Fundamental Report

Protocol: Bancor
Version: 1
Date: 26/02/2022
Previous Report: [Previous report](#)

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Reviewed by: Lavi
Season/competition: Season 2

Scorecard

1. Value Proposition	Points
a) Novelty of the solution	12 / 15
b) Market fit/demand	8 / 15
c) Target Market Size	10 / 10
d) Competitiveness within market sector(s)	6 / 10
e) Integrations & Partnerships	10 / 15
Total Points - Value Proposition	**46 / 65**
2. Tokeneconomics	**Points**
a) Is the token sufficiently distributed?	13 / 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?	7 / 10
d) Is the value capture model able to accrue and distribute value?	7 / 10
e) Is the token sufficiently liquid to enable active use and trade?	5 / 5
f) Are there any extrinsic productivity use cases?	4 / 10
Total Points - Tokenomics	**45 / 60**
3. Team	**Points**
a) Is the team credible and public? (No, Partly, Yes & Anon , Yes & Public)	14 / 15
b) Does the team have relevant experience?	8 / 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?	9 / 10
Total Points - Team	**35 / 40**

4. Governance	Points
a) Admin Keys	14 / 20
b) Extent of Governance capabilities	12 / 15
c) Active Governance contributors	4 / 5
d) Governance infrastructure	9 /10
e) Robustness of Governance process	8 / 10
Total Points - Governance	**47 / 60**
5. Regulatory	**Points**
a) Does the protocol have any legal accountability?	15/ 15
b) What is the quality of the legal jurisdiction?	10 / 10
Total Points - Regulatory	**25 / 25**
Total	**198 / 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 users' problems more efficiently? Is the project a fork? To what extent did they copy/fork the original?

Answer:

Bancor is an on-chain liquidity protocol powered by a set of smart contracts, designed to perform peer-to-peer trading with one click and without an intermediary. The core protocol architecture is based on the AMM mechanism with the concept of liquidity pools that enables automated and decentralized exchange on Ethereum network, but it can be integrated into any smart-contract blockchain to provide cross-chain liquidity.

Launched in June 2017 as one of the biggest ICO in the space, Bancor is the first decentralized exchange that implemented AMM and the first Defi protocol at all. The protocol has a form of DAO, which means that it is owned and managed by a community that holds BNT - protocol native token. What distinguishes the Bancor protocol from the rest of the AMM ecosystem is the approach that tries to solve the biggest problems of the first generation AMM protocols such as impermanent loss, multi-asset exposure, and low capital efficiency.
Contrary to other AMMs, Bancor (v2.1) uses its protocol token, BNT, as the counter-part asset in every liquidity pool. A new token economic model with elastic BNT supply allows flexibility in minting and burning events reflecting supply and demand for protocol services. In that way, elastic supply enables single token liquidity provision, also called "Safe Staking", and impermanent loss protection. For liquidity providers that means a single token providing liquidity, earning fees, and all that protected from impermanent loss. With the Bancor v3 launch, these mechanisms will be brought to a new level with auto-compounding reward fees, removed time-lock for IL compensation, and other improvements.
Deep integration of native protocol tokens in protocol core operations is a truly unique concept.

Score: 12

b) Market fit/demand (15 points)

This score evaluates the degree to which the protocol satisfies 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:

On-chain liquidity providing is a very competitive market where each [AMM protocol](#) tries to optimize liquidity pools by upgrading the basic constant automated market-making formula (x * y = k). Constantly optimizing AMM protocols have specialized in a particular exchange mechanism within the liquidity pool with modification to asset correlation, incentive mechanism, capital efficiency system, pool rebalancing system, and flexibility of pool parameters([source](#)). As already mentioned, the Bancor protocol focused on the impermanent loss problem and single side staking providing liquidity with new control modules of dynamic pool optimization and flexible token-economics integration (BNT). With the mentioned features, the protocol will be an ideal solution for DAO's "community-owned liquidity" and treasury management, new web 3.0 projects, and investors who want to provide liquidity passively.

Bancor's [trading volume](#) in last 7 days is $149,991,812,(7th ranked) which makes a 0.05% market share of the Ethereum DEX market, with 347 [weekly traders](#)(14th ranked). According to DeFi Llama [TVL (Total Value Locked)](#) in the protocol is $1.1b(5th ranked). Chart below shows that the Bancor protocol is profitable, which means that the protocol creates value for liquidity providers and DAO.
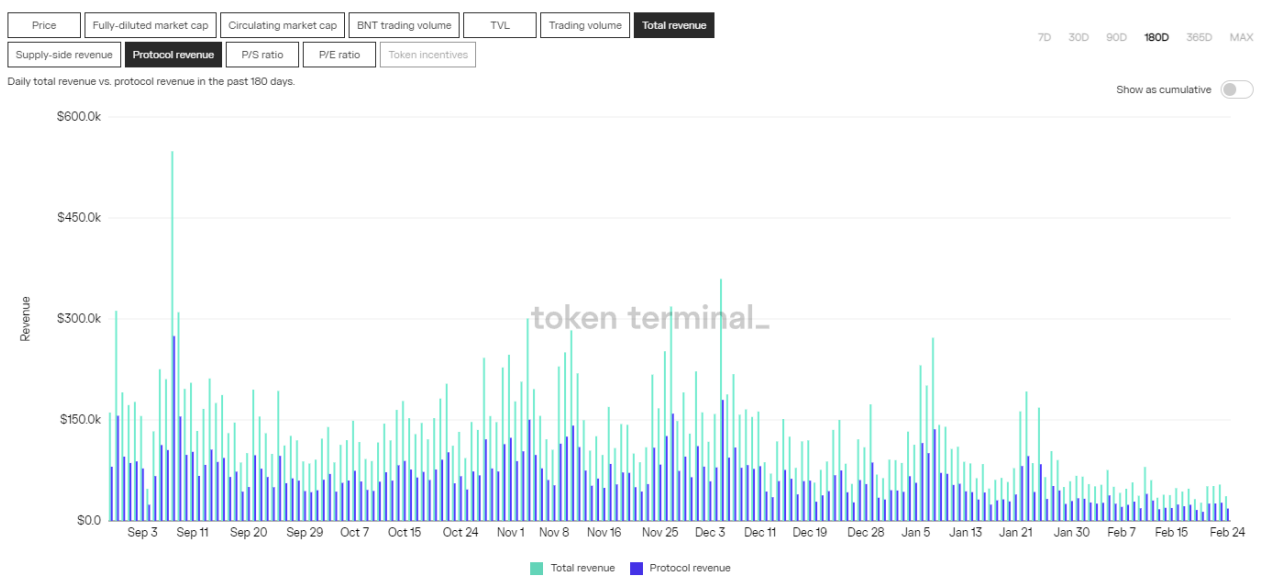
(source: [Token Terminal](#))

Bancor holds its competitive advantage as AMM with the largest liquidity pools for [LINK, ENJ, and BAT](#) and as a protocol with the widest offer of trading assets in relation to trading volume (diversification), which clearly shows that Bancor is targeting the market in line with its value proposition.

Given the time period and funds (ICOs) available, Bancor holds a very low share in overall market in total volume and number of users, while TVL performance is slightly better. However, a differently designed cryptoeconomic mechanism enabled Bancor protocol to take a share of the market. The reasons for the low market share and usage of

protocol compared to the competition can be found in Bancor's passive market appearance - for example - capped liquidity pools and whitelisting to use a product that is a protocol value proposition or supporting only one chain. Bancor has advantages in certain business and market segments, but these advantages are relatively few. In those most important indicators (TVL, trading volume, number of users) that best reflect market preferences, Bancor lags far behind the leading protocols.
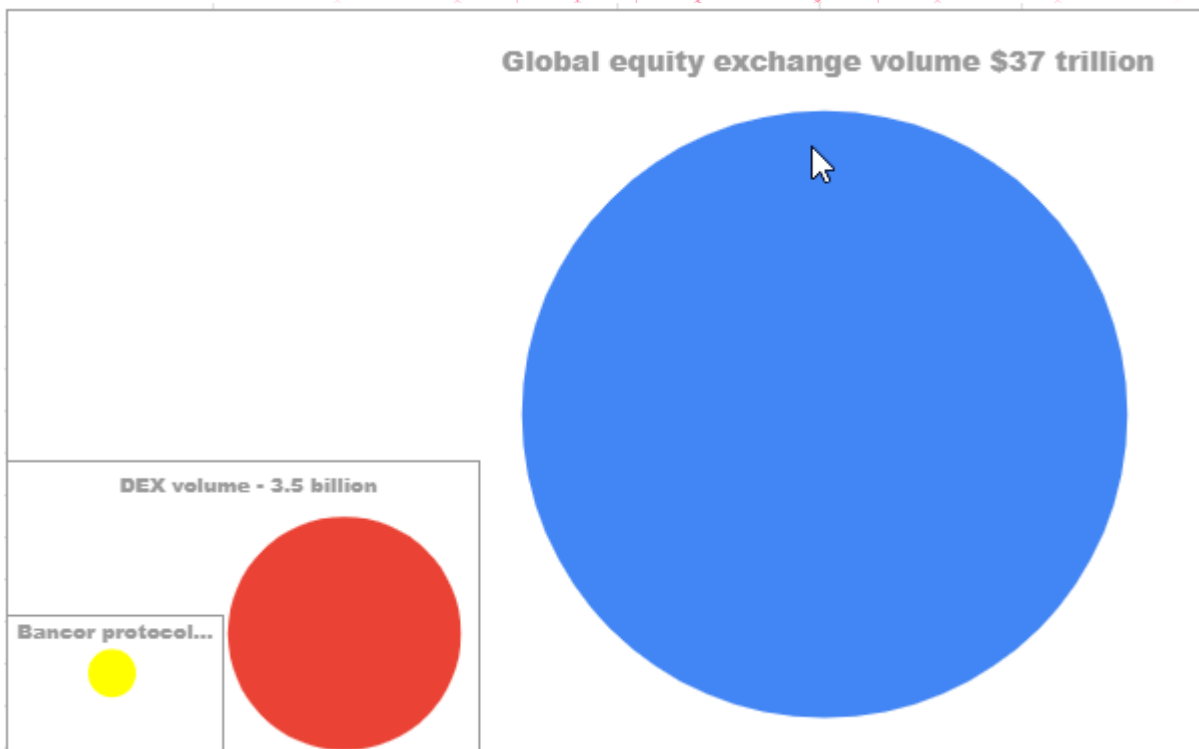
Score: 8

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:
Global exchange market is huge with the highest potential for growth. Traditional centralized exchange markets make tens of trillions in daily volume, depending on what data we use to calculate it. But even with basic calculation, we can measure only numbers behind institutional and accredited investors. On the other hand, decentralized exchange reached 3.49 billion in daily volume, while the Bancor protocol made a daily volume of ~$14 million. Decentralized exchange technology is based on blockchain and due to its permissionless feature potentially targets unrealized markets such as user base without access banking services, Internet of jobs exchange, etc. The decentralized exchange component in itself increases the growth potential of overall global exchange.

Score:10

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:
Bancor with a daily trading volume of 14,302,639$ takes only 0.06% market share in Ethereum DEX volume. Protocol support 138 different assets and 143 trading pairs, has ~1.1b$ TVL and 23.2 million$ annualize revenue based on the last 30-day average.

Rank	Project	7 Days Volume	24 Hours Volume
1	Uniswap	$13,467,415,153	$1,614,647,024
2	Curve	$1,324,294,042	$210,227,907
3	Sushiswap	$810,113,013	$94,963,118
4	0x Native	$553,899,075	$55,997,783
5	Balancer	$378,344,598	$47,963,315
6	DODO	$144,513,723	$19,218,641
7	Bancor Network	$105,592,119	$13,498,684
8	1inch Limit Order Protocol	$72,378,461	$6,387,284
9	Synthetix	$53,043,278	$9,897,374
10	mStable	$22,026,633	$2,514,047
11	Defi Swap	$19,903,547	$2,589,484
12	Clipper	$11,010,366	$1,465,220

(source: Dune analytics)

Uniswap, as a market leader that supports by far the most assets and trading pairs, achieves the highest trading volume and has the highest capital efficiency (TVL/Volume). Uniswap as a "first-mover" in AMM space with permissionless pool creation managed to create a positive feedback loop on liquidity (liquidity attracts liquidity). Although Bancor was the first to implement AMM, due to a different approach to protocol design it was not able to bootstrap liquidity and user base.

Name			Chains ⓘ	1d Change	7d Change	1m Change	TVL	Mcap/TVL
🔖 1	🌈	Curve (CRV)	🔷🔺🟦♾️◎🟢⬜🔴	0%	-1.36%	+1.59%	$18.35b	0.05628
🔖 2	🦄	Uniswap (UNI)	🔷♾️⬜🔴			+10.22%	$7.53b	0.60858
🔖 3	⚫	SushiSwap (SUSHI)	🔷🟣♾️🔺🟦⬜🟤🟢◎🟢 +5		-9.81%	-9.54%	$3.99b	0.16583
🔖 4	♟️	Balancer (BAL)	🔷♾️⬜	+0.27%	-5.45%	+0.02%	$2.97b	0.04731
🔖 5	⚫	Bancor (BNT)	🔷	-0.69%	+10.28%	+7.11%	$1.08b	0.58637
🔖 6	🟣	Synapse (SYN)	🔺🟦🟢♾️🔷⬜🔴🔼🟤 +2	-0.65%	-4.23%	-11.75%	$790.76m	0.62528
🔖 7	🟡	DODO (DODO)	🔷🟤♾️🔼⬜			+57.20%	$358.59m	0.37058
🔖 8	🔵	Loopring (LRC)	🔷	-1.59%	+3.31%	-6.21%	$292.93m	3.40735

(Source: DefiLlama)

Curve finance has the highest Total Value Locked (TVL) but does not represent significant competition to the Bancor protocol due to the fact that the Curve protocol specializes in the exchange of stablecoins, while liquidity pools on Bancor are based on the BNT token and don't support stablecoin pairs. Capital efficiency (velocity) is a very important indicator when it comes to the productivity of the AMM protocol, and in its most basic form, it is measured as the trading volume / TVL ratio. Calculating capital efficiency based on weekly volume and using data from the above two tables (images, 1st image = trading volume, 2nd image = TVL) indicates that Uniswap is the most capital efficient AMM with a Capital Utilization Ratio (CUR) of 178%, while the Bancor CUR is 0.09. CUR of other competitors also indicates better capital efficiency than Bancor: Curve - 0.72, Sushi - 0.2, Balancer - 0.12.

Bancor has opted for a completely opposite strategy from its competitors in terms of multi-chain activity. Although protocol smart contracts allow cross-chain asset swaps, Bancor has not expanded its market to a single Layer2/side-chain while all competitors have more and less taken their positions and expanded their operations on that market.

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 many purposes).

Answer:
With the single-staking pool model, Bancor has significantly initiated potential integrations. Providing projects with efficient liquidity for their native token and at the same time, more efficient treasury management by decentralized autonomous organizations expands the DAO-to-DAO network and adds value through composability.

Some DAOs that have active deposits on Bancor: UMA (etherscan), Harvest finance (etherscan), Barnbridge (etherscan), Paraswap (etherscan), KeeperDAO (etherscan), IDLE finance (etherscan). Bancor integration with DEX

aggregators such as 1inch, Paraswap, 0xAPI, DEX.AP and X Nation is of great importance because the mentioned protocols significantly contribute to the trading volume by routing swaps for which the bancor protocol has the most favorable offer.

Also, integration with portfolio managers - DeBank, Zapper, and Zerion brings the protocol closer to new users. Bancor also has a large network of partnerships with fiat gateway providers, so bancor protocol users can use on-ramp and off-ramp services directly from the dapp interface. Currently, integrated fiat-gateway providers are MoonPay, Banxa, Simplex, Ramp, and Mercuryo. It is worth mentioning the partnership and integration with Opensea - NFT marketplace where it is now possible to list NFT in BNT price.

Score: 10

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 behavior in the protocol, and the ability of the token to capture a portion of the value created.
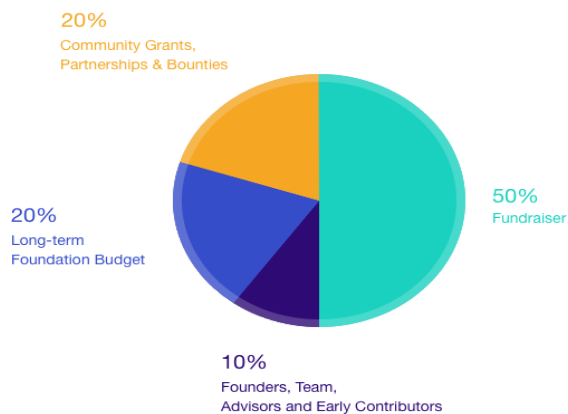
a) Is the token sufficiently distributed? (15 points)

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)?
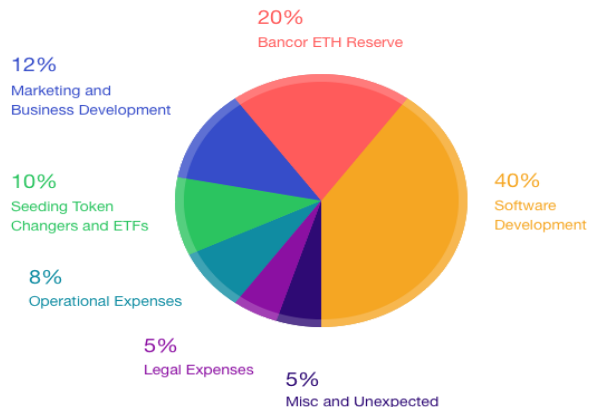
Answer:

Bancor launched its Initial Coin Offering for BNT token in June 2017. Total of 79.3m BNT tokens was initially created, 50% were sold to 10,885 ICO participants for $153 million. The remaining 50% are allocated to team, community, and future use. (*source: Messari*)

Token Allocation

- 20% Community Grants, Partnerships & Bounties
- 20% Long-term Foundation Budget
- 50% Fundraiser
- 10% Founders, Team, Advisors and Early Contributors

Use of Proceeds

- 12% Marketing and Business Development
- 10% Seeding Token Changers and ETFs
- 8% Operational Expenses
- 20% Bancor ETH Reserve
- 40% Software Development
- 5% Legal Expenses
- 5% Misc and Unexpected

(*source: [Bancor blog](#)*)
The distribution of BNT tokens is well balanced between the team, investors, advisors, contributors and 10,885 ICO customers, with the distribution of airdrop BNT holders in the amount of 10% market cap as an ETH / BNT LP token two years later. Compared to other Defi protocols BNT distribution is one of the fairer.

Score: 13

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:
BNT token is deeply integrated into Bancor protocol ecosystem and makes an incentive loop for all interest groups in the protocol working process. Token utilities are linked in such a way to stimulate protocol participants by forming a sustainable value loop.

The main [utility of BNT](#) token is as the counter-asset in liquidity pools in order to enable single-side staking and impermanent loss protection. The token holders are enabled to stake BNT in the pool and in that way support the protocol as a counterpart in providing liquidity, take profit from trading fees and profit from the earned trading fee, and mint a [synthetic vBNT](#) token. With vBNT, token holders can participate in Bancor DAO governance or exchange it in the market for another token to increase capital efficiency. Staked BNT is located in the [Vortex pool](#) which acts as a pool that returns vBNT in 1:1 ratio for staked BNT amount. Vortex collects 5% of swap fee revenue and uses it to buy and burn vBNT thus creating additional cash flow for BNT holders.
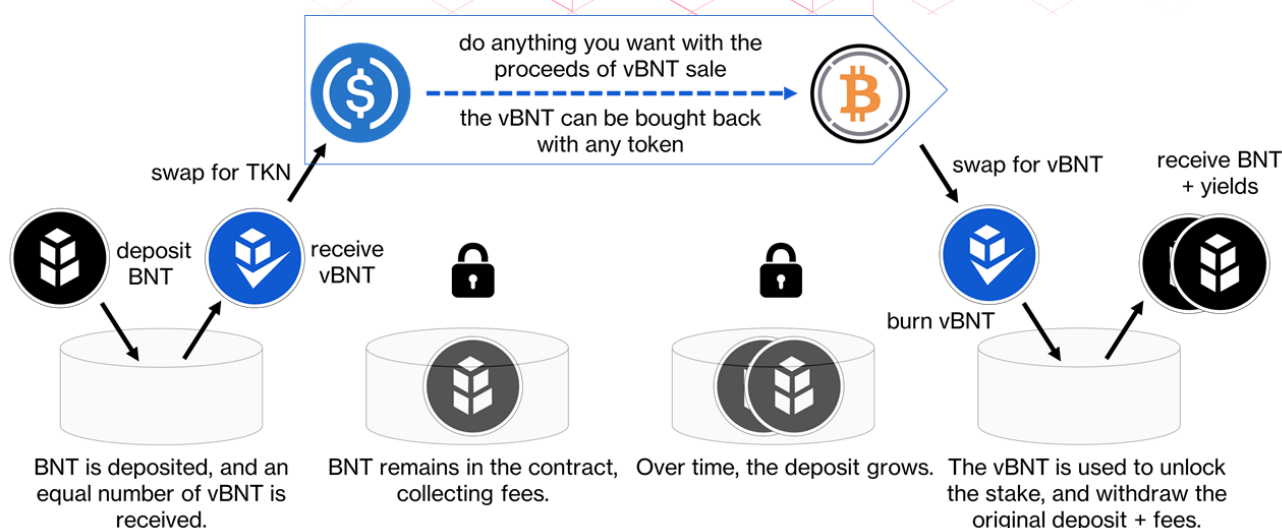
(source: [Bancor blog](#))
If a BNT holder wants to withdraw a full BNT stake from a pool, they can do it with the same amount of vBNT. In this way, BNT on the one hand increases the capital efficiency of holders, and on the other hand, reduces BNT inflation.

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 behavior? Are all relevant stakeholders benefiting from the issuance model?

Answer:

One of the Bancor v2 implementations is the elastic BNT supply mechanism, which means that maximal supply isn't capped and circulating supply depends on the demand for providing liquidity on the protocol. It is even questionable whether BNT in liquidity pools should be counted as circulating supply because that BNT never leaves the protocol but only acts as a unit converter with another token. In this article was made a classification on protocol-owned and investor-owned BNT, which perhaps best describes how BNT circulating supply should be determined. Newly minted BNT is distributed as a liquidity mining reward to liquidity providers. The inflation rate of the BNT supply cannot be calculated accurately because the protocol is designed so that burn and mint mechanisms are dynamically adjusted to market changes. The inflation rate depends on many factors like the number of single side providers, the ratio between holders BNT and protocol BNT in the co-invested side of the pool, market price, governance participation(Vortex), leverage used inside Vortex pool (vBNT/BNT) and trading volume. It should also be noted that there are currently limits in terms of creating pools (whitelisting) and maximum BNT co-investing amount, which should change with the arrival of Bancor v3.
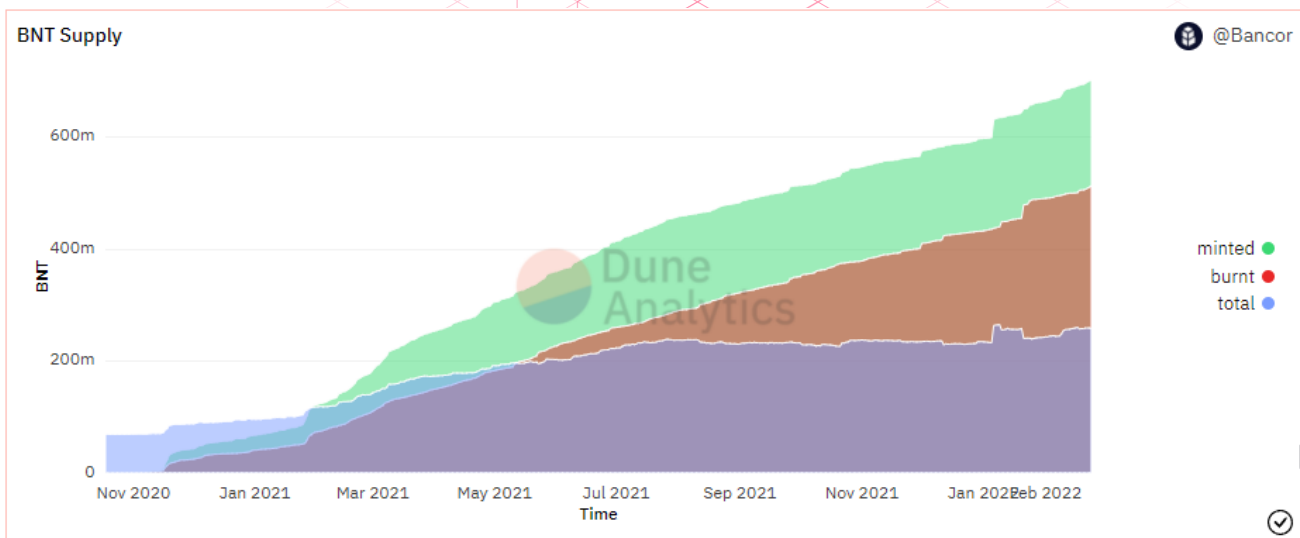
(source: Dune analytics)

With the current parameters in the BNT distribution mechanism, the functioning of the protocol is sustainable, provided that Bancor DAO can vote for changes to the parameters (trading fee allocation, increasing or decreasing fees) if necessary. Currently, a good portion of the protocol costs are not financed from the protocol itself, so it is quite difficult to predict if the protocol would be self-sustainable. According to the Bancor blog (Bancorian): "Currently, the Bancor Foundation pays bug bounties, but perhaps the DAO has the power to decide on the size of the reward.", so although Bancor DAO has the right to vote in which range the prize for contribution will be, the decision to hire a contributor is made by the Bancor Foundation. In the same post under the "Integrations and Updates" section, it was mentioned that only two contributors are employed by the DAO.
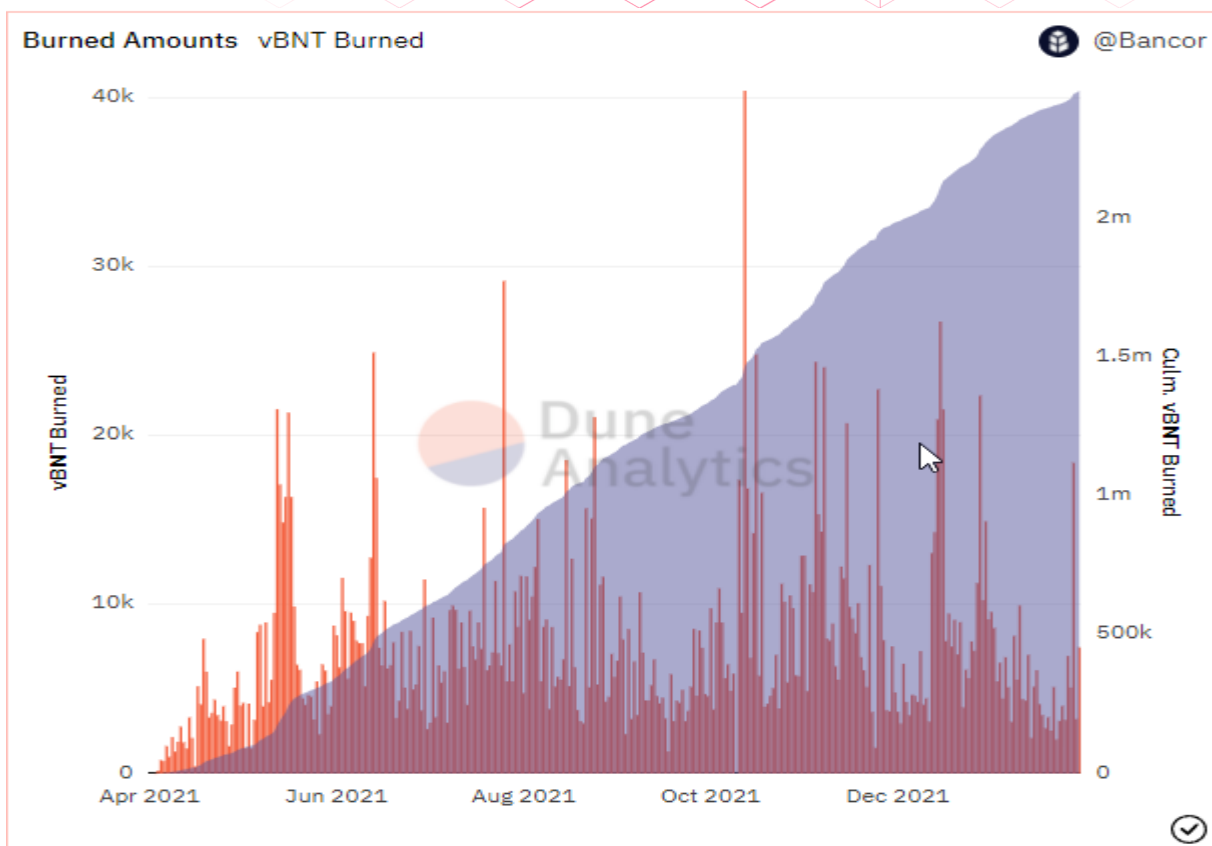
Score: 7

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:

Value produced by the protocol is clearly connected with trading activity on it and collects fees from that activity. Earnings from trading activities are divided between the BNT holder and the liquidity provider in a 70%: 30% ratio. BNT holders with the staked BNT and Bancor protocol are addressed as counterparts to single-side staking providers. Although each pool is structured in a 50%: 50% ratio for TOKEN: BNT, BNT holders assume the risk of impermanent loss from LPs and receive a premium on risk in form of a larger share from the pool. Liquidity providers get their share of trading fees(30%) in the token they have in the LP stake, while BNT holders get their share (70%) in the BNT token. Trading fees earned by the protocol are used as compensation for possible occurred impermanent loss, and protocol deposited BNT will be burned if there is no need for it (LP withdrawal or additional BNT staked by holders).So, if we look at each side of the liquidity pool separately, it can be seen that this is a classic staking mechanism for participants and a token distribution policy for protocol. (question 2.b).

(source: Dune analytics)

BNT holders also receive value as cash flow, as a result of the Vortex pool burning mechanism, an Bancors token-economic event mentioned in question 2.b.

Score: 7

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:
BNT token is most liquid on Bancor itself in pair with WBTC($3,167,580 liquidity), ETH($2,402,598) and LINK($2,100,139). Token is also available on tier1 centralized exchanges like Binance, Coinbase Crypto.com and BTSE.

#	Exchange	Pair	Price	Spread	+2% Depth	-2% Depth	24h Volume	Volume %	Last Traded	Trust Score
1	Bancor Network	WBTC/BNT	$2.08	0.6%	$2,558,382	$2,933,259	$6,252,272	13.80%	Recently	🟢
2	Bancor Network	ETH/BNT	$2.08	0.6%	$2,006,961	$2,301,038	$11,646,423	25.71%	Recently	🟢
3	Bancor Network	LINK/BNT	$2.08	0.6%	$1,688,992	$1,936,478	$7,999,821	17.66%	Recently	🟢
4	BTSE	BNT/USD	$2.09	1.38%	$594,770	$638,583	$74,510	0.16%	Recently	🟢
5	Bancor Network	USDC/BNT	$2.08	0.6%	$252,781	$289,820	$1,500,999	3.31%	Recently	🟢
6	Bancor Network	DAI/BNT	$2.08	0.6%	$238,991	$274,010	$1,007,926	2.22%	Recently	🟢
7	Bancor Network	USDT/BNT	$2.08	0.6%	$235,051	$269,492	$1,250,668	2.76%	Recently	🟢
8	Bancor Network	AMP/BNT	$2.08	0.6%	$106,333	$121,914	$180,177	0.40%	Recently	🟢
9	Bancor Network	WNXM/BNT	$2.08	0.6%	$103,589	$118,768	$56,237	0.12%	Recently	🟢
10	Crypto.com Exchange	BNT/USDT	$2.08	0.14%	$67,614	$83,954	$484,266	1.07%	Recently	🟢
11	Bancor Network	ICHI/BNT	$2.08	0.6%	$79,309	$90,930	$217,606	0.48%	Recently	🟢
12	Binance	BNT/USDT	$2.08	0.15%	$45,030	$47,980	$1,145,243	2.53%	Recently	🟢

(source: CoinGecko)

Score: 5

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:
BNT token is listed on Fuse and Cream lending protocols, where can be used as an asset for lending, borrowing and collateralization. Fuse is one of the products of Rari Capital, and there is possible to use BNT as collateral with 75% LTV(loan to value) and borrow BNT against collateral for 2.26% APY. Lending BNT does not make sense because there is no yield (0.00%). On the Fuse, the liquidity is ~$123,000 in BNT. On Cream protocol BNT deposit and borrow functions are currently disabled (empty pools).

BNT token is listed as a payment option on Opensea, In July 2020.

Score: 4

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:
Bancor network was founded in 2016 by the Bancor Foundation, and developed in Foundation Research Center in Israel. The team is credible and public from the first day.

Founders:

Eyal Hertzog - co-founder Crunchbase LinkedIn

Galia Benartzi **-** co-founder Crunchbase LinkedIn

Guy Benartzi **-** co-founder Crunchbase LinkedIn

Yudi Levy - co-founder Crunchbase LinkedIn

Team:

Nathaniel Hindman - Head of Growth LinkedIn, Twitter

Mark Richardson - Product Architect & Head of Research, Twitter

Adam Abrams - Community Lead LinkedIn

Asaf Shachaf - Head of Product LinkedIn

Ilana Pinhas - VP of Engineering LinkedIn

Steven Fox - Operations & Business Development LinkedIn

Jan Langheimer - Senior Developer LinkedIn

Itay Dreyfus - Product Designer Crunchbase, Twitter,

Omry Rozenfeld - Core Developer - Crunchbase

Or Bachar - Core Developer - Crunchbase

Mati Levi - QA Engineer - [Crunchbase](), LinkedIn

Score: 14

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 skillsets?

Answer:
Although Bancor Founders do not have a formal technical education, they are all successful serial entrepreneurs in the field of software technology. Members of the Bancor founding team have worked together on many successful startups such as AppCoin, Metacafe Inc., Particle Code Inc. (acquired), Mytopia (acquired) etc.

Team members on the other hand have a background and work experience that matches their job position which can be seen from the LinkedIn profiles listed above (3.a question). As a shortcoming, I would mention the lack of technical background among the members of the founding team.

Score: 8

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:
Team members Nathaniel Hindman (Head of Growth) and Mark Richardson (Head of Research) are the most active members of the Bancor team when it comes to public presentations, communication about the Bancor protocol with potential users through AMA events or podcast guests. In the beginning, after the establishment of the Bancor Protocol, co-founder Galia Benartzi was in charge of public communication.

Nathaniel Hindman and Mark Richardson together in [DeFiyield podcast](), [community calls]()

Mark Richardson - [ETH Denver story](), Keynote Miami - [About Bancor v3](), [Radix DLT podcast](), [Crypto Valley Conference](), [Saffron podcast]()

Nathaniel Hindman - [MDX Podcast](), [EconomicDesign podcast](), [AMA](), [CryptoCoinShow](), [Reimagine Conference](), [MediumAMA]()

Galia Benartzi - [DraperTV](), [ConsensysMedia](), [TEDx Talks]()

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:

The Bancor team raised $ 153 million at the ICO launch and has since attracted some of the major [VC investors](#) such as Blockchain Capital, DeFiance Capital, Draper Associates, and Genblock Capital.

On January 1st, 2020, the protocol distributed 10% of the market cap to BNT token-holders in the form of LP (ETH / BNT) tokens by [airdrop](#). Figures on asset management by the Bancor Foundation are hard to find, this [article](#) brings some concerns about ICO funds allocation. In terms of human resources, Bancor has formed a solid team, [participated in Gitcoin Grants](#), which still has 2 active issues (bounties), and participated in many [hackathons](#).

However I have not found any "grant project" that is active, there have been [good attempts](#) like [Peg network](#) and [Cotrader](#) but the projects have been abandoned. Bancor is active in awarding grants all the time, so in their [blog post from 06 February 2022](#), it can be seen that they are actively looking for contributors. According to [discussion](#) on the forum, it can be concluded that Bancor DAO currently doesn't own the DAO treasury, and a lot of activity over protocol is under the control of the Bancor Foundation.

Score: 9

4. Governance

The Governance section evaluates how the protocol is governed and who the governors are. The different governance functionalities and processes are evaluated to determine to what extent the Protocol will be able to self-govern in a way that ensures the development of the protocols while respecting the needs of all current and future stakeholders.

a) Admin Keys (20 points)

Admin Keys allow some critical functionalities of a protocol to be controlled by an admin. This allows the developers to react to potential bugs, but also creates a risk as the developers could potentially misuse the admin keys to exploit the protocol. Does the protocol have admin keys and how are they managed?

Answer:

After suffering a [hack exploit on 9 June 2020](#), in which the damage amounted to $ 23 million, the Bancor team decided to increase the security of their main contract by granting its ownership to a [multi-signature contract](#). With the new implementation, a minimum of 2 out of 4 admin accounts are required to be able to initiate changes to the protocol. [DeFi Safety](#) audit company stated in "Bancor process Quality Review", under the access control section that Bancor has multisig implementation, but the capabilities for changing ownership are not clearly described.

Score: 14

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:
Bancor DAO governance mechanism have full control over proposed changes to the protocol. DAO members propose, discusses, and vote for proposals on token listings, trading limit changes, pool fee changes, Bancor Improvements proposals, and others.

Governance voting affects on-chain changes, and signal voting isn't part of the standardized governance process but can be applied through discourse polls. It can be seen that the Bancor protocol is taking steps to establish a fully decentralized management structure, but currently as mentioned in question 2.d), part of operations are still in control of Bancor Foundation.

Score: 12

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:
According to information from the Boardroom, Bancor has 959 total voters who have so far voted for 324 proposals with the release of 24,813 ballots, which makes it one of the most active DAOs according to the Boardroom leaderboard. Prior to the official vote, the proposal was proposed and discussed at a governance forum with 1956 registered members, 7 admins, and 3 moderators. Forum activity is shown in the table below:

📊 Site Statistics

	Last 24 hours	Last 7 days	Last 30 days	All Time
Topics	0	1	27	568
Posts	3	30	160	8.4k
Users	2	9	31	2.0k
Active Users	12	32	95	—
Likes	2	12	143	9.2k

In the forum, the activity of members is dynamic enough to participate in the discussion, while on the discord channel the discussion is not strictly focused (as on most governance discord channels)

Score: 4

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:
Bancor DAO uses a standard governance model with staking and locking mechanisms. For governance, the staked BNT - vBNT is used exclusively and must remain locked in the steak 168 hours after the end of the voting period. Proposer needs to stake 25,000 vBNT at the time of activation of the voting period. Since DAO affects whitelisting pools with impermanent loss protection and managing parameters, a token-lock function is necessary to protect against spam voting or buying votes.

Snapshot for gasless voting is implemented with the option for delegating votes. The primary channel for "temperature check", debating, and reaching an agreement is the governance forum (discourse), and the discussion can be extended to the gov-discord channel.

Score: 9

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

Answer:

Bancor DAO is a thoroughly developed and [formalized governance process](#) that is suitable for the categorization, prioritization, and execution of proposals. Such features are important given that Bancor DAO initiates changes of varying urgency, importance, and complexity. The Bancor DAO governance process is presented in detail on the governance forum. Formalization of the process is essential because DAO decisions are mostly related to the direct protocol operations (defining parameters and permissions). Bancor sub-sectors such as marketing, promotion, grant allocation, financial management, and external integration are controlled by the Bancor Foundation.

Norms are set for [voting process acceptance](#), community discussion, eligibility for voting, and quality of proposal creation. In order to be eligible for voting, DAO members need to have vBNT (staked BNT) locked for a period of a minimum of 168 hours. The community needs a minimum of 2 days for discussion about the proposal. Every proposal in order to pass need to satisfy quorum and supermajority requirements, by the following category:

Whitelisting proposals: 35% quorum, 66.7% supermajority

Trading liquidity Limit <= 1M BNT: 35% quorum, 66.7% supermajority

Trading liquidity Limit > 1M BNT: 40% quorum, 66.7% supermajority

Liquidity mining: 35% quorum, 66.7% supermajority

Pool fees: 20% quorum, 66.7% supermajority

Governance and protocol changes: 35% quorum, 66.7% supermajority

Score: 8

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:

Bancor Foundation as a part of Bprotocol Foundation is incorporated under Swiss law and the organization has offices in Zug, Switzerland, and Tel Aviv, Israel

Score: 15

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:
Company behind the Bancor protocol is Bancor Foundation, based in Zug, Switzerland. According to Global Legal Insights: "In Switzerland, the government's general attitude towards blockchain technology, and in particular towards the tokenization of securities, is very positive."

Score: 10

About the Author:
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- Economist by profession
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