Fundamental Report

Protocol: RocketPool
Version:V2.1
Date: 05/03/2022
Previous Report: Link to previous report

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

Scorecard

1. Value Proposition	Points
a) Novelty of the solution	11/ 15
b) Market fit/demand	8/ 15
c) Target Market Size	9/ 10
d) Competitiveness within market sector(s)	7/ 10
e) Integrations & Partnerships	6/ 15
Total Points - Value Proposition	**41/ 65**

2. Tokeneconomics	Points
a) Is the token sufficiently distributed?	7/ 15
b) What is the extent of the token's capabilities?	9/ 10
c) Is the issuance model able to improve the coordination of the protocol?	9/ 10
d) Is the value capture model able to accrue and distribute value?	4/ 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	**33 / 60**

3. Team	Points
a) Is the team credible and public? (No, Partly, Yes & Anon , Yes & Public)	11 / 15
b) Does the team have relevant experience?	5 / 10
c) Does the team participate and help shape the public debate?	4 / 5
d) Is the team able to effectively attract and coordinate resources?	8 / 10
Total Points - Team	**28 / 40**

4. Governance	Points
a) Admin Keys	4 / 20
b) Extent of Governance capabilities	1 / 15
c) Active Governance contributors	2 / 5
d) Governance infrastructure	1 /10
e) Robustness of Governance process	0 / 10
Total Points - Governance	**8 / 60**
5. Regulatory	**Points**
a) Does the protocol have any legal accountability?	12 / 15
b) What is the quality of the legal jurisdiction?	10/ 10
Total Points - Regulatory	**22 / 25**
Total	**132 / 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.
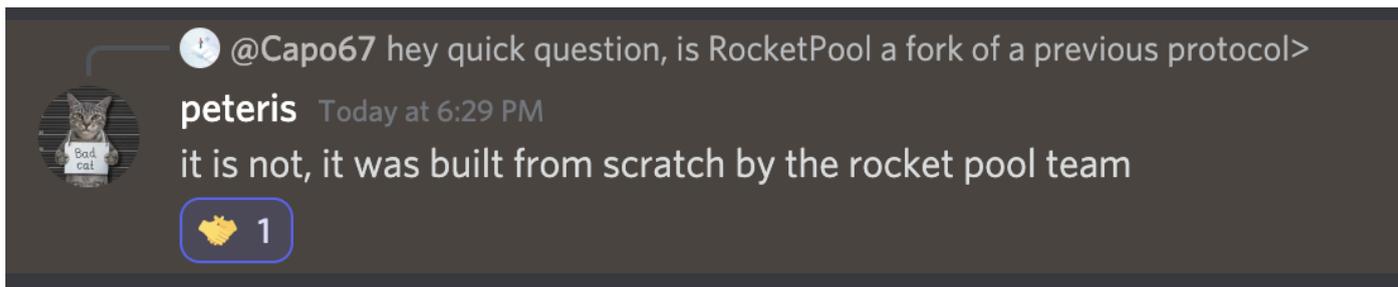
a) Novelty of the solution (15 points)

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: From their in-house Docs page powered by RocketPool themselves, I was able to gather this information of the overview of RocketPools vision.

Rocket Pool is a protocol offering ETH2.0 PoS, designed to be community owned, but that is still in development as governance has not been implemented yet.

They offer two ways for users to participate, which are tokenized staking, or running a node within the RocketPool protocol. This is novel due to RocketPool lowering the barrier of entry to run an ethereum node by 50% which previously required 32 ETH.

RocketPool is not a fork of any previous protocols, see photo

> @Capo67 hey quick question, is RocketPool a fork of a previous protocol>
>
> **peteris** Today at 6:29 PM
> it is not, it was built from scratch by the rocket pool team
>
> 🤝 1

However that's not to say they are the only decentralized protocol offering ETH staking. Their 16 ETH node barrier to entry is novel, hence the high score.

Score: 11

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: RocketPool is a good protocol for more experienced cryptocurrency users.

When looking at how much ETH has been staked through RocketPool, it would suggest that the demand is there, for this particular market. From their website

107,328 ETH STAKED   **854** NODE OPERATORS
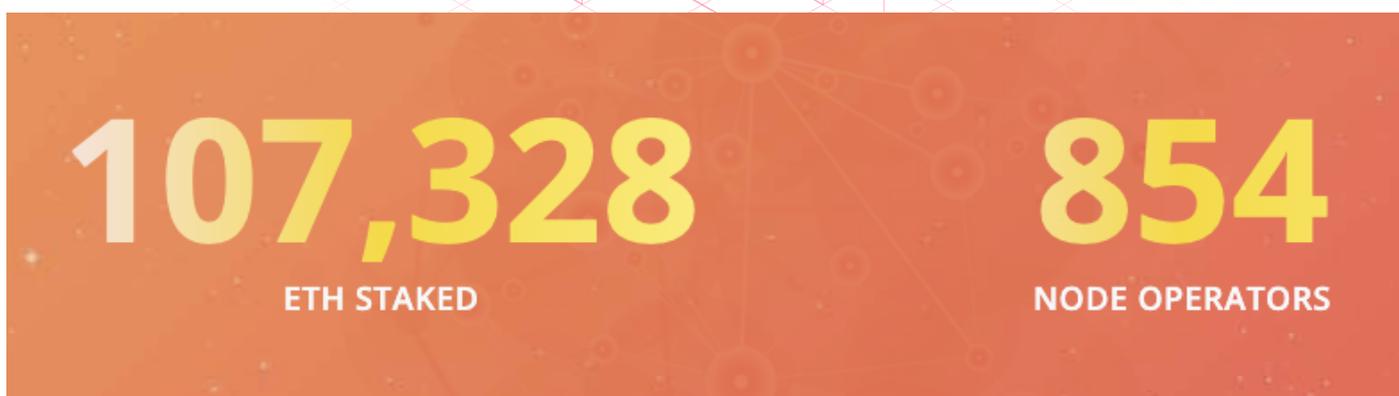
Stake + Run Node

Permissionless
Anyone can join the Rocket Pool decentralised node operator network.

Only 16 ETH
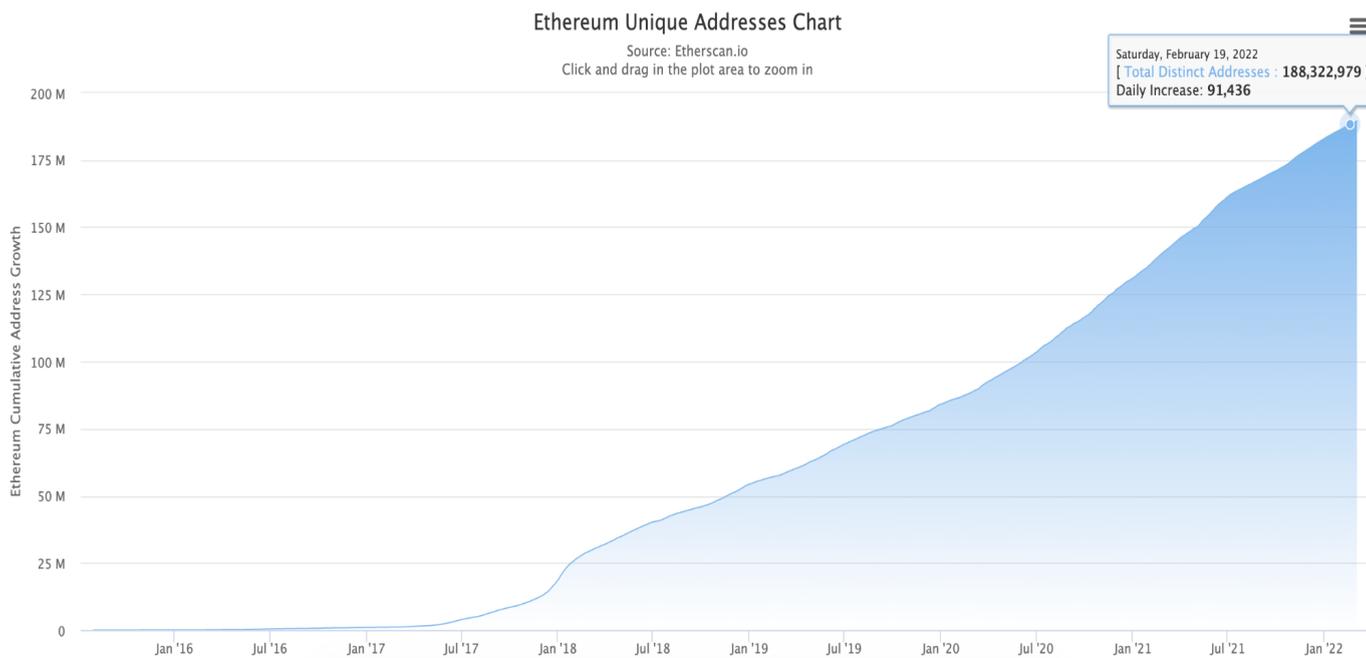Stake with less than 32 ETH.

Higher ROI
Earn commission from staking pool ETH and RPL rewards from providing RPL collateral.

Score: 8

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 target market size for ETH staking/node running is relatively large, based on the number of ETH holders being over 180 million, keep in mind that individuals can hold multiple wallets which would account for multiple ETH wallets tied to a single entity, making it hard to pinpoint the exact number of ETH holders.

Ethereum Unique Addresses Chart
Source: Etherscan.io
Click and drag in the plot area to zoom in

Saturday, February 19, 2022
[Total Distinct Addresses : **188,322,979**]
Daily Increase: **91,436**

But with the barrier of entry to run a node being so high (32 ETH), alternatives to this issue are sought after.

The DeFi node running target market is large, but shows signs that it may be declining, due to the high barrier of entry, plus alternative methods of putting users ETH to use, outside of ETH2.0. So an alternative such as RocketPool has found itself in a great position in a substantial market with signs of sustainable growth. It would be beneficial to the

protocol if they offered more utility outside of solely Ethereum staking and node operating.

Score: 9

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: There are many alternative options out there for ETH staking, however RocketPool claims to be the first of its kind ETH2.0 PoS protocol. Setting it apart from other ETH node operating protocols due to its 50% cheaper node creation costs.

From their docs,

"Rocket Pool is a first of its kind ETH2 Proof of Stake Protocol, designed to be community owned, decentralized, trustless and compatible with staking in Ethereum 2.0. It was first conceived in late 2016 and has since had over 5 successful public betas over the life span of ETH2 development."

Similar visioned protocols like Lido, offer ETH staking with no minimum contribution, however 32 ETH is still the number needed to create your own validator, and with Lido pulling much greater numbers, we can determine that RocketPool is in a very competitive market.

Rank #227

🌊 **Lido DAO (LDO)**

$2.24 ▲4.7%

0.00005723 BTC 11.6%↑
0.00084484 ETH 8.5%↑

⭐ 11,762 people like this

| $2.14	24H Range	$2.64
Market Cap ⓘ		$234,692,027
24 Hour Trading Vol ⓘ		$4,345,174
Fully Diluted Valuation ⓘ		$2,243,734,459
Total Value Locked (TVL) ⓘ		$12,946,902,405
Fully Diluted Valuation / TVL Ratio ⓘ		0.17
Market Cap / TVL Ratio ⓘ		0.02

Score: 7

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: RocketPool has integrated with some big players in the DeFi space, see photo.

Integrations

Category	Service	Link	Link
Data Feed	Subgraph	RPL⧉	rETH⧉
Exchange	Balancer (Mainnet)	-	rETH⧉
	Bancor (Mainnet)	RPL⧉	rETH⧉
	Uniswap (Mainnet)	RPL⧉	rETH⧉
	Uniswap (Arbitrum)	RPL⧉	rETH⧉
	Uniswap (Optimism)	-	rETH⧉
	Uniswap (Polygon)	-	rETH⧉
	Zigzag (zkSync)	-	rETH⧉
Trackers	DefiLlama	RPL⧉	-
	Delta	-	rETH⧉
Wallets	Coinbase Wallet	-	rETH⧉
	Dharma	-	rETH⧉
	Gnosis	-	rETH⧉
	Trust Wallet	RPL⧉	rETH⧉
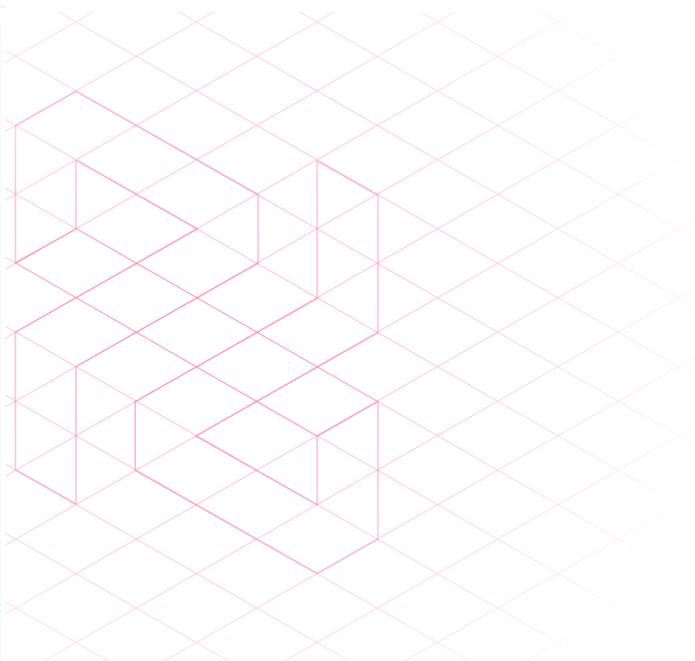
These integrations seem to be mutually beneficial for each party, as they integrate the use of rETH on the respective platforms listed above.

With no partnership section on their website, we are forced to dig a little deeper. I was able to find one partnership with Pocket Network, which again seems to be mutually beneficial to both protocols, see excerpt from the partnership article

> There is synergy in the working of both Rocket Pool and Pocket as both stakeholders are working to make the Ethereum ecosystem more decentralized in nature. Besides, both companies see this association as conducive for the wider adoption of cryptocurrency and blockchain technology.
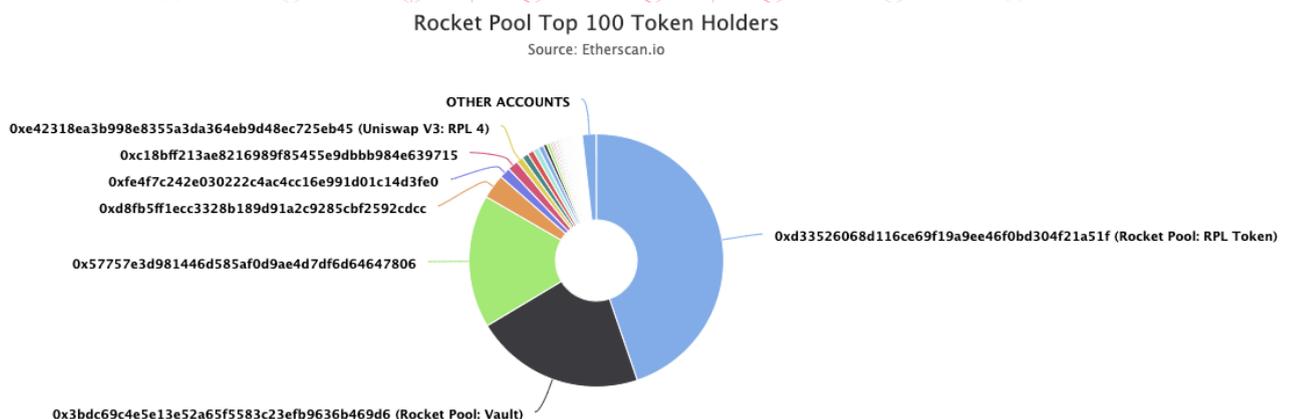
Score: 6

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 top 100 holders of RocketPool token (RPL) collectively own 98% of the total supply, which has now become industry standard. Upon looking at the wallets we can see there is an individual wallet holding 17% of the total supply with evidence that this is a personal wallet. See photo,

Rocket Pool Top 100 Token Holders
Source: Etherscan.io

This wallet seems to be a personal wallet, as it has an ENS domain name of patricioworthalter.eth, as well as activity on Opensea.

Score: 7

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: RPL has many use cases within the RocketPool protocol. Governance, insurance, staking rewards, and node operator rewards. From their Medium article overviewing the RPL token.

"Since Rocket Pool started almost four years ago, the RPL token has been the backbone of the protocol. It has evolved

alongside the protocol, Ethereum staking development and is now a multifaceted component of the protocol, providing direct incentives, insurance and governance."

Score: 9

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: Simply put, RocketPool uses incentives to create and run nodes, stake their ETH in their staking pools, as well as vote on proposals submitted by the DAO users. They also distribute RPL for node operators who provide an amount of RPL as collateral in the form of an insurance promise. See [photo](#)
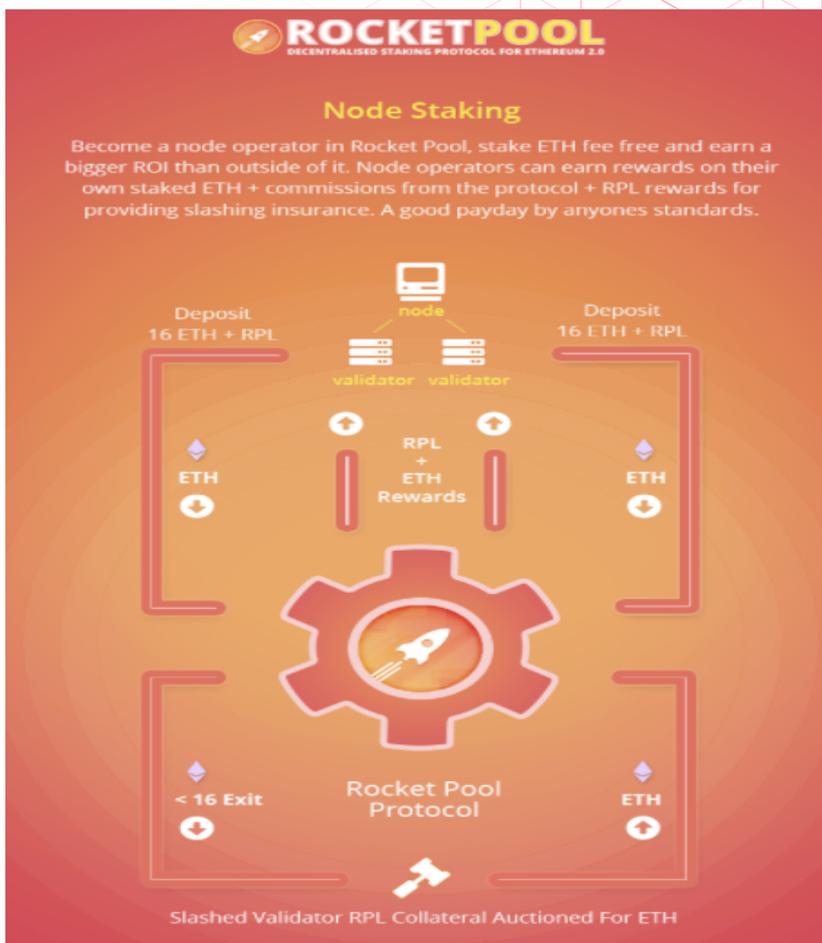
From the same article,

"When a node operator provides an amount of RPL as collateral in the form of an insurance promise, they are **rewarded with RPL rewards** from the generated inflation respective to the amount of collateral they provide. The

minimum collateral required is currently **10%** of the ETH value and capped at a maximum of **150%**. This means with these new tokenomics, a good node operator can earn rewards on their own ETH, a commission in ETH and RPL rewards and it also helps build confidence in rETH due to the added security provided by the RPL collateral. A three way benefit!"

Score: 9

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: From their discord admin

> 🕐 **@Capo67** How does RocketPool make money themselves?
>
> **jcrtp.eth** Today at 3:02 PM
> We run some of the Oracle DAO nodes, so we get a portion of the RPL that's minted every rewards period

> **jcrtp.eth** Today at 3:04 PM
> To token holders, not directly
> It distributes some of the value to node operators, which stake the token as part of running a minipool
> If you hold RPL without running a minipool, you don't get any of those rewards though
>
> **Capo67** Today at 3:04 PM
> Great thanks a bunch!
> 👍 1

The protocol can sustain itself through fee's generated from the Oracle Dao nodes, but these fees are not redistributed back to the token holders, only the node operators.

Score: 4

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: Between the limited CEX and DEX markets for RPL token, it seems relatively illiquid. See photo

Rocket Pool Markets

Affiliate disclosures

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#	Exchange	Pair	Price	Spread	+2% Depth	-2% Depth	24h Volume	Volume %	Last Traded	Trust Score
*	eToroX Sponsored									X
*	Crypto.com Sponsored									X
1	Uniswap (v3)	ETH/RPL Info	$26.94	0.6%	$100,231	$99,930	$52,561	30.26%	Recently	●
2	Bancor Network	RPL/BNT	$26.79	0.6%	$10,949	$12,553	$2,650	1.53%	Recently	●
3	Hoo.com	RPL/USDT	$27.19	0.93%	$1,440	$1,186	$17,715	10.20%	Recently	●
4	BKEX	RPL/USDT	$27.14	5.83%	$0	$0	$106,230	61.15%	Recently	●
5	Bilaxy ⚠	RPL/ETH	$26.24	6.87%	$0	$0	$12,286	7.07%	Recently	⚠
6	Hotbit	RPL/USDT	*$19.50	1.96%	$20	$37	$52,269	30.09%	Recently	-
7	Hotbit	RPL/BTC	*$19.31	1.96%	$10	$41	$52,054	29.96%	Recently	-

Rank #156

Rocket Pool (RPL)

$27.01 ▼3.8%

0.00069121 BTC 2.4%↕
0.01022919 ETH 0.1%↕

⭐ 10,460 people like this

$26.79	24H Range	$28.18
Market Cap ⓘ		$437,330,662
24 Hour Trading Vol ⓘ		$173,727
Fully Diluted Valuation ⓘ		$486,169,013
Total Value Locked (TVL) ⓘ		$391,655,348
Fully Diluted Valuation / TVL Ratio ⓘ		1.24
Market Cap / TVL Ratio ⓘ		1.12

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: Outside of LPing on [UniSwap](#) and similar DEX's, there are no extrinsic use cases for RPL 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 team is both public and seemingly credible. From their [website front page](#)

PrimeRating

The team also has a dedicated RocketPool LinkedIn. Their CTO, David Rugendyke, claims to have Solidity development experience, and was previously a senior digital developer at George Patterson Y&R.

Their senior blockchain engineer, Joe Clapis, describes himself from his personal github as a,

Joe Clapis

jclapis

Follow

Software engineering lead, building
Blockchain apps, bridging quantum
computing and classical software
engineers, occasional hardware tinkerer.

👤 **31** followers · **0** following

🏢 Rocket Pool
📍 USA

.

The RocketPool team is very public, but some of the credentials are hard to find or spread thin.

Score: 11

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: The team has lots of experience surrounding tech and computer engineering, but as to how much of that is related to web3 or blockchain is hard to determine, as most of the experience given on their website is anecdotal and unverifiable

LinkedIn Member
General Manager at Rocket Pool
Greater Brisbane Area

LinkedIn Member
Rocket Pool CTO & Ethereum Solidity Developer
Greater Brisbane Area

LinkedIn Member
Investment Team @ Consensys Ventures | MBA, ESADE & Booth | CSE, IIT Bombay
Berlin

LinkedIn Member
Administration Manager at Rocket Pool Pty Ltd
Brisbane, QL

LinkedIn Member
Senior Solidity Engineer at Rocket Pool
Greater Brisbane Area

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Based on the public team members from their website and LinkedIn, there are no marketing or human resource specialists, but after joining their discord, I was greeted with fast and informative responses to all of my enquiries, leading me to believe they have an active team of anonymous crypto enthusiasts working for the protocol.

Score: 5

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: RocketPools twitter is active, as well as their medium; although not as much. However, I am most impressed with their discord. I was able to receive answers surrounding multiple questions within a matter of minutes from a verified admin, and their chat is active with an acceptable online/member ratio of 13.5%, with the community discussing multiple things surrounding blockchain and DeFi.
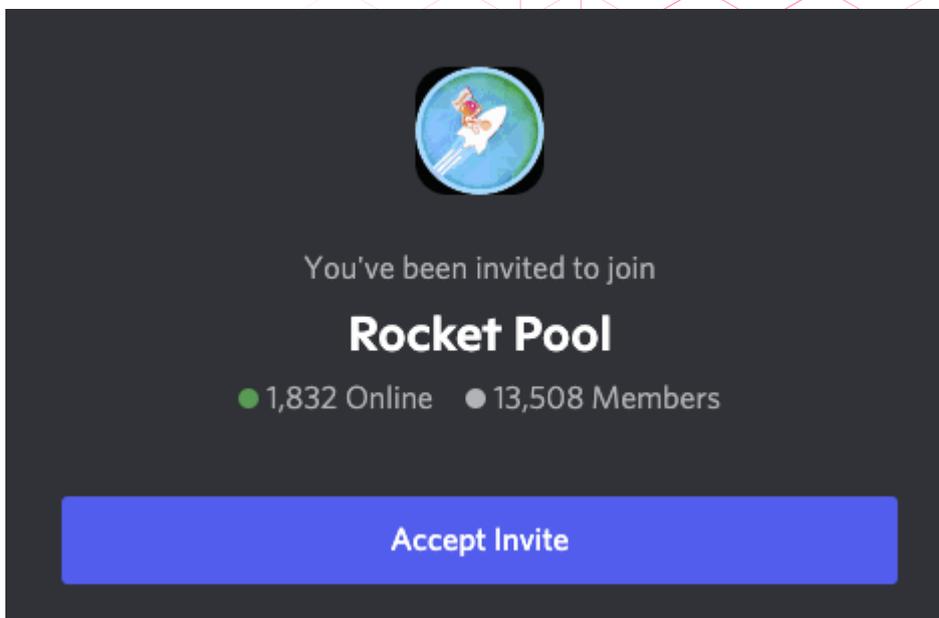
Score: 4

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: In terms of outsourced [funding](#), RocketPool has not generated much. But based on the amount of node operators they have attracted, as well as the total amount of ETH staked, they have been able to attract resources to benefit 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 a [Reddit thread](#), posted by the same admin from their discord,

"Hi, Rocket Pool dev here. I'm not in charge of the smart contracts, but I know enough about them to be dangerous so here's a quick explanation of how the withdrawal process works.

First off, to your original question: **Rocket Pool doesn't use withdrawal keys**. This is unique compared to solo staking or other SaaS providers. Instead, when a Rocket Pool validator is created, its "withdrawal key" is actually the address of one of the smart contracts on ETH1. That means when the validator exits, the funds will be sent to that smart contract. This was a critical part of Rocket Pool's decentralization, as Dave [discussed here](#), and the fact that it wasn't in the spec yet was the primary reason Rocket Pool didn't launch in December with the Beacon Chain. Luckily, it was [added to the ETH 2.0 spec in February](#).
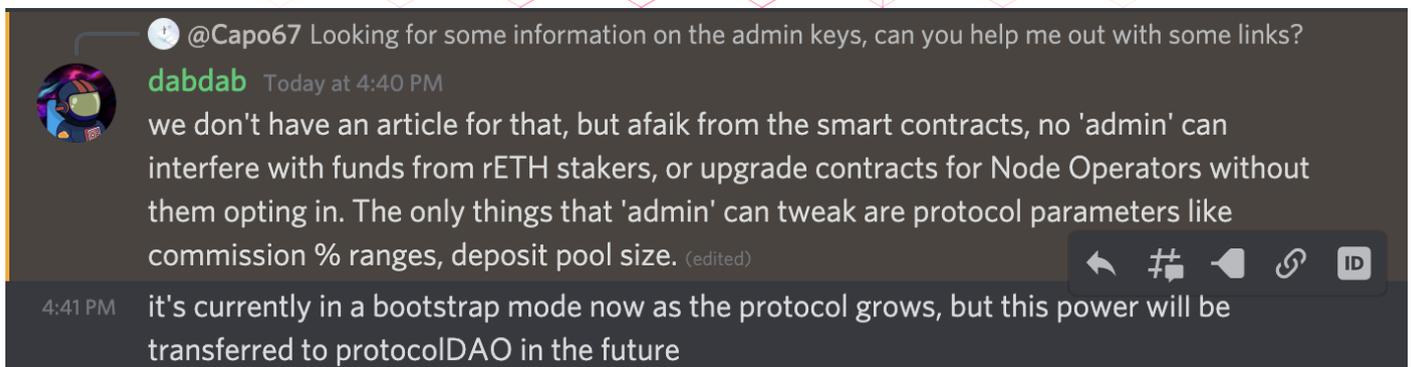Now, I'll try to cover the process during an exit.

First, upon validator creation, the Rocket Pool system will actually create a new smart contract on the eth1 chain - this contract is your minipool. When you exit the eth2 validator, the beacon chain will send all of your validator's ETH to this smart contract. At some point, the Oracle Nodes will confirm that your validator has exited and the balance successfully made its way to your minipool, and will flag it as **withdrawable**. Once withdrawable, you can perform a withdraw from the Smartnode CLI.

From a technical perspective, here's what will happen:

1. The CLI will call the `payout` function ([source here](#)) on your minipool. This will confirm that your balance is correct and that the minipool is marked as withdrawable.
2. `payout` calls `processWithdrawal` on the network withdrawal contract ([source here](#)). This will do some more safety checks, then calculate how much ETH belongs to you (your half + your commission), and how much ETH belongs to the staking pool (their half - your commission), and send both amounts to their respective owners.
3. Your portion will get sent to your **withdrawal address**. This is a configurable address you can set in the CLI. It can be your node wallet, it can be your Ledger / Trezor, it can be your Argent wallet or your account on Coinbase, whatever you want. By default it's your node wallet, but most people change it to something else as a security measure.

"

Outside of this, I am unable to find any information on the admin keys themselves, but from what I understand is that there are actually no keys for the nodes. As for the staking pools, we can see [here](#) they focus heavily on the decentralization aspect of the protocol. Even got a response reiterating the above mentioned assumption, see photo

> **@Capo67** Looking for some information on the admin keys, can you help me out with some links?
>
> **dabdab** Today at 4:40 PM
> we don't have an article for that, but afaik from the smart contracts, no 'admin' can interfere with funds from rETH stakers, or upgrade contracts for Node Operators without them opting in. The only things that 'admin' can tweak are protocol parameters like commission % ranges, deposit pool size. (edited)
>
> 4:41 PM   it's currently in a bootstrap mode now as the protocol grows, but this power will be transferred to protocolDAO in the future

Due to the nature of the admin keys being operated by individual node operators, but with no information surrounding the RPL token admin keys this will score as high as possible in the lowest bracket.

Score: 4

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 RocketPool DAO has a dedicated](#) webpage, however it is unclear as to how to submit a, or vote on proposals made by the DAO. This seems like more of a forum to discuss potential proposals.

From their [medium](#),

> This article will be focusing on the tokenomics of Rocket Pool which have evolved alongside Ethereum staking over the last few years. Rocket Pool 3.0 features many months worth of work building tokenomics to align incentives of all users in the protocol, insuring the value behind rETH against penalites/slashing events and allowing all users to control aspects of Rocket Pool through the Protocol DAO, which will offer governance when it comes online.

Key takeaway here is "which will offer governance when it comes online."

This article was published in April, 2021, and with no further developments on the governance process within the RocketPool DAO, it seems that https://dao.rocketpool.net/ and their governance section in their Discord are the only arenas to discuss protocol proposals.

As well as from their discord,
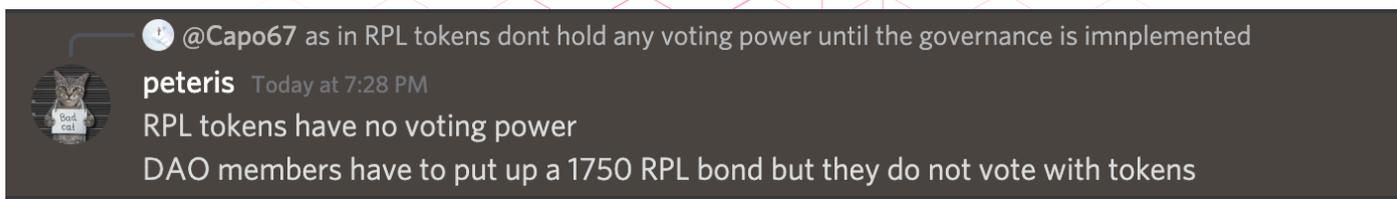
Score: 1

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: We see lots of activity in the governance section in the RocketPool discord, but without actual voting taking place, the number of active governance contributors can not be accurately represented.

Score: 2

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: For the governance of RocketPool the infrastructure is nonexistent, just a discussion based forum and discord chat. Seeing as the [medium](#) article is over a year old, the claims of governance capabilities and infrastructure to be released "soon" are losing credibility. Photo from medium article,

Protocol DAO

The Rocket Pool Protocol DAO will be responsible for a host of settings across the protocol and be run by RPL governance. It will go live post-launch with much more detail surrounding it's proposal and voting mechanisms coming Soon™.

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: Again, without the actual implementation of their governance process; the robustness of it is undefinable.

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: In their [Terms Of Service](#), they essentially put all risk on the individual investors backs. That being said, they are a legally registered Australian Private Company.

> Rocket Pool Pty Ltd is a Queensland based Australian Private Company, its ABN was registered 10th May 2018. It is not registered for GST.

Due to the fact that they are not registered for GST is the only reason they didn't score in the 13-15 range for this section.

Score: 12

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: [RocketPool headquarters is located in Australia.](#)
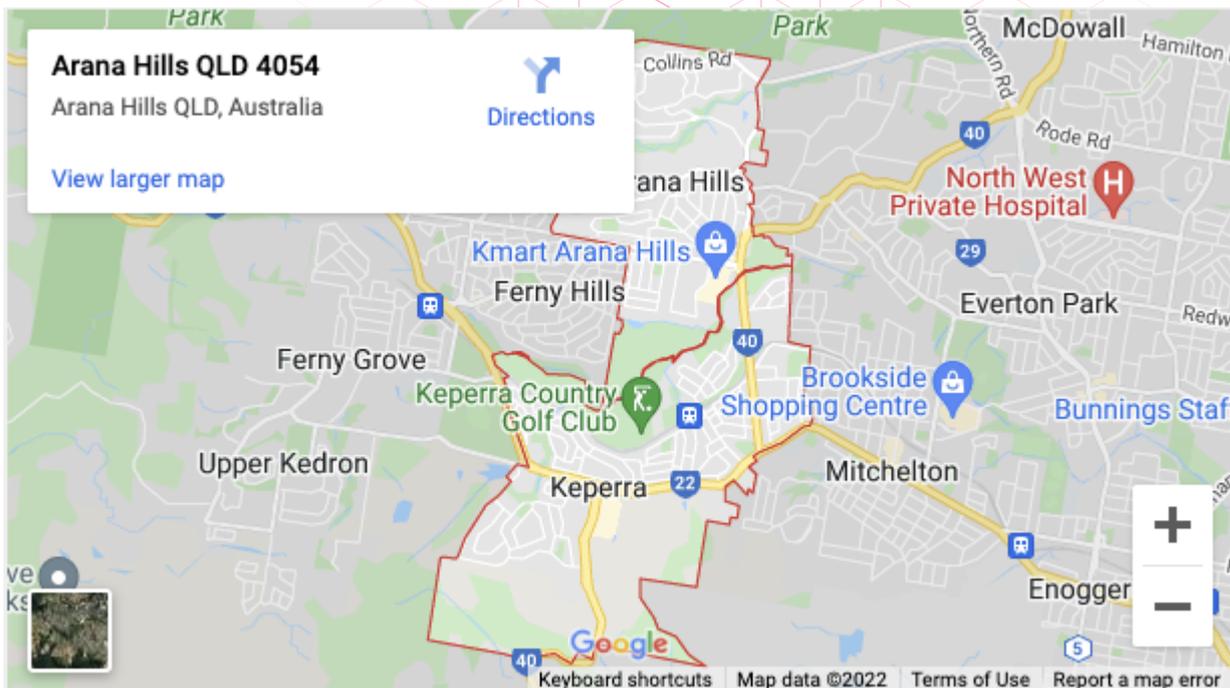
Score: 10

About the Author: Capo67