Protocol: Unit Protocol (DUCK & USDP, previously COL)
Version: v1
Previous Report: None

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Instructions
Please go to files and make a copy of this template.
Fill in all questions with a written explainer, any relevant links and score per variable. Insert the scores in the scorecard at the end of the report. Please follow the process as laid out in the Medium announcement and submit the report through the form.
Please include your sources into the text (as a link), so others can follow your trail of thought.

1. Value Proposition

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

a) Novelty of the solution (15 points)

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

Answer: Unit protocol is a decentralized borrowing protocol that allows using a variety of tokens as collateral. The protocol has low collateral ratios (often going as low as 50%). This combination gives DeFi a wide range of options to use all their tokens and put them to work, as degen as they want to. Perhaps not the most risk-free strategy, but this is up to the users. Having a protocol being more open towards risk (ratio and collateral type wise) is a good addition to the more conservative protocols out there (like MakerDAO).

If any account is subject to liquidation, the collateral is put up for a Dutch auction at a price that decreases linearly by time. Anybody can trigger a liquidation directly via the smart contract interface, and the Unit Protocol team has a bot that also manages the process. Available auctions are notified on their telegram channel and available auctions are listed on their liquidation subdomain.

Since their core model is not new, and it is mainly their tactic (long tail assets with low ratios), the project scores a 5.

Score: 5

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: With the current token-galore where each side project gets its own token, a long tail asset MakerDAO should be right up this community's alley. Reality however shows otherwise. Perhaps it is too early. Perhaps long tail token holders are mainly whale degens? Fact of the matter is, DUCK, USDP and COL are not used widely. 99% of the USDP stablecoin is within Curve and as a token has 600 holders (which, we can be forgiving about, since Curve is 1 address, but still, very low for a stablecoin with above $100M in market cap). COL and DUCK have similar issues, which will be discussed later under Distribution. The Unit Protocol itself has barely users. But does make some revenue. According to DeBank (13-7-2021), it has 31 users with 16 using it in the last 24 hours. The TVL has been as high as $750M but is now around $240M. DeFi Llama has different numbers, saying it has $193M locked. According to Dune Analytics, the protocol has between 24-50K in fees daily. Liquidation fees have been way more sporadic, with peaks of 60k up to a one time of 2M. Total profit according to Unit's own dashboard has been 4.8M USDP of which 4M was in liquidations. The market could be big in the future, but that is the topic for the next question. Unit has no clear roadmap, besides that the team adds new collateral constantly.

Score: 3

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 following blog post explains it well (23-3-2021):
Funding is critical for any financial ecosystem. In the classic financial system loans may be backed with a mix of assets, including assets with low liquidity that cannot be sold instantly. In the crypto financial system, there is an existing market with acceptable liquidity for most medium/low cap projects, but holders are unable to use these tokens as collateral. Unit protocol addresses this issue.

In a token economy, having this kind of alternative for the market (tail end + low ratios) sounds like a definite win. Perhaps the current market participants are not as degen as they are made out to be. Most of the money is within more stable and conservative protocols like MakerDAO, Compound and AAVE. As the market grows, this niche will grow with it, but perhaps stay a niche.

Score: 4

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).

Answer: Unit can be thought of as the CREAM of stablecoin collateral protocols. Other projects use either only a small range of collateral (Maker) or even just only 1 (USDC, USDT, RAI and Liquity). It would be easy to spin up another version of Unit Protocol, but then without the excessive admin keys and with a live governance (will get to both in a second). So for now it reigns king in its own Niche Kingdom, but it is doubtful that it will stay there. Due to these different aspects and being the number one for this particular set up at the moment, it gets a bit above a pass.

Score: 6

e) Integrations & Partnerships (15 points)

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

Answer: The protocol's integrations are overshadowed (if there even are others?) by the Curve pool. The Curve pool dominates USDP usage. Other integrations or partnerships are not clear from the [docs](), [twitter]() or [medium]()blogs. Curve is a big one though, so it scores +1 for that.

Score: 4

2. 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.

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: So as mentioned, the USDP stablecoin is 99% within the Curve Pool. DUCK and COL have a different story and history. The governance token used to be called COL but [has]() an ongoing [migration]() towards DUCK (14-12-2020). This was done after a [vote]() on the ticker change. For 100 COL you can receive 1 DUCK. 6 months later, COL still [holds]() a market cap of $72M and Duck only [one]() of $34M (13-7-2021). COL does have only [500]() holders and DUCK [3000](), so a couple of whales stayed behind.

There is a Uniswap pool for COL, but it has no volume, and the price has been [completely stagnant](#) for some time. We can assume that it is just locked and gone forever.

[From](#) [Messari](#) (24-6-2021):

"Due to an early token migration and the developers' decision to burn most of the staking rewards, the distribution of DUCK tokens is highly centralized favoring developers. This will likely inhibit an effective DAO when the project transitions to decentralized governance.

1. *Team (5 year vesting) 62%*
2. *Community Lockdrop 31%*
3. *Staking 7%"*

For a project with [god mode](#) admin keys and no governance (soon, already since [February](#)) clearly planned, this is a damning situation. Still has 1/3rd in the hands outside of the team, albeit it probably in the hands of just a couple whales, it still scores a 3.

Score: 3

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 token is [advertised](#) as a governance token. And promises revenue after its first year of being live. At the moment neither is happening. With the one exception of the [Ticker change](#) vote, so +1 there, and +1 for vague promises that are not hardcoded.

Score: 2

c) Is the issuance/distribution model able to improve the coordination of the protocol? (10 points)

To what extent does the issuance of the token support the advancement and function of the protocol? Are the tokens justifiably being issued? Does the issuance model incentivize the right behavior? Are all relevant stakeholders benefiting from the issuance model?

Answer: How COL was or DUCK is being distributed are not documented. Not in medium, not in de docs, not in reviews. So all we have to go off on, is the Messari report showing current distributions and the current mechanism of the treasury using all revenue to buy DUCK and burn it (which is also really [happening](#)). Burning DUCK does benefit all users, price wise. But it does not help create an active decentralized community.

When asking further in the Telegram group and searching through its history, one member answered that 70% of the supply was allocated to future staking, and 70% of this got burned in the token migration. Current distribution is done [per block](#), and is the unlocking of the team tokens. So 5 year vesting, means slowly unlocking in five years time. When asked if there are any other emissions, the answer was no.

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: Unit's governance token, DUCK, represents promises to future protocol cash flows in the form of stability and liquidation fees. During Unit's first year, protocol fees are used to buy and burn DUCK tokens. So as of now, token holders do not earn any revenue, besides potential price appreciation from the burns.

Score: 1

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: With three tokens and three interesting market cap differences (USDP [highest](#), old COL [second](#) and new DUCK [lowest](#), as shown earlier), this can be looked at from different perspectives. COL has only 1 Uniswap pool, with 0 volume. USDP is mainly traded within Curve ([400K](#)) with 24K outside volume. DUCK has 334K on Gate.io, BKEX and Shibaswap. Not the most reputable exchanges. Curve is the best part of this, but sadly then also the only use case of the token.

Score: 2

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: DUCK and USDP are not DeFi mainstays when it comes to collateral or farming. Besides Curve and Shibaswap it has no known usage outside of its own protocol.

Score: 2

3. Team

The Team section describes the quality of the team behind the protocol. The current version of Prime

Rating favors teams that are publicly identifiable. In the case of an anon team, the track record of the specific anons involved can be taken into account

a) Is the team credible and public? (15 points)

Are the identities of the core contributors and team publicly identified? In the case of anon team members, is there any way to track their background/record?

Answer: There is no knowledge around the team. Medium posts and Twitter are done by a protocol account.

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: No knowledge is 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: Unit only posts about its own project. It did also retweet the Messari thread, even the risks and critiques.

Score: 1

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 their blog (25-7-2020):

"The Unit protocol started from the wide community lockdrop and so far didn't attract any side funding at all. The core team has absolutely no salary and work on enthusiasm and vision because actually we are the first customers of our own project by ourselves. To speed up our progress we will need some additional funding sources, so for the upcoming month, we consider attracting $300–600k of additional capital, but only from investors who actually can bring value for the project."

The date of this is interesting, it is a couple months before launch (happened on 24-11-2020) and after this mention, funding is never to be discussed again. The project has been live since, and keeps adding new collateral types. But hasn't made any progress on the governance side. We can only speculate if this is due to underfunding, or due to malicious intent (with their god mode admin, and all..). The team does hold most of the tokens, but these are vested for 4 more years. There is no known treasury mechanism. Since they do not complain about funding, I will give them a middle score.

Score: 5

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 the Level K audit (1-2021):

"Users should note that the address that deploys the core Unit Protocol contracts has complete control over economically significant governance features. Malicious governance can drain any and all account balances held in the contracts through the manipulation of contract permissions."

This is from the most recent audit. The two audits earlier (Certik and MixBytes) did not mention any of this. Another example of them not being the best auditors in this space. Furthermore, the team did not write anything about it themselves, they just have links to the audits in their docs, that's it.

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: Governance is not live, but a glimpse of it is being written about. From their docs (3-2021):

"The governance pool will play a significant role in Unit Protocol decision-making system and add stability to the system, so it is essential to incentivize DUCK stakers and help them be involved in the voting process. DUCK token holders will be able to stake their tokens to participate in governance and collect protocol fees. We are working on the governance pool, but the infrastructure is not ready yet.

Before it is operational, all the allocated fees will be used to buyout DUCK from the open market and [burn](#) it. Future changes in fee distribution are subject to governance decisions."

So fee distribution changes and in general a significant role for governance. Months later, nothing is done. Discord has no governance channels, there is no forum and there are no votes. Promises sound nice, but we have to score the present. +1 due to having had 1 vote (the ticker) which was followed up on. Although, Messari makes a point that this might have damaged the distribution. So perhaps team whales played a dirty game there.

Score: 1

c) Active Governance contributors (5 points)

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

Answer: The Discord has 1 channel with around 350 users. [Twitter](#) has 6600 followers and their [Telegram group](#) has 2000 members. This is all quite low for a DeFi project. Then take into account that the team decides everything, and you can understand why the engagement is so low.

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: No Discord structure, no forum and a snapshot page which was only used for the ticker change.

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: Governance is not described, nor is there a plan laid out for it. And it has been 'soon' for months.

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: The team is anonymous and gives no indications in this direction.

Score: 0

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: There is no knowledge on the team's location.

Score: 0

Scorecard

1. Value Proposition	Points
a) Novelty of the solution	5 / 15
b) Market fit/demand	3 / 15
c) Target Market Size	4 / 10
d) Competitiveness within market sector(s)	6 / 10
e) Integrations & Partnerships	4 / 15
Total Points - Value Proposition	**22 / 65**
2. Tokeneconomics	**Points**
a) Is the token sufficiently distributed?	3 / 15
b) What is the extent of the token's capabilities?	2 / 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?	**1 / 10**
e) Is the token sufficiently liquid to enable active use and trade?	**2 / 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?	**1 / 5**
d) Is the team able to effectively attract and coordinate resources?	**5 / 10**
Total Points - Team	**6 / 40**
4. Governance	**Points**
a) Admin Keys	**0 / 20**
b) Extent of Governance capabilities	**1 / 15**
c) Active Governance contributors	**0 / 5**
d) Robustness of Governance process	**1 /10**
e) Governance infrastructure	**0 / 10**
Total Points - Governance	**2 / 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**

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