

# Fundamental

## Prime Rating Report

**Protocol:** InstaDAPP

**Version:** DSA v2

**Previous Report:** None

**Date:** 23-2-2021

**Author:** Zeb

Please fill in all questions with a written explainer, any relevant links and score per variable based on the [Fundamental Review Process V 1.0](#). Insert the scores per variable in the scorecard at the end of the report. Please follow the [Rating Process](#) when creating and submitting a report.

---

## 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.

### 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? In general, forks without any newly added functions are considered subordinate to the protocol they forked.

**Answer:** InstaDapp was one of the first smart wallets built for the masses. As they put it: "It has [more than](#) 18K accounts created, \$1B in TVL, \$3B in flash loans and \$1B in swaps performed via DSAs. Many of the most innovative DeFi features, including the first iteration of flash loans and instant loan swaps, were first developed on Instadapp." An important side note is that flash loans were [created](#) by Aave, but used early on within InstaDapp. InstaDapp has been building its own tech stack, and still is, with its upcoming release of the DeFi Smart Layer (DSL), which will include a governance token. For now the project is one of the most used smart wallets, with its Maker-Compound bridge as its flagship product. It could be argued that this bridge really kicked off the COMP liquidity mining craze, since it enabled people to join in with such ease, it turbo charged the process.

**Score:** 12

### 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. 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:** As mentioned earlier, InstaDapp has over 1B worth of TVL. With DeFi becoming more intertwined and complex, it is fair to assume the demand for smart wallets will only grow further. At the moment it sits on the 11th place on [DeFi Pulse](#).

**Score:** 13

## 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:** With 18k accounts, the amount of accounts is not sky high. But it has been growing steadily, doubling in the last three months. With DeFi on everyone's mind, the trajectory of smart wallet usage will definitely continue to grow immensely. Ethereum has [81M](#) accounts, and in 2020 DeFi accounted for almost [90%](#) of Ethereum transactions. This indicated a lot of room for growth for smart wallets.

**Score:** 10

## 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). The relative comparison can become rather subjective, to solve this the score standardizes the results in fixed categories.

**Answer:** Within the landscape of smart wallets, InstaDapp is the benchmark. MetaMask, Argent Wallet, Zerion and Zapper are other well known DeFi dashboard tools, but these do not have the same capabilities as InstaDapp does. InstaDapp does require setting up the actual smart wallet (which is also its differentiator), this costs gas fees. Zerion and Zapper are easier but less sophisticated tools. Argent Wallet is not as trustless. MetaMask has by far more users, but does not offer the same services. For now InstaDapp has been able to carve out its own lane, and with its governance token coming, probably will attract a lot more users. Due to its service (managing DeFi assets), which is not unique and will have many competitors, it could lose its position easily.

**Score:** 9

## Tokenomics

The Tokenomics section of the review 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.

## 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:** As of now, InstaDapp does not have a token out yet. It will have one with its upcoming [DSL upgrade](#). Since information is still very sparse, it is too early to evaluate. This will have to be done in a follow up report.

**Score:** X

## What is the extent of the token's capabilities? (10 points)

What are the different merits of the token? Is the token useful in the protocol? Does the token allow the holders to participate in governance or influence the protocol in any way?

**Answer:**

**Score:** X

## Is the issuance 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:**

**Score:** X

## Is the value capture model able to accrue and distribute value? (10 points)

A value accrual and distribution mechanism can help improve the merit 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:**

**Score:** X

## 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:**

**Score: X**

## 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

## Is the team credible and public? (15 points)

Are the identities of the core contributors and team publicly identified? In the case of anon team members, is there any way to track their background/record?

**Answer:** The team is [known](#) and has been since the start when they created InstaDapp at [EthIndia](#). The team is publicly known within its [forum](#). Outside of InstaDapp, the founders are not widely known, so going as far as calling them Highly Credible would be a bridge too far.

**Score: 13**

## 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 founders are young and therefore do not have a long and extensive background. Before InstaDapp [they have built](#) "software to simplify stock market investing and investing in crypto". They won a hackathon and got a grant from Kyber to create InstaDapp. Seeing that InstaDapp is now 2 years old and hasn't had a major hack or other major issues, I think it is fair to state that the team has done well. But their track record is short.

**Score: 8**

## Does the team participate and help shape the public debate? (10 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:** The founder is active on [twitter](#) but is not a well known DeFi thought leader. The team actively participates in its own forum and has multiple [high level investors](#) with whom they partner up with and make sure to be integrated within the ecosystem.

**Score:** 7

## 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? How well are resources managed and used?

**Answer:** The team was able to start off with a grant from Kyber and later on raised [\\$2.4M](#) in funding with a seed round at the end of 2019. Compared to token crypto projects, this is not a huge amount. And even within the wallet space, this is not that high. Argent picked up [\\$12M](#), Blockchain.com recently did [\\$120M](#). This lower amount of funding hasn't seemed to stop them however, since they haven't charged fees so far and have been able to create upgrades. With the token coming, which will give [45%](#) to the team and investors, the project will probably be good for quite some time.

**Score:** 8

## 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.

### 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:** As they themselves claim on [their website](#) (9-2-2020):

*"InstaDApp uses smart contracts to secure the transactions and your assets are stored on Contract Wallet. We do not hold any of your assets."*

And also from [their website](#) (from today 23-2-2021):

*"100% trustless. We ensures that there is no way to access your funds to make it as robust and secured as possible."*

According to [DeFi Watch](#) there is *No admin key or upgrade abilities.*

The upcoming and before mentioned DSL upgrade will involve a token and a DAO, but its details are sparse. For now there are no admin keys, which means the highest score possible.

Score: 20

## 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:** Since there is no admin key, people are completely free to govern their own smart contract as they deem fit. The code of the Smart Wallet function is open source and developers are encouraged to play with it. So I will give the project the highest score possible for its product.

As a side note on the InstaDapp company itself and its roadmap: at this point in time there is no token yet, but there is a forum where users can discuss topics. To call this a governance forum is incorrect, there are no formal votes being held. For now, all users can do is signal. This will change with the new upgrade which will have a DAO. This would get a score of 3. However, the product people use has no admin keys and is upgradable by themselves, and they can make any budget or strategic decisions they want to.

Score: 15

## 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:** in the previous question I made the case that users are their own governance within InstaDapp. With this question I feel it would be shortsighted to claim they are the only active governance contributors as well. It is important to look at where InstaDapp will grow towards and how people are influencing these upgrade ideas. The forum that is being used at the moment only counts [110 users](#) and is not actively used. The people who answer questions are team members. The upcoming distribution of tokens will give 45% of the tokens to the team and investors. So for the upcoming time, this is not very diverse. The group of investors is [high profile](#) and it is expected they will actively participate.

Score: 2

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

**Answer:** At this point in time, all InstaDapp upgrades are being handled by the team. It is up to a user to switch to new contracts if they want to. There is no [documentation](#) on how the team comes to

decisions. There is a forum and discord where questions are being handled quickly. With the upcoming DAO this score will probably look very different.

Score: 4

## Governance 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:** As mentioned before, it has a forum and a Discord. There is some documentation on the contracts itself but nothing at this point in time on governance. Since there is no token and people are in control of their own smart wallet, the case can be made that there is also none needed as of now.

Score: 8

## 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.

## 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:** The project is trustless but [maintained](#) by InstaDapp Labs LLC. It has written its [terms of service](#) extensively, more so than previously reported projects. This means there is a well defined agreement.

Score: 15

## 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 jurisdiction is unclear when looking at their own terms of service. According to their linkedin the company is situated within [Delaware](#).

Score: 6

## Is the protocol (able to become) legally compliant? (5 points)

Is the protocol able to acquire the necessary licenses and supervision to be able to operate in the traditional regulatory environment? Has the protocol already acquired such licenses?

**Answer:** The team is looking towards decentralizing, not gaining more compliance. It also uses [no KYC](#).

Score: X

### Scorecard

<u>Value Proposition</u>	Points
1. Novelty of the solution	13 / 15
2. Market fit/demand	10 / 15
3. Competitiveness within market sector(s)	9 / 10
4. Novelty of the solution	X / 10
<u>Tokenomics</u>	Points
1. Is the token sufficiently distributed?	X / 15
2. What is the extent of the token's capabilities?	X / 10
3. Is the issuance model able to improve the coordination of the protocol?	X / 10
4. Is the value capture model able to accrue and distribute value?	X / 10
5. Is the token sufficiently liquid to enable active use and trade?	X / 5
<u>Team</u>	Points
1. Is the team credible and public? (No, Partly, Yes & Anon , Yes & Public)	13 / 15
2. Does the team have relevant experience?	8 / 10
3. Does the team participate and help shape the public debate?	7 / 10
4. Is the team able to effectively attract and coordinate resources?	8 / 10
<u>Governance</u>	Points
1. Admin Keys (Yes, Multisig, Multi-sig and Timelock, None)	20 / 20
2. Extent of Governance capabilities	15 / 15
3. Active Governance contributors	2 / 5
4. Robustness of Governance process	4 / 10
5. Governance infrastructure (rituals, docs, UI)	8 / 10

<b><u>Regulatory</u></b>	<b>Points</b>
1. Does the protocol have any legal accountability?	<b>15 / 15</b>
2. What is the quality of the legal jurisdiction?	<b>6 / 10</b>
3. Is the protocol (able to become) legally compliant?	<b>X / 5</b>
<b>Total</b>	<b>148 / 170</b>

**Author:** [https://twitter.com/Zeb\\_dyor](https://twitter.com/Zeb_dyor)