

# Fundamental

## Prime Rating Report V2.0

**Protocol:** AirSwap

**Version:** 2

**Previous Report:**

<https://gateway.pinata.cloud/ipfs/OmaJwCwN8qx8NdYVq6KQqp4E77X4oZeYZPrDtSXGru5sz>

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**Reviewed by:** Lavi

**Season 1**

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## 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:**

Airswap is the first and most developed peer-to-peer trading protocol on Ethereum. The Airswap network enables peer-to-peer trading of ERC-20 and ERC-721 tokens on the Ethereum Blockchain. Airswap utilizes three trading protocols: 1. Request for Quote (RFQ) 2. Last Look and 3. Over the Counter (OTC). Details of each type of the trading protocol can be found here:

<https://about.airswap.io/>

Trading on the AirSwap protocol protects traders from slippage, front running, and counterparty risk. Price discovery occurs off chain but swaps are settled on chain. The Swap contract exists at the core of the protocol and is written to fully and efficiently complete an atomic swap. That is, either both sides of the exchange occur or no exchange occurs.

Peer discovery is accomplished by querying an indexer contract on Ethereum for an address of a maker on a specific pair. Makers are free to join the indexer but must stake AST in order to be discoverable in the network. Trade communication after discovery takes place via HTTP or WebSocket. After both trading parties agree on a quantity and price, the order is submitted to the Ethereum Blockchain for settlement.

**Score: 12**

## 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:

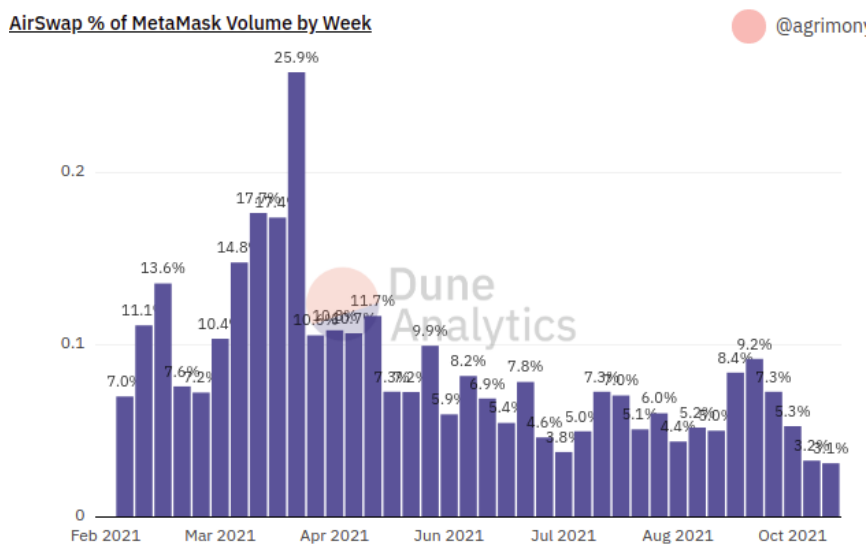
Airswap is currently the 10<sup>th</sup> largest Decentralized Exchange. The top 2 decentralized exchanges handle most of the trading volume today (+80%).

Ranked 🏆 DEX by volume 📊 @hagaetc

Rank	Project	7 Days Volume 📈	24 Hours Volume 📉
1	Uniswap	\$9,300,809,536	\$1,350,662,567
2	Sushiswap	\$2,147,898,070	\$295,951,292
3	Curve	\$670,946,529	\$46,299,152
4	0x Native	\$490,069,527	\$72,055,670
5	Balancer	\$385,062,885	\$57,728,249
6	Bancor Network	\$229,693,273	\$28,967,211
7	DODO	\$204,110,886	\$22,728,192
8	1inch Limit Order Protocol	\$64,053,902	\$7,572,457
9	Syntheticx	\$48,790,669	\$3,649,794
10	airswap	\$23,803,235	\$1,689,612
11	Clipper	\$7,042,703	\$704,863
12	dYdX	\$2,871,142	\$642,842

<https://dune.xyz/hagaetc/dex-metrics>

The AirSwap network is one of seven providers that power MetaMask Swaps and is capturing ~8% of the trades that come through MM swaps.



<https://dune.xyz/agrimony/AirSwap-Advanced>

Metamask is the [leading ethereum wallet](#) with an [institutional product](#) coming to market in the near future. MM swaps allows users to swap tokens through their wallet without having to go to a specific decentralized exchange. Developers working with AirSwap technology are launching their own token swapping destination on [11/11/21](#). A preview of the platform can be seen at [preview.airswap.io](#).

Given the low current volume flowing through the network relative to the other DEX platforms, Airswap currently scores low in this category. This score can quickly change as volume changes.

**Score: 5**

### **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:**

Decentralized peer-to-peer exchange is a new market enabled by the combination of Ethereum and AirSwap technologies. The Decentralized exchange market more generally has seen \$27B in volume [over the last seven days](#) with recent average monthly volume around \$50B. The market size for peer to peer, peer to contract, and contract to contract trading is likely larger than we can fathom at this point.

**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:**

Decentralized Exchange is currently dominated by AMM protocols. The top 3 AMMs are currently doing 80% of DEX volume. Automated Market Making platforms have their place but fall short in key areas of exchange. Problems like [front running and increased slippage on larger trades](#) are two problems that AMMs have difficulty solving.

Trade negotiation occurs offchain in the AirSwap network so there is no risk of front running. Also since every trade is negotiated on quantity and price prior to execution, there is no risk of slippage. Traders using the AirSwap network know the exact price and quantity that they will receive on a trade. This key feature is not available through any other decentralized exchanges. Airswap has a competitive edge, however the market has not yet recognized the network's potential. As volume increases this score increases.

**Score: 5**

## 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:

Airswap is one of the [initial partners of MetaMask Swaps](#). MetaMask is the leading global digital wallet with over [10 million monthly active users](#). Consensys, a blockchain software development company, is [AirSwap's steward](#) providing unparalleled technical expertise in the Ethereum ecosystem. Consensys is also [active in helping various institutions understand and implement blockchain technology](#). Ribbon finance, a decentralized options platform built on Ethereum, [has implemented AirSwap's OTC technology](#) for swaps occurring through their platform.

The swap contracts that exist at the center of the AirSwap protocol are open source so the code is forkable. However, forking the code does not bring any of the other valuable components of the network. These valuable components include: Professional market makers, governors who make decisions for the network (sAST stakers), developers working for the network, or the AirSwap brand.

Score: 8

## 2. Tokenomics

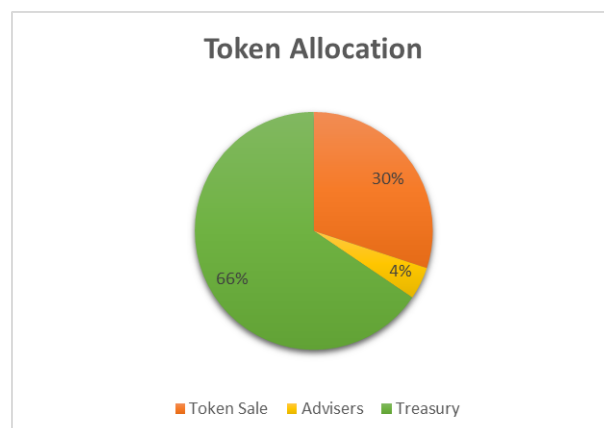
The Tokenomics section assesses the function of a protocol's token. This includes the token distribution, functionalities of the token, the ability of the token to incentivize positive behavior in the protocol, and the ability of the token to capture a portion of the value created.

### 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:

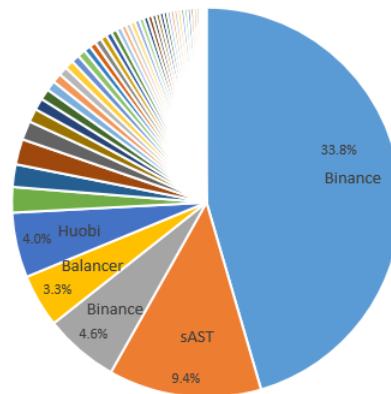
In October of 2017, [AirSwap sold 150M AST](#). 22M tokens went to advisors and partnerships and the remaining [327M \(66%\) went to the AirSwap treasury](#).



There are approx. [12,575 addresses holding AST](#). The lion's share of the outstanding AST is held by Binance wallets (~38.5%). One would hope that the Binance claims are held by thousands of people, however the centralized concentration risk raises concern. AST token holders would benefit if more individual addresses held AST instead of the current large holdings by less reputable centralized exchanges.

AST Distribution (x-treasury)

Score: 8



## 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:** AST can be staked into the sAST contract. sAST is a vesting contract that allows the holder the right to vote on governance decisions. When sAST holders participate in governance they obtain [points equal to their stake](#). These points represent a percentage claim on the [protocol's fee pool](#). Discounts on trades through the protocol for sAST holders are also planned. Makers must stake a minimum AST on the indexer contract in order to be discovered. The current minimum for the indexer contract is 100k AST.

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:** Ongoing token distribution is occurring in the AirSwap network. A recent AIP was voted in to allocate 30% of the AST treasury over 3 years to the following aspects of the network:

10% Development

15% Growth

5% Marketing

<https://github.com/airswap/airswap-aips/issues/10>

AirSwap contributors are earning from this distribution. AST rewards are released every AirSwap epoch which is currently set at 4 weeks. Coordination of the token distribution occurs on the [Coordinape platform](#).

The remaining 229M AST is locked in the AirSwap treasury for 3 years or subject to further community votes.

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:

Airswap has distributed 97% of the protocol fees to sAST voting holders. Currently sAST voters have a 100% claim on the fee pool. That number can change into the future if protocol spends are payed from the [fee pool](#).



[https://dune.xyz/agrimony/airswap\\_3](https://dune.xyz/agrimony/airswap_3)

Score: 9

### 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:** AST is available on Balancer (7.3M) and Uniswap (590k). The token is actively traded on Binance, Huobi and OKEX. A liquidity event can occur as a vast majority of outstanding tokens are held by a few centralized exchanges. The market depth in decentralized exchanges is ~8M tokens. The high concentration of AST by less reputable centralized exchanges is cause for liquidity concerns.

**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:** AST can be used in Balancer and Uniswap pools. The token is not available for borrowing/lending and there are no incentivized pools in the DEX space on AST pairs.

**Score: 0**

## **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:**

The team has changed through the years with contributors coming and going. Those that have worked on the protocol can be known through the AirSwap [github](#). These contributors are credible and public individuals. The single technical leader of the project is founder Don Mosites. Don is an accomplished technical leader with a career path that includes Google and Zynga. Current development on the web application is being done in a decentralized fashion with various developers from several countries working together. Their activity can be found on the AirSwap [github](#) and their conversations can be found on the AirSwap [discord](#).

**Score: 13**

## 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 history of those who have contributed to the AirSwap protocol can be found in [Github](#). Don Mosities is the remaining public founder who has a strong technical background. The other employees, or contributors to the AirSwap protocol have had high skillsets in either the technical or trading fields. Many of the technical individuals are still actively building in the space.

The protocol has been working on progressive decentralization for over a year. The current contributors to the protocol are either employed by Consensys or are working for the protocol to obtain a payment via the AST treasury distribution.

**Score: 10**

## 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:**

Founder Don Mosities is a regular contributor to the Ethereum community. He has given several notable presentations on the [AirSwap protocol throughout the years](#). At a point in it's history, AirSwap evolved into a company called Fluidity. Fluidity [hosted a summit](#) in 2019 which showcased decentralized exchange to financial institutions.

**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 AirSwap Treasury holds 327M tokens of which 30% has been allocated toward attracting resources for the protocol. The resource distribution is in its early phases with contributors sorting



through effective decentralized solutions. The [Coordinape](#) platform is currently being used to reward protocol contributors.

**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:** The core protocol exists as an atomic swap and cannot be exploited by admins. Admin keys used for deploying and updating contract parameters are operated by the Consensus team with plans to further decentralize control via multi-sig contracts.

**Score: 8**

### 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 currently supported by the Snapshot application. There have been [52 AIPs created](#) since the governance launch in Sep 2020. Governance decisions range from [liquidity farming programs](#) to [implementation of the swap contracts to other layer 2s](#). The [creation of a web application](#) was also decided on via a community vote.

The voting results serve as a signal from the community to the developers. The path to full decentralization is in motion but key decision making currently resides in the hands of a few stakeholders.

**Score: 7**

### c) Active Governance contributors (5 points)

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

**Answer:** There are [266 sAST holders](#) staked in the vested contract of which +90% vote on each voting cycle. There are several AirSwap developers working on technical issues and a few individuals working on network related activities such as marketing and growth. Governance discussions occur largely on the AirSwap discord server. sAST holders can join additional chat rooms in discord where governance discussions take place.

**Score: 3**

### d) Governance technology/infrastructure (10 points)

The Governance infrastructure relates to the technology, software, and models used by the protocol's governance. Does the protocol have a reliable and usable voting mechanism? Are there channels for governance debate? Is there sufficient documentation available?

**Answer:** AirSwap uses the [Snapshot](#) application to tally votes. Voting is done on a 4 week cadence. Discord is used for discussions on governance. In Discord users can collaborate and contribute to the governance process. Additional information on governance can be found here <https://about.airswap.io/guides/voters>

**Score: 8**

### 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:** Any AST holder with at least 100 AST can submit an AirSwap Improvement Proposal. Once the proposal is created the proposer can create a vote for the newly created proposal. The new proposal is voted on in the next voting cycle. The governance process is outlined here <https://github.com/airswap/airswap-aips/issues/1>.

**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:**

**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: n/a**

**Score: 0**

## Scorecard

<b>1. Value Proposition</b>	<b>Points</b>
a) Novelty of the solution	12 / 15
b) Market fit/demand	5 / 15
c) Target Market Size	9 / 10
d) Competitiveness within market sector(s)	5 / 10
e) Integrations & Partnerships	8 / 15
<b>Total Points - Value Proposition</b>	<b>39 / 65</b>
<b>2. Tokenomics</b>	<b>Points</b>
a) Is the token sufficiently distributed?	8 / 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?	9 / 10
e) Is the token sufficiently liquid to enable active use and trade?	2 / 5
f) Are there any extrinsic productivity use cases?	0 / 10
<b>Total Points - Tokenomics</b>	<b>37 / 60</b>
<b>3. Team</b>	<b>Points</b>
a) Is the team credible and public? (No, Partly, Yes & Anon , Yes & Public)	13 / 15
b) Does the team have relevant experience?	10 / 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
<b>Total Points - Team</b>	<b>35 / 40</b>
<b>4. Governance</b>	<b>Points</b>
a) Admin Keys	8 / 20
b) Extent of Governance capabilities	7 / 15
c) Active Governance contributors	3 / 5
d) Robustness of Governance process	8 / 10
e) Governance infrastructure	8 / 10
<b>Total Points - Governance</b>	<b>34 / 60</b>

<b>5. Regulatory</b>	<b>Points</b>
a) Does the protocol have any legal accountability?	<b>0 / 15</b>
b) What is the quality of the legal jurisdiction?	<b>0 / 10</b>
<b>Total Points - Regulatory</b>	<b>0 / 25</b>
<b>Total</b>	<b>145 / 250</b>

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**About the Author:** JB has been researching the crypto space since 2017.