<div align="center">

Fundamental

Prime Rating Report

</div>

Protocol: Yearn
Version: V1.0
Previous Report: None

Date: 18/04/2021
Author: **LuukDAO**

Please fill in all questions with a written explainer, any relevant links and score per variable based on the Fundamental Review Process V 1.0. Insert the scores per variable in the scorecard at the end of the report. Please follow the Rating Process when creating and submitting a report.

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.

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? In general, forks without any newly added functions are considered subordinate to the protocol they forked.

Answer: yEarn.finance is a decentralized asset management platform that has multiple uses ranging from liquidity provision, lending, to insurance. The most prominent product in its ecosystem is Vaults which maximize users' yields through various yield farming strategies proposed by the community.

Score: 14

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. 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: Yearn has attracted $3BM TVL to the protocol. Putting it at the top of the yield protocol category. The yields on yearn are now substantially lower, which has led to some stagnation in the growth of the protocol in the past months. However, due to new vaults launching in collaboration with

Curve the TVL and interest around yearn is growing.

Score: 13

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 market for yield products has grown to over $10B and is not showing any signs of slowing down. As many investors are not able to self-manage their DeFi assets, yield products are in demand and valuable. Stablecoins have also proven to be valuable and can be considered a high growth market. The target market for mStable can be considered large.

Score: 10

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). The relative comparison can become rather subjective, to solve this the score standardizes the results in fixed categories.

Answer: Yearn has the largest market share of all the yield products and has actively started diversifying it's product offering towards for example insurance.

Score: 8

Tokeneconomics

The Tokeneonomics section of the review 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.

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 Yearn token (YFI) was launched with 0 supply with no pre-mine for the team or early investors. Instead, the 30,000 tokens were distributed equally to users of the platform and liquidity providers through three different mechanisms.

- Providing liquidity on Curve to receive yCRV, which represents a basket of yearn's yield-optimized yTokens, which can then be staked
- Providing liquidity on Balancer's YFI pool which consists of 98% DAI and 2% YFI
- For those that provided liquidity on Balancer and received balancer pool tokens (BPT) can stake BPTs to be able to participate in governance

In Feb 2021, Yearn Finance governance agreed to mint another 6,666 YFI tokens, reaching a total of 36,666.

2,222 YFI was distributed to leading contributors and 4,444 sent to the treasury.

The token was only allocated to individuals who had capital and access to the latest DeFi information. After the additional 6,666 YFI was minted the protocol was better able to retain talent. Yearn allows third parties to integrate Yearn Finance tech in order to earn some of the fee's in an attempt to decentralize the value network of Yearn, however, there are no token rewards for integrators as of yet.

Score: 11

What is the extent of the token's capabilities? (10 points)

What are the different merits of the token? Is the token useful in the protocol? Does the token allow the holders to participate in governance or influence the protocol in any way?

Answer: YFI can be used for voting on Governance decisions, however, currently YFI is [governed by a multi-sig](#) of individuals following a governance vote by the YFi holders. YFI earnings are used to buy back YFI, yet this is not something the token holders can do themselves.

Score: 4

Is the issuance 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: In the "fair launch" of YFI, only liquidity providers were valued. A new mint was needed to reward core contributors and create a larger treasury. As the entire treasury is already allocated to a specific group it does not actively reward aligned contributors.

Score: 4

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

A value accrual and distribution mechanism can help improve the merit 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: Yearn products accrual fee's that are sent to the treasury and are then used by the core contributors to buy back YFI from the open market in different ways. Some of the fee's (up to 50%) can be earned by third parties that integrate with Yearn Vaults. The token does help coordination of the protocol, yet it's still quite permissioned.

Score: 7

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 YFI token is available on all the top exchanges and has deep liquidity ($2M 2% depth).

Score: 5

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

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 core contributors can be viewed here. Most contributors are anon but have been able to create a digital track record via Twitter & Github.

Score: 9

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: The core contributors have been able to build a track record of crypto investment and development, however, due to the anon nature of the accounts it's not possible to evaluate their past track record.

Score: 7

Does the team participate and help shape the public debate? (10 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: Yearn contributors play an active role in the public DeFi debate. Banteg, Andrew and Tracheopetery participate actively in the public debate via Twitter and audio.

Score: 9

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? How well are resources managed and used?

Answer: The team has minted 6,666 tokens worth over 200M dollars and diversified into multiple curve positions. This gives Yearn an extremely long runway and budget to work with. A proposal for a new Governance system is now live. The new governance system aims to improve the effectiveness of internal coordination and governance.

Score: 8

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.

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: Admin keys are managed by the Yearn Multisig signers.

Score: 11

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: Yearn Governance is controlled by a multi-sig wallet of core contributors who make all decisions. The multisig manages the treasury, protocol parameters, and other admin functions.

Governance manages a lot - however some points are taken away since it's not actual governance but a multi-sig.

Score: 9

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: Multi-sig executes, however the forum is actively used for polling and feedback.

Score: 3

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

Answer: There is a formal governance process in the form of YIP, but it has been used only once in the past 2 months. No clear guidelines for Governance, as it's currently governed completely by a Multisig [following a vote.](#)

Score: 5

Governance 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 protocol uses Snapshot to govern, however the Snapshot is not actively in use anymore.

Score: 4

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.

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 No legal entity - skip category

Score: x

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: x

Is the protocol (able to become) legally compliant? (5 points)

Is the protocol able to acquire the necessary licenses and supervision to be able to operate in the traditional regulatory environment? Has the protocol already acquired such licenses?

Answer:

Score: x

Scorecard

Value Proposition	Points
1. Novelty of the solution	14 / 15
2. Market fit/demand	13 / 15
3. Competitiveness within market sector(s)	10 / 10
4. Novelty of the solution	8 / 10
Tokeneconomics	**Points**
1. Is the token sufficiently distributed?	11 / 15
2. What is the extent of the token's capabilities?	4 / 10
3. Is the issuance model able to improve the coordination of the protocol?	4 / 10
4. Is the value capture model able to accrue and distribute value?	7 / 10
5. Is the token sufficiently liquid to enable active use and trade?	5 / 5
Team	**Points**
1. Is the team credible and public? (No, Partly, Yes & Anon , Yes & Public)	9 / 15
2. Does the team have relevant experience?	7 / 10
3. Does the team participate and help shape the public debate?	9 / 10
4. Is the team able to effectively attract and coordinate resources?	8 / 10
Governance	**Points**
1. Admin Keys (Yes, Multisig, Multi-sig and Timelock, None)	11 / 20
2. Extent of Governance capabilities	9 / 15
3. Active Governance contributors	3 / 5
4. Robustness of Governance process	5 /10
5. Governance infrastructure (rituals, docs, UI)	4 / 10
Regulatory	**Points**
1. Does the protocol have any legal accountability?	X / X
2. What is the quality of the legal jurisdiction?	X / X
3. Is the protocol (able to become) legally compliant?	X / X
Total	**141 / 205**

Author: