



Fundamental Report

Prime Rating Report V2.1

Protocol: unFederalReserve
Version: V2.1
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Season/competition: Season 2

Scorecard

1. Value Proposition	Points
a) Novelty of the solution	7 / 15
b) Market fit/demand	8 / 15
c) Target Market Size	9 / 10
d) Competitiveness within market sector(s)	5 / 10
e) Integrations & Partnerships	9 / 15
Total Points - Value Proposition	38 / 65
2. Tokenomics	Points
a) Is the token sufficiently distributed?	12 / 15
b) What is the extent of the token's capabilities?	10 / 10
c) Is the issuance model able to improve the coordination of the protocol?	6 / 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?	2 / 5
f) Are there any extrinsic productivity use cases?	2 / 10
Total Points - Tokenomics	39 / 60
3. Team	Points
a) Is the team credible and public? (No, Partly, Yes & Anon , Yes & Public)	12 / 15
b) Does the team have relevant experience?	8 / 10
c) Does the team participate and help shape the public debate?	5 / 5
d) Is the team able to effectively attract and coordinate resources?	9 / 10



Total Points - Team	34 / 40
4. Governance	Points
a) Admin Keys	3 / 20
b) Extent of Governance capabilities	6 / 15
c) Active Governance contributors	2 / 5
d) Governance infrastructure	6 / 10
e) Robustness of Governance process	6 / 10
Total Points - Governance	23 / 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	159 / 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: unFederalReserve is a banking software as a service (SaaS) DeFi borrowing and lending protocol that aims to bridge the gap between traditional finance and DeFi. Their [products](#) are designed for smaller U.S. Treasury chartered banks and non-bank lenders in need of greater liquidity without sacrificing security or compliance. Started in 2019, the solution they bring to DeFi users isn't unique as a lot of Defi lending protocols such as Maker, Aave and Compound already exist. Also, blockchain-based SaaS companies such as MythX, Alethio and Infura abound. unFederalReserve again is very centralised which isn't much of an appeal to the crypto community. Its biggest leverage, that is, its target market (smaller U.S. Treasury chartered banks and non-bank lenders) can actually opt for decentralised lending protocols such as Maker for the sake of anonymity. Furthermore, its [Reserve Lending](#) feature is a fork of Compound protocol.

Score: 7

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: unFederalReserve has clearly found its market fit, but has been on a decline suggesting that the timing of the product might not be right. It started out quite well with a strong market demand. On 7 May 2021 it recorded its [highest TVL](#) of \$298.7 million. Since then that figure has been in a downward spiral, perhaps due to the crypto crash (this is speculation though). Currently its [TVL](#) is a little over \$5 million including borrowed coins in lending protocol. It also averages a [daily trading volume](#) of less than \$500k currently. [Holders](#) of its native token eRSDL stand at a current figure of 12,400 while its [all time users](#) are approximately 23000.

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 lending and borrowing market for DeFi is a huge one worth [billions](#). UnFederalReserve's products are designed specifically for smaller U.S. Treasury chartered banks and non-bank lenders to have access to this market. There are currently 4,000 commercial banks and 20,000 non-bank lenders in the USA alone as stated in their [whitepaper](#).

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: unFederalReserve is the [only banking as a service](#) (BaaS) protocol in the defi lending space. Its [TVL](#) is currently less than \$5M with [trading volumes](#) averaging less than \$500k. These are very small figures and pale in comparison to defi lending platforms like [Aave](#) and [Compound](#). However, if we're being very practical, its true competitors are non-defi BaaS services like [Tink](#), [Railsbank](#), [Cashfree](#) and [Solarisbank](#).

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: unFederalReserve is built on the Ethereum blockchain and currently doesn't have any other protocol built on it. Its most unique tools - the [Reserve Lending](#) and Reserve Funding protocols - are forks of Compound protocol. However, it has a number of [strategic partnerships](#). These include self-directed IRA/HSA digital asset purchasing with [Equity Trust](#), a KYC/AML partnership with [Selfkey](#) and a crypto lending partnership with [YourProformance](#).

Score: 9



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 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: unFederalReserve did not have any ICO but is bootstrapped. It has issued a [total supply](#) of 454,278,599 tokens. Of this number 377,027,905 tokens are in circulation representing 82.9%. The remaining 17.1% is entrusted in the hands of the team. Even though the token is sufficiently distributed, I still think 17% is too much to entrust in the hands of the team. The protocol also has 12400 [holders](#).

Score: 12

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 quite useful within the protocol. As stated earlier and according to the unFederalReserve [litepaper](#) the eRSDL token is a utility token and affords all holders a limited ability to participate in the protocol's business plans regardless of the number of tokens one holds. Moreover, a certain aggregation amount affords holders other privileges including potential committee appointments, voting rights and treasury toolkit.

Score: 10

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: The unFederalReserve protocol mints coins at a fixed amount of [100 eRSDL per block](#) which cannot be changed and is provided to liquidity stakers. This feature is meant to incentivise the building of a liquidity pool which is a foundational element of the protocol's payment latency protection. With 82.9% of the estimated total supply of 454.3 million eRSDL tokens in circulation, I think the tokens are justifiably being issued and definitely incentivises the right behaviour. However, it is worth noting that even though all holders (basic, premier and elite) can participate in governance and have voting rights, this is limited. Also, only [elite members](#) can take or make loans. To be an elite member, a user needs to aggregate a certain number (not stated) of eRSDL tokens. This means not all relevant stakeholders benefit from the issuance model.



Score: 6

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: According to the unFederalReserve [whitepaper](#), Residual Token, Inc. (eRSDL platform) intends to distribute a rebate based on proceeds earned and collected by the company to qualified participants. The proceeds are from nominal fees from each funded loan and [licensing fees](#) from holders (basic, premier and elite). To incentivize participants to be makers and takers, all participants will be rebated any amount up to their upfront licensing fees.

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: With a minimal TVL of \$5.3 million including borrowed coins the eRSDL token is liquid on [CEXs](#) (4 of them) but not much on DEXs with Uniswap and [Sushiswap](#) being the only decentralised exchanges it can be found on.

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: Currently, there aren't any use cases for the eRSDL token outside of its native protocol.

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 employees are identified and are public. The founder and CEO is [Howard Krieger](#), the co-founder and CTO is [Ryan Medlin](#) and the solution architect is [Vladyslav Tarasenko](#). According to LinkedIn, the team counts 6 employees but [only 5](#) are listed with info on 2 and another 2 [here](#). The team also has several [advisors](#) but further checks show no info on [certain profiles](#).

Score: 12

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: Yes, the team has relevant experience. According to LinkedIn, [Ryan Medlin](#) was the founder and head of tech at Datasnap, the former director of software engineering and IoT at Neustar Inc. and the director of infrastructure at Vital Reactor. [Vladyslav Tarasenko](#) is the CEO of [Webdevelop Pro](#) and the former lead programmer for HK47 Marketing. The [remaining employees](#) have credible work experience in various fields.

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: Yes, the team has participated in podcasts and talks and spoke recently at the [L.A Blockchain Summit](#), the World Blockchain Summit (Dubai) and an [NFT and DeFi Summit](#) by Dystopia Labs. They speak mainly on how CeFi can be integrated with DeFi, how to bridge traditional finance (tradfi) with DeFi and how DeFi is going to shape the future of the banking industry.

Score: 5

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 [discord channel](#), unFederalReserve has no investors or VCs, but is bootstrapped. As stated earlier, funds are raised from licensing fees. Other than this, no other mechanisms to attract resources when needed are stated.

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: The unFederalReserve team states categorically in their litepaper that the owner of the contract for minting the eRSDL tokens is [MasterUnChairman](#). This person is anonymous as no info can be found online about him. Here, there is too much risk as just one person can change the state of the protocol. The team has no power to mint tokens. All token holders are also given voting rights. Voters can, under varying circumstances or through aggregation of enough tokens to float a referendum, elect members of the board of directors, onboard a new participant and establish corporate objectives and policy. However, this is also limited as it ultimately takes power from the users.

Score: 3

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: As stated earlier, the protocol uses the amount of tokens held by a participant, required member level licensing fees, etc. to grant limited access to voting and other forms of governance such as, electing members of the board of directors. On the contrary, from their [discord FAQs](#) the team purchases eRSDL from the market on the borrower's behalf. That amount gets held as the licensing fee which is in turn distributed as rebates. In the long run the votes and decisions of users function as signals to the team.

Score: 6

c) Active Governance contributors (5 points)

Governance is a process that can be rather resource-intensive if executed well. To ensure good governance is practised 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: Info on proposals and number of voters on-chain is scanty. They do have a few [proposals](#) on their [forum](#). The number of voters are usually less than 100 as shown [here](#) and on [the forum](#), but they do have over 3000 members on their discord. With respect to voting participation, the most [recent vote](#) on-chain saw 2.033 million eRSDL tokens



participating. With 377,027,906 tokens in circulation that's a 0.54% participation rate which is unimpressive. According to the eRSDL [litepaper](#), token holders will generally be able to vote on issues and one token equals one vote. Token holders may elect members of the board of directors, the onboarding of a new participant and the establishment of corporate objectives/policy under varying circumstances or through aggregation of enough tokens to float a referendum. A super-majority of 60% of the minted tokens, is necessary to pass any referendum. This definitely renders most votes unuseful.

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: The eRSDL is eligible for voting as shown on [Snapshot](#), the voting site. Aside the forum, Discord is also used in vote discussions. As depicted from the previous answer though, the protocol has a usable voting mechanism but the statistics show that it is not reliable.

Score: 6

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: The protocol describes a formal governance process in its [whitepaper](#) and as stated in (4c), but far too much decision power rests on the team. Even though anyone can create a proposal and subsequently a referendum on the forum, there's little chance, if any, of it being passed. Also, there's little documentation on on-chain governance.

Score: 6



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: According to [Opencorporates](#) and [LinkedIn](#), Residual Token, Inc. (issuers of the eRSDL token) is registered in the USA with the headquarters in the New Jersey jurisdiction as a foreign for-profit corporation. It has company number 0450342530 and address 77 Cypress Ave, Verona Township. In case of a breach the protocol can be held accountable.

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: The USA is arguably the best top tier jurisdiction in the world and there should be no cause for concern.

Score: 10

About the Author: [Degem2priceless](#). I am a crypto and web 3 researcher and enthusiast looking forward to gaining experience as a rater with DAOs and making a full time living off cryptocurrencies.