PrimeRating

Fundamental Report

Prime Rating Report V2.1

Protocol: IDEX v3
Version: 1
Date: 23/02/2022
Previous Report: N/A

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Season/competition: Season 2

Scorecard

1. Value Proposition	Points
a) Novelty of the solution	11 / 15
b) Market fit/demand	7 / 15
c) Target Market Size	10 / 10
d) Competitiveness within market sector(s)	4 / 10
e) Integrations & Partnerships	5 / 15
Total Points - Value Proposition	**37 / 65**
2. Tokeneconomics	**Points**
a) Is the token sufficiently distributed?	8 / 15
b) What is the extent of the token's capabilities?	6 / 10
c) Is the issuance model able to improve the coordination of the protocol?	4 / 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?	3 / 5
f) Are there any extrinsic productivity use cases?	0 / 10
Total Points - Tokenomics	**28 / 60**
3. Team	**Points**
a) Is the team credible and public? (No, Partly, Yes & Anon , Yes & Public)	13 / 15
b) Does the team have relevant experience?	6 / 10
c) Does the team participate and help shape the public debate?	2 / 5
d) Is the team able to effectively attract and coordinate resources?	8 / 10
Total Points - Team	**29 / 40**
4. Governance	**Points**

a) Admin Keys	**8 / 20**
b) Extent of Governance capabilities	**1 / 15**
c) Active Governance contributors	**0 / 5**
d) Governance infrastructure	**1 /10**
e) Robustness of Governance process	**0 / 10**
Total Points - Governance	**10 / 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	**129 / 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:
IDEX is a hybrid decentralised exchange that combines the standard automated market making of DEXes like Uniswap and Sushiswap with the order book system of centralised exchanges. They claim this combination "*allows traders to get the best spreads, avoid failed transactions, and easily provide liquidity*".

Their exchange innovations include: an off-chain trading engine, order book and advanced orders.

1. Off-chain trading engine; processes "*tens-of-thousands of orders per second with millisecond latency*" and in the order they were received. Compared to DEXes, this is an improvement on the low throughput of on-chain transactions and unordered/gas determined trades.
2. Off-chain order book; trades are executed when orders match, balances are updated in real time and trades are settled on-chain. Relative to other DEXes users reduce their gas fees and have greater flexibility with trades without additional fees (users can cancel or include additional orders)
3. Advanced orders; IDEX enables expanded order types like stop-loss, post-only, and fill-or-kill which are not possible on other DEXes. Users can create more advanced trading strategies.

AMM pools are used as the liquidity source of the order book system described above, IDEX's matching engine executes against the best combination of limit orders and pool liquidity.

No organisational innovations could be determined. Given the above innovations clear problems have been solved for users along with monetary benefits, therefore a score of 11 is given for this section.

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:
Initially launched in 2017 under Aurora, IDEX recently launched their v3 hybrid DEX model in Nov 2021. The protocol has generated over 730 000 trades with a total cumulative trade value of ~$460M. Daily user trades over the last month (20/01/2022 19/02/2022) have been between ~3000 and ~9000.

As a DEX, trade volume and the number of users/traders are important in determining market fit/demand. Relative to top DEXes; UniSwap (~108 000 unique users & ~$12B trade vol), SushiSwap (~9000 unique users & ~$700M trade vol) and Balancer (~3000 unique users & ~$360M trade vol) clearly outperform IDEX in trade volume according to 7-day data alone. Comparing the number of users is more complicated as determining the number of users from daily trades would be speculative at best however from the trade volume one could infer that the unique users of the top DEXes made more trades than IDEX.

Given its relative trade volume, IDEX has yet to find product market fit but seem to have a plan from their hybrid approach. It should be noted that the protocol's early user figures from this Hybrid Liquidity model appear promising, therefore for this section a 7 is given.

Score: 7

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:
DEX market is a large existing market and represents a significant share of the overall DeFi space. Total value locked in DeFi across multiple chains is ~$190B, DEX total value locked is ~$65B, this would indicate that DEXes make up more than ~30% of DeFi TVL which makes the DEX market the largest category ahead of Lending and Yield.

Over a 12 month period TVL in DeFi has grown by more than 400% (02/2021 - 02/2022). Compared to centralised exchanges DEXes are growing in importance, evidenced by the DEX to CEX spot trade volume % (DEX volume divided by CEX volume).
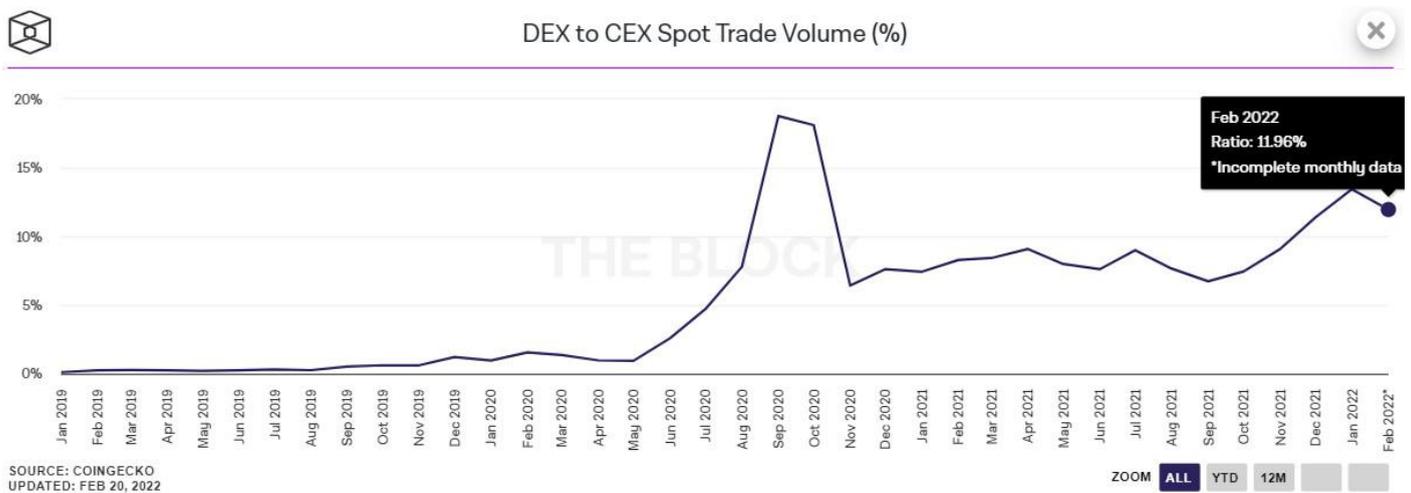
TheBlockCrypto: DEX to CEX trade Volume

Illustrated by the graph above, DEXes has steadily grown in importance since September 2021. Given the above factors IDEX's target market represents an existing large market and shows signs of growth. A score of 10 is given for this section.

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:
As mentioned in section 1b; Relative to top DEX trade volume; UniSwap's ~$12B trade volume and SushiSwap's ~$700M trade volume clearly outperform IDEX's cumulative trade volume according to 7-day data alone. In terms of DEX market share, Uniswap makes up ~80% of the total market share with their closest competitors Curve, Sushiswap and Balancer having less than 10% each. IDEX doesn't feature in the top 25 of 7day trade volume tracked on Dune, only appearing on a separate monthly trade volume list of 32 DEXes but IDEX doesn't appear to have a significant monthly trade volume relative to other protocols.

In terms of TVL, IDEX's ~$19M ranks the protocol 106th out of 239 DEXes with over $1M in TVL tracked by [DefiLlama](). Relative to top DEXes Uniswap (~$7B), Sushiswap (~$4B) and Balancer (~$3B), IDEX clearly lags behind the benchmark.

For this section a score of 4 is given as their USP offers a competitive differentiator and their promising daily trades from their version 3 suggests the protocol is struggling rather than being unable to compete.
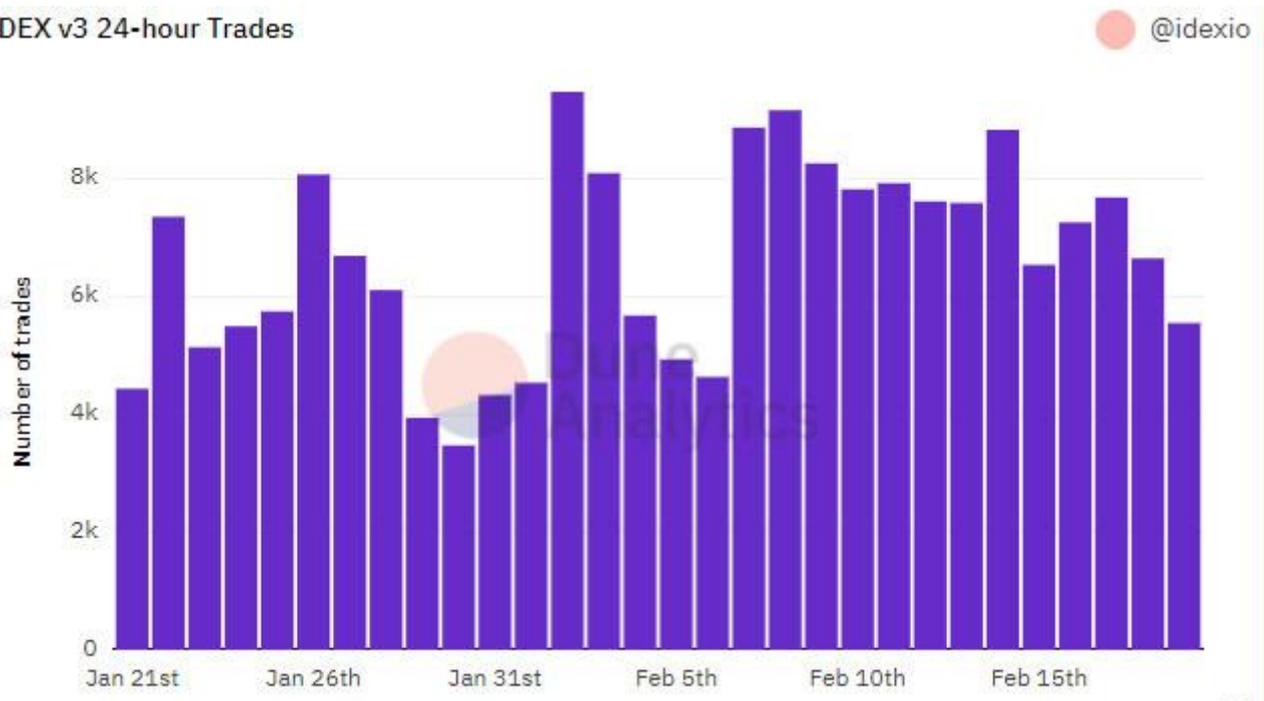
[IDEX 24 trades]()

Score: 4

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:

[UpBots](): a trading platform that allows users to trade on centralised, decentralised exchanges and other capital investment DeFi products. Integration includes IDEX on UpBots platform.

[Coinswitch](): exchange aggregator supporting over 275+ coins and 45,000+ currency pairs. Partnership includes IDEX on Coinswitch's aggregator.

[Ren Alliance](): "a consortium of DeFi companies that are helping secure, develop, and utilise RenVM — an open protocol that intends to enable public and private transfer of value between diverse blockchains". As a member of 50+ DeFi projects in the alliance, IDEX aims to bring more crypto assets to its users. This seems to be more of a business partnership.

[DeFi Alliance](): a collective to promote decentralised finance. "leverage financial and trading expertise from Chicago to support DeFi products around the world"

Platform integrations appear to be limited to UpBots and Coinswitch, the alliances mentioned only relate to business partnerships. For this section a score of 5 is given.

Score: 5

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:
80 million AURA tokens were distributed to participants of Aurora's initial token sale; the IDEX token is an exact 1:1 mirror of the AURA token. According to Etherscan circulating supply of the IDEX token is held by ~13,600 with the top 100 addresses collectively owning 97.85%, the largest holder appears to be the protocol itself (~36%). Participant holding relative to DEX protocols with comparable holders; Airswap AST ~12400 and DODO ~11900, IDEX appears to be slightly more distributed when observing the graph A below of 'supply held by top addresses (as % of total supply)' however the difference is minimal.
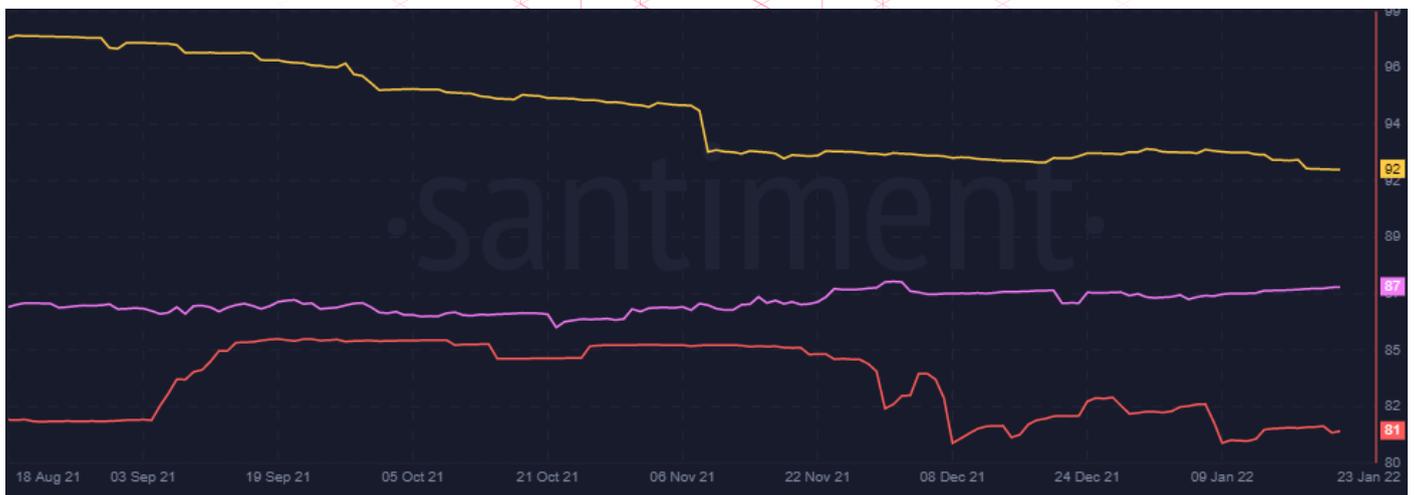
Graph A: Supply held by top addresses (as % of total supply) of IDEX (Red), DODO (Yellow) and AST (Purple). (source: santiment.net)

Recently (Nov 2021) top addresses have progressively held less of IDEX up till end Jan 2022. Over time small token holders (<100 000 IDEX tokens) have also begun to hold more IDEX as larger holders (>100 000 IDEX tokens) have declined, this is illustrated below in Graph B 'Supply distribution'.

Graph B: Supply distribution <100 000 IDEX address holdings (Red) vs >100 000 IDEX address holdings (source: santiment.net)

Given the IDEX's relative distribution and growing base of smallholders this section is scored an 8. Holdings could be more distributed with top addresses holding ~81% of supply.

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:

DEX Participation in IDEX's staking program as a staking node which operates part of the IDEX infrastructure, stakers must hold a minimum of 5,000 IDEX. Stakers use IDEX tokens and run IDEXd staking software to operate a node. Stakers earn a share of trading fees. No governance rights have been enabled.

IDEX token utility improves the effectiveness of the protocol by reducing operational costs by offloading popular API operations to nodes. A score of 6 is given for this section given the operational utility and revenue associated.

Score: 6

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:

As mentioned in 2a, the AURA token was rebranded to IDEX (1:1). The total supply is capped at 1 Billion IDEX, (based on IDEX's whitepaper) 50% was allocated to protocol improvements and the other 50% to operations and team.

Breakdown of 50% allocated to the protocol:

- 40% reserved for growth programs aimed at users and community members e.g. market maker rewards, marketing and airdrops
- 10% reserved for users that purchased IDEX membership - IDXM (formerly known as DIVP, holders were entitled to discounts on IDEX until end 2020)

Breakdown of 50% allocated to operations and team:

- 25% founding team
- 10% future employee pool
- 10% future use (*not specified*)
- 5% business expenses

This even split of distribution seems slightly skewed towards the team side with the founding team of 4, there is room for more decentralisation. The lack of a community governance structure to modify allocation could also disincentivize stakeholders involvement. For this section a 4 is given.

Score: 4

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:
IDEX fee structure.

Trade Type	Maker	Taker	Pool Earnings	Protocol Earnings
Limit	0.10%	0.25%	N/A	0.35%
Pool	0%	0.25%	0.20%	0.05%

As mentioned in 2b, holders can become IDEX nodes supporting the protocol's operations and are rewarded with a share of the trading fees. Nodes split the 50% trade fee proportional to their IDEX token stake and performance.

IDEX has a structured and distributed mechanism of accruing value for the protocol, token holders that do not act as nodes don't receive the value accrued. This section scored a 7.

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:
$IDEX is available on 15 centralised exchanges with the likes of Coinbase, Binance, MEXC and Hotbit. According to [Coingecko](#) liquidity has a positive trust score. Based on [Coinmarketcap](#) liquidity in centralised exchanges is also positive with scores between 200 - 900 across markets ([scored 0 - 1000](#), close to 1000 representing high liquidity). Seemingly no DEX's (apart from IDEX themselves) list $IDEX, this section is scored a 3.

Score: 3

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:
None

Score: 0

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:
Alex Wearn: CEO and Co-founder, visible on [LinkedIn](#), [Twitter](#) and [Crunchbase](#)

Philip Wearn: COO and Co-founder, visible on [LinkedIn](#) and [Crunchbase](#)

Brian Fernalld: Head of Product at IDEX, visible on [LinkedIn](#) and [Twitter](#)

The founding team is public and credible from their multiple professional/personal profiles.

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:
Alex Wearn (CEO) has experience in product design and wider operational experience working for companies like Amazon and IBM. Alex has blockchain experience as product manager. Background in design, business administration and finance.

Philip Wearn (COO) formerly co-founded and developed EtherEx, a decentralised exchange and has a background in Aerospace engineering and leadership.

Brian Fernalld (HoP) has over 10 years experience as a developer in startups and blockchain tech. Background in computer and electrical engineering.

Philip seems to have the most relevant experience in the DEX space, while Brian and Alex have experience in blockchain it isn't specified to what extent that involved DeFi exchanges or similarly in traditional finance exchanges.

Beyond the leading team, IDEX has over 30 employees, from reviewing their principal engineer, community lead and head of product they have the relevant experience for their roles.

For this section a score of 6 is given for their organisational experience and some relevant experience..

Score: 6

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:
Alex is the most active publicly, on Twitter Alex has over 3000 followers. Tweets are mixed between public discussions around DeFi and promoting IDEX. Alex has also given interviews/talks on Decentralised finance and blockchain; source 1, source 2, source 3.

Score: 2

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:
2018: IDEX (formerly Aurora) completed a token sale that raised over $6 million, 2,000 IDXM tokens were created with 1,600 distributed to ICO participants. (Projected use of token sale proceeds graph below)
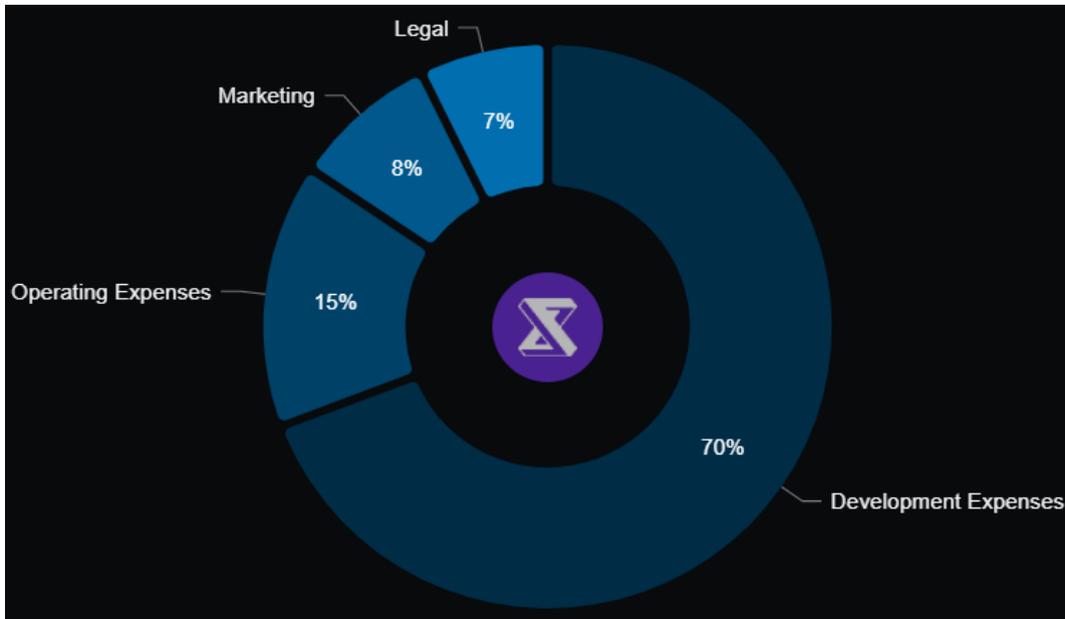
2018 ICO projected use

In 2020 IDEX raised $2.5 million to relaunch IDEX 2.0, a seed round led by G1 Ventures and Borderless Capital, with other commits from Collider Ventures and Gnosis. IDEX has also attracted experienced advisors from the financials and tech sector like Cory Klippsten who has prior experience in consulting and fundraising for decentralised technologies.

Based on the funds raised, the financial coordination experience of the CEO and demonstrated allocation of funds from the 2018 ICO a score of 8 is given for this section.

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:

According to a smart contract audit done by Fairyproof (see [audit section](#)) admin has the following privileges:

- Upgrading the exchange's contracts,
- Collecting and executing users' submitted orders
- Matching users' submitted orders.

IDEX's [Governance contract](#) manages the upgrade process and has a single owner. There is a 1 week time delay before contract changes take effect. The [Custodian contract](#) holds the Exchange and Governance contracts currently held by the team. Given the fact that the team is known and there is a time delay on upgrades, a score of 8 is given for this section.

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:

No governance mechanism currently exists. IDEX manages the protocol. Users have the ability to make suggestions and request listings on Discord however this is informal and not limited to IDEX holders.

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:

No formal governance process exists. [Community](#) Involvement is limited to protocol updates, access to airdrops, giveaways, and events. (see 'community').

Score: 0

d) Governance technology/infrastructure (10 points)

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

Answer:

None. Users have access to Discord, Telegram and Reddit. As mentioned in section 4b users can make suggestions and listing requests.

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:
No specified governance process exists.

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:
IDEX (previously Aurora Labs)

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:
San Francisco, USA (see sources above)
Score: 10

About the Author: OriginalSK