an elastic-supply token pegged to the price of Bitcoin, governed by the BadgerDAO. From their [gitbook](#)

DIGG

An elastic supply token pegged to the price of Bitcoin and governed by the Badger DAO.

What is DIGG?

DIGG is the first decentralized elastic-supply cryptocurrency that is pegged to the price of Bitcoin and it is governed by the Badger DAO. The main goal of this product is to remove the need for centralized parties to take custody of your BTC in order to be able to use it within DeFi protocols. DIGG relies on elastic parameters built into its smart contracts in order to maintain a peg to BTC.

As well as their [Sett Vaults](#), which are Vaults that allow you to deposit over twenty Bitcoin-linked crypto assets into smart contracts that execute automated strategies to achieve a variety of rewards across DeFi.

Sett Vaults

Sett Vaults, named for the complex underground tunnels where Badgers live, are the core product of BadgerDAO.

Sett Vaults allow you to deposit over twenty Bitcoin-linked crypto assets into smart contracts that execute automated strategies to achieve some of the best risk-adjusted rewards across DeFi.

Some strategies involve securely lending the assets to earn interest, providing liquidity to traders, or "farming" the governance tokens of **other DeFi protocols**.

They also have the [Badger Bride](#), which besides collecting fees for the BadgerDAO treasury, it allows users to bride their BTC on the Bitcoin blockchain over to the Ethereum network.

Badger Bridge
Bring your Bitcoin to DeFi.

Badger Bridge is a core product of BadgerDAO, managed in collaboration with the Ren Protocol. It allows users to bring BTC from the Bitcoin blockchain into Ethereum, and receive either a renBTC or WBTC token.

renBTC and wBTC are fully collateralized representations of Bitcoin on Ethereum, meaning they are backed 1:1 with Bitcoin and can be swapped back into BTC at any time with very low slippage.

renBTC and wBTC may then be deposited in **Sett Vaults** to earn yield, used as collateral on other protocols, swapped for different tokens, or any of the hundreds of other uses across DeFi.

The Bridge has three main functions:

1. **Mint:** Brings BTC from the Bitcoin blockchain and outputs either renBTC or wBTC on Ethereum.
2. **Mint & Earn:** Brings BTC from the Bitcoin blockchain and deposits it directly into one of four yield earning Sett Vaults.
3. **Release:** Converts Vault positions, renBTC, or wBTC on Ethereum back to BTC on the Bitcoin blockchain.

This is an interesting concept, however I do not conclude it to have any major technical or organisational innovations.

Score: 6

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: Bitcoin is still the number one crypto currency asset, with a dominance of 41.3% at the time of this rating, however since the creation of BadgerDAO we can see a downtrend of BTC dominance, see photos (from Coingecko)

Photo 1 is the YTD chart of BadgerDAO launching on December 4th, 2020, and the second photo (from tradingview) is the same time period showing BTC dominance downtrend, during the same time period.

Contrary to what these metrics may show, DeFi has been growing immensely, so the integration of wBTC or a pegged

BTC token such as DIGG, proves to be in an adequate market demand.

If we look at the benchmark of wBTC protocols, Wrapped Bitcoin, we can see massive numbers across all metrics, indicating a strong market demand, and with the additional services BadgerDAO offers, it fits into the sector.

Rank #16

Wrapped Bitcoin (WBTC)

$42,385.01 ▼3.1%

1.00065968 BTC 0.0% ↑
15.02349000 ETH 0.9% ↑

⭐ 11,393 people like this

$42,239.09	24H Range	$44,217.27
Market Cap ⓘ		$11,217,722,595
24 Hour Trading Vol ⓘ		$238,595,010
Fully Diluted Valuation ⓘ		$11,217,722,595
Total Value Locked (TVL) ⓘ		$11,263,072,414
Fully Diluted Valuation / TVL Ratio ⓘ		1.0
Market Cap / TVL Ratio ⓘ		1.0

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: Depending on where BTC ends up in the grand scheme of things moving forward in cryptocurrency, the target market size is questionable. With Bitcoins outdated technology (being the first of its kind), it can benefit from finding a use case outside of its native Bitcoin blockchain capabilities. If BadgerDAO is able to utilise the popularity of BTC through its wBTC and DIGG tokens to attract users to its protocol, then the target market size is substantial, but shows signs of limited growth as other layer 1 solutions are gaining popularity due to their usability and scalability. With the services BadgerDAO offers, such as its bridge and vaults, the target market size for BadgerDAO expands past those who just want to use BTC as an erc-20 asset.

Score: 6

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: BadgerDAO's market sector is incredibly vast, competing against benchmark protocols like Wrapped Bitcoin, and when comparing metrics between the two, BadgerDAO falls short in every category. See photos.

Rank #16

Wrapped Bitcoin (WBTC)

$42,385.01 ▼3.1%

1.00065968 BTC 0.0%↑
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$42,239.09	24H Range	$44,217.27
Market Cap ⑦		$11,217,722,595
24 Hour Trading Vol ⑦		$238,595,010
Fully Diluted Valuation ⑦		$11,217,722,595
Total Value Locked (TVL) ⑦		$11,263,072,414
Fully Diluted Valuation / TVL Ratio ⑦		1.0
Market Cap / TVL Ratio ⑦		1.0

Rank #438

Badger DAO (BADGER)

$9.00 ▲0.2%

0.00020492 BTC -0.8%↓
0.00303491 ETH -1.2%↓

⭐ 21,830 people like this

$8.69	24H Range	$9.29
Market Cap ⑦		$89,717,009
24 Hour Trading Vol ⑦		$8,179,890
Fully Diluted Valuation ⑦		$189,125,964
Total Value Locked (TVL) ⑦		$865,260,780
Fully Diluted Valuation / TVL Ratio ⑦		0.22
Market Cap / TVL Ratio ⑦		0.1

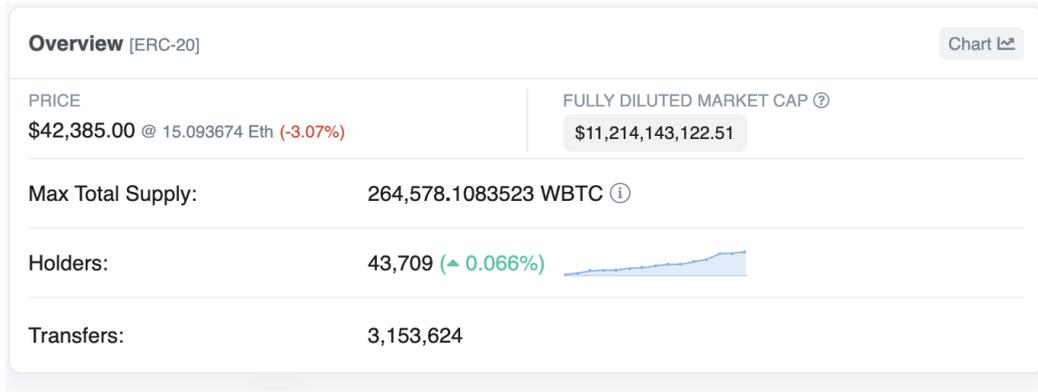And when comparing total holders we see similar, but not as drastic results, from etherscan,

Overview [ERC-20]

Chart 📈

PRICE	FULLY DILUTED MARKET CAP ⑦
$8.99 @ 0.002999 Eth	$188,714,599.17

Max Total Supply:	21,000,000 BADGER ⓘ
Holders:	30,753 (▼ -0.007%)
Transfers:	454,361

Overview [ERC-20]   Chart

PRICE	FULLY DILUTED MARKET CAP ⓘ
$42,385.00 @ 15.093674 Eth (-3.07%)	$11,214,143,122.51

Max Total Supply:	264,578.1083523 WBTC ⓘ
Holders:	43,709 (▲ 0.066%)
Transfers:	3,153,624

The focus on the implementation of an elastic supply mechanism to the DIGG token within the BadgerDAO protocol, does separate itself from some of the competition. However, that is not to say the competition isn't offering the use of wBTC on their platforms, it's just not elastic; understandably so, as we see the BTC dominance declining with the adoption and growth of DeFi.

Score: 4

e) Integrations & Partnerships (15 points)

Due to crypto's open-source nature, the code of most protocols can easily be forked. This score represents a piece of "unforkable value". Some indicators to look at are the number of applications built on top of the protocol (vertical integration), other entities integrating the protocol's services (horizontal integration) or the number of relevant partnerships (be careful of logo collections/ partnerships without much purpose).

Answer: Another classic case of "I bought an iPhone, so now I am partnered with Apple."

Upon looking at their partners section from their website, we see a lot of BadgerDAO utilising other protocols utilities.

Convex: BadgerDAO's newest strategies are built on Convex Finance, allowing users to earn staked CVX on top of their existing rewards in several **Sett Vaults**.

Curve: Curve is the top protocol for low slippage swaps between stable assets. Many BadgerDAO strategies involve providing liquidity into Curve's pools, allowing allow users to swap easily between the various types of Bitcoin in DeFi.

DeFi Dollar: BadgerDAO leveraged DeFi Dollar's experience in stablecoin index to launch **Interest Bearing Bitcoin (ibBTC)**, the highest liquidity interest bearing Bitcoin index in DeFi.

ETHGlobal: BadgerDAO is proud to support EthGlobal's hackathons to onboard new developer talent to DeFi and the Ethereum ecosystem.

Gitcoin: Badger supports Gitcoin to develop public goods, including the Open DeFi Hackathon, Gnosis Safe MetaMask delegation, and DeFi explanatory art, and more.

Fireblocks: Fireblocks is a leading crypto asset custody solution and is partnered with BadgerDAO to bring institutional investors into the world of DeFi.

Polygon: Badger is thrilled to bring **ibBTC**, along with several other versions of tokenized Bitcoin, to Polygon via the **Badger Bridge**.

Ren: BadgerDAO operates the **Badger Bridge** in partnership with the Ren protocol, enabling users to bring their Bitcoin into the Ethereum ecosystem and start earning DeFi yields with a few clicks.

Sushiswap: BadgerDAO works with Sushiswap, a leading Decentralized exchange, for three LP vaults that allow users to earn SUSHI tokens on top of BADGER rewards.

UMA: BadgerDAO leverages UMA's innovative KPI-Options program to shape user incentives for **DIGG** token holders.

Yearn: Yearn Finance and BadgerDAO have collaborated to launch the largest single-asset WBTC **vault** in DeFi. The vault uses Yearn V2's innovative multi-strategy approach, allowing funds to be seamlessly transferred to higher earning new strategies as they emerge.

To start with the Convex partnership, it is BadgerDAO building on top of their protocol, not the other way around. Meaning that Convex is not using BadgerDAOs service, but rather Badger using CVX token as incentives to use the Sett Vaults.

Curve, again BadgerDAO is providing liquidity into Curve's pools.

The integration/partnership BadgerDAO is offering on the abovementioned partnership list is their Badger Bridge, which has been integrated to Ren protocol, as well as Polygon according to BadgerDAO.

Score: 6

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 token distribution model is stated here from a blockcast article,

"BADGER token distribution model

The total supply of BADGER tokens is the same as that of Bitcoin, which is 21 million. 55% of the tokens will be distributed to users participating in DeFi or community governance through Honey Badger Hunt airdrop activities, liquid mining activities, and Gitcoin funded airdrops. 35% will be allocated to DAO inventory, and another 10% will be allocated to the team."

With 55% of the total supply being allocated towards users participating in DeFi and or community governance, it is an effective distribution model to incentivize good behaviour for the benefit of the protocol.

When looking at the top holders of Badger on etherscan, we can see a relatively balanced amount of Badger holders when it comes to individual wallets.

Badger Top 100 Token Holders
Source: Etherscan.io
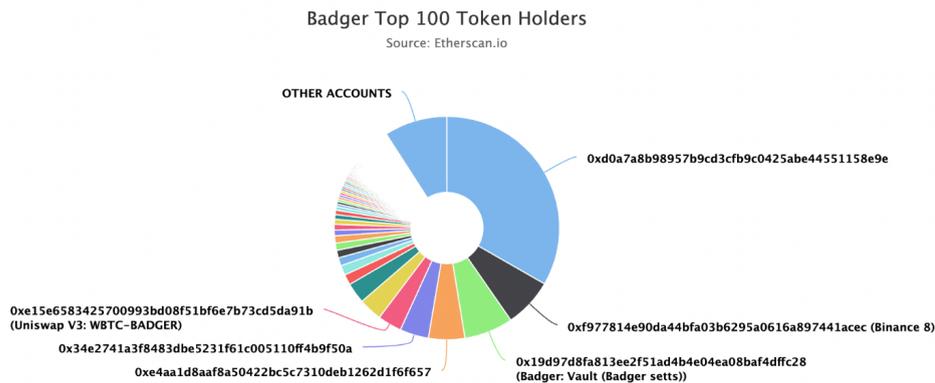
(A total of 19,101,528.28 tokens held by the top 100 accounts from the total supply of 21,000,000.00 token)

The top 100 holders accumulate for ~90% of the total supply, however these wallets include major CEX's like Binance and Coinbase, as well as contract wallet addresses, Badger Vaults, and DEX LP's like UniSwap and SushiSwap.

,

Score: 12

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: Badger token holders can stake and farm for rewards, determined by each individual pool or farm's APY. The token also allows holders to participate in protocol votes, through its governance capabilities.

Score: 7

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: Badger token is distributed to liquidity providers (stakers and farmers) with reasonable APYs,
See photo from their main dApp interface

Depending on the user's investment into the protocol, this could incentivize holding for governance rights, or the opposite if the user is just looking for profit.

Score: 7

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 BadgerDao treasury collects fees from multiple different utilities within the protocol, which currently holds over $240 Million USD. This treasury is managed by the Badger governance process. Photo from BadgerDAO treasury page.

Where the treasury money is allocated can be voted upon by any Badger token holder, who creates a proposal and it successfully meets the required quorum.

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: Badger Token is widely available on the top CEXs such as Binance, Coinbase, and Kraken among others, which generates the majority of the trading volume. Badger token has sufficient liquidity to support use and trade on these CEXs, as well as the benchmark DEX's like UniSwap and SushiSwap. See photo (Coingecko)

#	Exchange	Pair	Price	Spread	+2% Depth	-2% Depth	24h Volume	Volume %	Last Traded	Trust Score
1	Sushiswap	WBTC/BADGER Live Chart	$9.08	0.6%	$258,371	$257,595	$402,590	5.94%	Recently	●
2	Uniswap (v3)	WBTC/BADGER Info	$9.04	0.6%	$212,221	$211,583	$293,276	4.33%	Recently	●
3	Gate.io	BADGER/USDT	$9.04	0.26%	$116,466	$142,769	$897,291	13.23%	Recently	●
4	MEXC Global	BADGER/USDT	$9.04	0.26%	$49,405	$104,881	$281,424	4.15%	Recently	●
5	Binance	BADGER/USDT	$8.99	0.22%	$32,646	$74,493	$1,611,962	23.77%	Recently	●
6	MEXC Global	BADGER/BTC	$9.04	0.19%	$42,441	$66,370	$47,363	0.70%	Recently	●
7	Coinbase Exchange	BADGER/USD	$8.95	0.22%	$16,533	$68,667	$728,746	10.75%	Recently	●
8	BTSE	BADGER/USD	$8.97	1.54%	$84,335	$97,808	$140,199	2.07%	Recently	●
9	Uniswap (v2)	WBTC/BADGER Live Chart	$9.20	0.6%	$47,609	$47,466	$42,316	0.62%	Recently	●
10	FTX	BADGER/USD	$9.03	0.11%	$16,632	$32,660	$231,256	3.41%	Recently	●

With a total 24 hour trading volume of ~$6.7M Usd, Badger is sufficiently liquid.

Rank #437

Badger DAO (BADGER)

$8.99 ▼2.2%

0.00020589 BTC 0.0%↑
0.00303969 ETH −1.8%↓

⭐ 21,831 people like this

$8.80	24H Range	$9.29
Market Cap ⑦		$90,138,329
24 Hour Trading Vol ⑦		$6,780,924
Fully Diluted Valuation ⑦		$190,014,118
Total Value Locked (TVL) ⑦		$872,954,818
Fully Diluted Valuation / TVL Ratio ⑦		0.22
Market Cap / TVL Ratio ⑦		0.1

Score: 4

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 LPing on UniSwap and SushiSwap there are no extrinsic use cases for the token.

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 BadgerDAO team claims to be public, and in one form or another they are, however they do not make it easy to see who is involved.

> Unlike the trend of products launching without audits and anonymous founders, the founding team has ensured a 3rd party firm (**Zokyo**)has audited any and all contracts for Badger and Digg before launch. We as founders are also not hiding and are going to be very public about our involvement. We aren't here to launch and leave but instead intend to lead the operations team and stick around for the long haul.

And with no team section on their website, I was only able to find the founders name from searching "BadgerDao Team" on google, only to yield results of the $120M USD hack into the BadgerDAO protocol. This did, however, lead me to the founder and creator of BadgerDAO, Chris Spadafora, whose linkedin page no longer lists him with any affiliation to BadgerDAO. This is not to say that he has abandoned the project, as there are many recent articles, interviews, and ama's with Chris.

As for the rest of the team, without BadgerDAO having an official linkedin, it is hard to pinpoint active team members. Even when asking in their Discord for this information, it was quickly drowned out with Gifs and small talk, but eventually got a response stating,
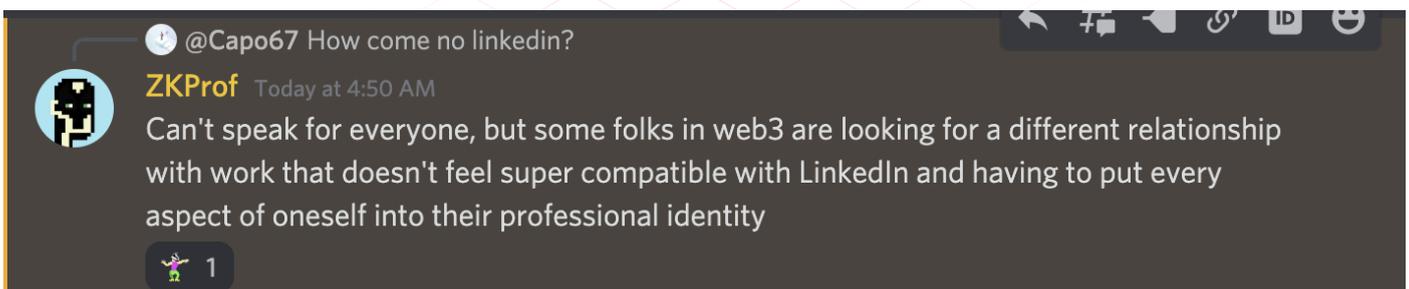
Score: 4

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: Again, to reference section 3A, there is minimal information surrounding the experience of the BadgerDAO team.

Score: 1

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: From their [Discord](#), we see 2 active team members (moderators) frequently in discussion with the community. They also have an email [subscription form](#) users can sign up for updates surrounding their own protocol, but in terms of the public debate it seems that BadgerDAO's discord is the only place where they will discuss the benefits and risks of DeFi.

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: From the [DYOR-crypto BadgerDAO page](#),

> ## Funding
>
> - From their newsletter (8-3-2021):
>
> *"Polychain Capital, Parafi Capital, Blockchain Capital, and @0x_b1 have purchased $21 million in assets from Badger's treasury."*

That $21M USD, was assets purchased, not raised, we [haven't seen any funding](#) for BadgerDAO. In terms of resources, the collaboration with major protocols such as [Polychain](#), indicates an efficient ability to attract resources.

But the collection of fees from the protocol utilities raising [~$240M for the treasury](#) proves to be a sufficient method of creating stability within 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: From [DYOR-crypto.fandom](#), sourcing from [DeFi Safety](#)

"The [access controls](#) are clearly outlined under the security [section](#) of their website. Notes On Mutability:

The Badger Finance code is clearly upgradeable due to their use of multiple proxies, namely UpgradeabilityProxy, as well as their use of numerous external calls to third-party sourced contracts. The combination of these facilitates implementation upgrades, which is something that is essential for a [DAO](#).

To further optimise this, the initialise() functions is used multiple times throughout the Badger contracts. This allows for an easy way to upgrade a contract, even after a deployment to the mainnet,

In addition, migration is possible due to Badger's proxy structure, which facilitates contract upgrades to newer versions. This can be seen, most notably, in the Sett V1, V3, and V4 contracts due to the imported Upgradeability contracts from the [OpenZeppelin](#) library, as well as the presence of interface contracts (Interface contracts allow external contract calls).

a) All contracts are clearly labelled as upgradeable (or not) -- 20% -- all important contracts are clearly labelled as upgradeable in a [governance proposal](#), though not all deployed contracts are covered.
b) The type of ownership is clearly indicated (OnlyOwner / MultiSig / Defined Roles) -- 30% -- the ownership is clearly outlined in both the security [section](#) of the website and in the previous governance proposal.
c) The capabilities for change in the contracts are described -- 30% -- contract upgradeability is identified in the [security pages](#).
The documents mentions a "[guardian](#)" capable of pausing the protocol, but there is little elaboration."

From their ["Security and Audits"](#) section on their website,

Admin Keys

The Dev Multisig address maintains contract upgradability rights, can set key parameters to all products, controls the treasury, and manages all permissions.

To reduce the probability of the Dev Multisig address being exploited, 3 out of 5 signers are required to sign a transaction. In addition there is a 48-hour timelock for all key vault system governance and upgrability functions.

BadgerDAO, as outlined in **BIP-33**, is in a process of moving towards a completely decentralized autonomous organization. This includes multiple changes, especially to team addresses. As those are implemented this page will be updated.

With a 60% signature verification on the multi-sig, plus a 48-hour time lock on all key vault system governance and upgrability functions, these admin keys are adequate, but not truly decentralised.

Score: 7

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 governance capabilities for Badger token holders was underlined to Governance 2.0 Process. See photo,

Governance 2.0 Process

An initiative known as Governance 2.0 is underway to revamp BadgerDAO's operations, informed by the experiences so far. In part, the effort will:

- Determine the purviews of the Core Team, Council, and full community (via the BIP process)
- Establish the Council's composition, pay, and work process more formally
- Establish mechanisms for the community to override Council decisions and for the Council to be reconstituted

This is essentially adding more governance capabilities to the DAO, however outside of this the governance capabilities are relatively basic, which allows users to create and vote on proposals surrounding the protocol. These proposals are signals sent to the owners of the multi-sig.

Score: 7

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: From their snapshot,

We can see 6.3K members, and when we look at the most recent proposal from February 5th, 2022, there was a total of 283 votes.

Giving a member to voter ratio of 4.4%.

Score: 3

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: BadgerDAO uses a [snapshot](#) for proposals and voting. The original channel for [governance debate](#), has recently been moved exclusively to their [Discord](#). Overall, acceptable but nothing innovative or cutting edge.

Score: 6

e) Robustness of Governance process (10 points)

This score requires documentation specifically on the governance process that sets the basic framework in terms of agreements, norms, and language for governing the protocol and to create social consensus. Does the protocol have a formal governance process? How robust is the governance process and does it promote good governance?

Answer: The [governance section](#) on the website does a good job explaining what governance is, and how it can affect the protocol, and how to use BadgerDAO's Snapshot. The robustness of the governance process is relatively standard, and with the accessibility and transparency of the governance process, it falls into the formal governance process category.

Score: 7

5. Regulatory

The Regulatory section describes the extent and quality of the regulatory environment that affects the Protocol. To be able to guarantee functionality, security, and legality the protocol should comply with regulatory requirements, or limit itself to facilitating services to users who are willing to operate outside of the traditional regulatory environment.

a) Does the protocol have any legal accountability? (15 points)

Does the protocol have any form of legal accountability? Can users and partners hold the protocol accountable in case of a breach of the agreement?

Answer:

Score: N/A

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:

Score: N/A

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