Protocol: ShibaSwap (SHIB)
Version: 1
Previous Report: No previous report

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Season/competition: Season 2

Instructions

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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:
ShibaSwap is a decentralised exchange (DEX) built to capitalise on the hype around the Shiba Inu (SHIB) token. SHIB was originally started in August 2020 by an Ethereum developer known as Ryoshi. Ryoshi started SHIB as an "experiment in decentralized spontaneous community building". The initial aim was simply to distribute the tokens fairly and build a community from there.

SHIB remained a small pet project for Ryoshi until Elon Musk started the Doge coin meme craze in February 2021. SHIB was buoyed as investors looked for the next big dog coin, and Ryoshi moved the project into phase 2 with a DOGE synth token called LEASH.

In April 2021 the SHIB community released the "Woof Paper" outlining the roadmap for a ShibaInu Ecosystem, the first stage of which was to build the ShibaSwap DEX along with the BONE governance token.

ShibaSwap launched in July 2021. The DEX offers the same functions as other DEXs such as Uniswap. Users can swap tokens, provide liquidity to pools, and stake tokens, with rewards paid out in BONE tokens. Users can also purchase. "Shiboshi" NFTs, which provide holders access to the exclusive Shiboshi Social Club area of the website.

The Shiba Inu Ecosystem has an [ambitious roadmap](#) including the formation of DoggyDAO, the release of the Shiboshi video game, the Shiba Incubator, the ShibaNet marketplace, the Shi token (a stablecoin pegged to 0.01 USD) and the Shibarium Ethereum side chain. However, none of these products are original concepts, and are commonplace in most crypto ecosystems.

As of writing, however, the products that the Shiba Inu team have released (SHIB, LEASH, BONE, ShibaSwap, and Shiboshi) are not novel, and are competing in a very crowded marketplace of animal themed [DEXs](#) and [NFTs](#).

Score: 3

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:

ShibaSwap's target market are users wishing to trade the Shiba Inu Ecosystem's tokens on a DEX. Most of the trading pairs available are pairs with the ecosystem tokens, and the SHIB / WETH pair accounts for over [50 % of trading volume](#) totalling $7 million. However, this is just [0.5 % of total SHIB trading volume](#) and pales in comparison to the volume on centralised exchanges.

With a market cap of [$15 billion](#) the SHIB token clearly has massive demand, but the rest of the project has yet to prove that it is more than a meme. This is reflected in the lack of demand for the BONE governance token which has a market cap of just [$34 million](#).

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:

The DEX market is thriving. According to Defi Pulse, the TVL in all DEXs is currently [$27 billion](#), and DEXs saw over [$1 trillion](#) in trading volume in 2021.
The trading volume of the SHIB token exploded in 2021 and now ranks 5th with [$2 billion](#) in 24 h volume. This market appetite for the flagship token of ShibaSwap is remarkable, however, this interest is still built on a dog meme from last year, and it remains to be seen how long demand for SHIB will last.

Score: 7

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:

ShibaSwap has $ 234 million total value locked (TVL) ranking 41st in DEXs. This is down from a high of $ 1.7 billion in July 2021, and seems to be declining still. ShibaSwap ranks 32nd for 24 hour trading volume with just $ 15 million.

However, ShibaSwap boasts over 2 million monthly site visits, beating blue chip protocols such as Aave and Curve. This implies that many people are visiting the site but are not interacting with its primary products by staking and making trades.

Score: 2

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:

ShibaSwap and the Shiba Inu community do not partner with protocols outside of their ecosystem. They have a focus on innovative advertisement including a NASCAR sponsorship and partnering with a burger chain. However, rather than advertising ShibaSwap directly, this marketing is in service of onboarding new investors to increase the price of the SHIB token, with the hope that will then bring them into the Shiba Ecosystem.

Score: 2

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:

SHIB is an ERC-20 token on Ethereum and was released using a fair launch with a total supply of 1,000,000,000,000,000 SHIB. 10 ETH was given by an anonymous donor to provide liquidity to the SHIB / ETH Uniswap pool. Founder Ryoshi stated that he did not own any SHIB tokens in the beginning, and has recently stated he does not own any now.

There are over 1 million SHIB holders and the tokens are remarkably evenly distributed, with the largest holders being centralised exchanges.

As a marketing stunt in May 2021, $6.7 billion worth of SHIB tokens were sent to Ethereum founder Vitalik Buterin. Vitalik then burned 90 % of the tokens and donated the remaining 10 % to charities. This has reduced the circulation by almost half to 550,000,000,000,000.

The LEASH token was initially designed to rebase to 1000x the price of DOGE. LEASH would then act as a synth and could be used to hedge or "tame" DOGE. The rebase function was later turned off and now it simply acts as a normal ERC-20 token.
LEASH has a finite supply of 107,647 and 25,000 holders. The majority of the supply is held in staking contracts at ShibaSwap and on other exchanges. Otherwise, the supply is broadly distributed amongst private wallets.

The BONE token is the governance token for the Shiba Inu Ecosystem and will eventually be used to vote on the proposals in the DoggyDAO. Bone was rewarded to users who staked SHIB or LEASH on ShibaSwap, or provided liquidity to select liquidity pools. This liquidity mining event was used to incentivise LP providers to move their liquidity from Uniswap to ShibaSwap in a vampire attack.
For the first 2 weeks BONE was emitted at a rate of 1000 BONE per block. This was then reduced over time to 100 BONE per block. 10 % of all emissions go to the Multisig-controlled treasury/dev fund.
As of writing there are around 200,000,000 BONE in circulation with 38,000 holders. Similar to LEASH, the majority of BONE is held in staking contracts, with the remainder broadly distributed.

Score: 10

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:
On ShibaSwap, SHIB tokens can be buried (staked) for a share of 3 % of BONE per block. In addition, SHIB stakers also receive 0.1 % of all the ETH swap fees on ShibaSwap. SHIB can also be used to buy Shiboshi NFTs.

LEASH can be buried for a share of 1 % of BONE per block plus 0.05 % of all swap fees.
Like LEASH, BONE can also be buried for a share of 1 % of BONE per block plus 0.05 % of all swap fees. Once the DoggyDAO launches, BONE will be used for voting on governance proposals.

Score: 3

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:
The SHIB and LEASH tokens have all been issued. The BONE token is still being issued at a rate of 100 per block and will have a maximum supply of 250,000,000 BONE. BONE token rewards are used as the primary incentive for users to stake and provide liquidity on ShibaSwap. These BONE tokens will be used for governance if the DoggyDAO launches, until then they only incentivise users to keep their liquidity in ShibaSwap.

Score: 3

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:
The only value captured in the SHIB and LEASH tokens is that their price increases as more people buy them. As shown by the rabid ShibArmy community, this increase in price does drive enthusiasm around the project. On ShibaSwap they can be staked to receive a small share of swap fees. These fees total around $ 750,000 per day split between all stakers.

The BONE token is awarded to those who stake on ShibaSwap, and if the DoggyDAO launches, they could be used to vote on proposals, however the details of this have not been released.

Score: 4

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:
The SHIB token is one of the most traded tokens on the market and is available at most exchanges.

However, the native tokens of the Shiba Ecosystem, [BONE](#) and [LEASH](#), are not widely available outside of ShibaSwap, and both have just $ 4 million in daily trading volume.

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:
Beyond a few gimmicks such as buying NFTs or [burgers in one restaurant](#), SHIB has limited extrinsic use cases. Likewise LEASH and BONE tokens do not have any extrinsic uses.

Score: 1

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 SHIB token was created by a pseudonymous developer known as Ryoshi. Ryoshi prides himself on his anonymity stating "I have said from the beginning, I am a nobody, I am not important. The efforts to unmask my "identity" even if successful would be underwhelming". There is some speculation that Ryoshi is a prominent member of the Ethereum developer community and that Ethereum founder, Vitalik Buterin, provided the original capital to the SHIB / ETH Uniswap pool.

Ryoshi left the team in late 2021 and it is now led by the pseudonymous CEO Shytoshi Kusama. The identity of Shytoshi is the subject of much speculation. Regardless, they do not have any previous credibility.

From the beginning Shiba Inu Coin aimed to build a decentralised community, to collectively guide the project. The reality, however, is that the project is led by a closed group of "Devs, Alphas and team members", access to whom is sold as a privilege to Shiboshi NFT holders through the Shiboshi Social Club.

Score: 2

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 team is anonymous and so it is not possible to verify what their backgrounds or previous skills are.

Score: 0

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:

The Shiba team is very vocal in promoting its own projects and the SHIB token but does not participate in the broader debate, nor offer ideas to the crypto industry as a whole. A good example is team leader Shytoshi Kusama who is very active [on twitter](#) exclusively promoting the Shiba Ecosystem projects. This further influences the ShibArmy whose goal is ostensibly to promote the Shiba Inu ecosystem. But discussion on the popular [ShibArmy](#) subreddit mostly revolves around the price of the SHIB token, with most [users having no clue](#) why the price is moving.

Score**: 1**

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 value of the SHIB token comes from its community. This community is incredibly passionate and vocal, and have managed to attract massive amounts of retail capital to rocket SHIB to a $ 15 billion market cap. Similarly this large community reach has allowed the Shiba Inu team to attract many developers who want to work on such a high profile project. However, the Shiba Inu team has consistently over-promised and under-delivered: ShibaSwap [was months behind schedule](#), and now the DoggyDAO almost a year overdue. It seems like the team is not well coordinated particularly with their marketing expectations and the reality of development.

Score: 2

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 ShibaSwap BONE treasury is controlled by a Multi-sig wallet [requiring 3 of 5](#) signatures from "members are trusted members of the Community and the DeFi environment". There is also an emergency multi-sig for any emergency changes related to security or administration which requires 6 of 9 signatures. The signers are named with their discord handles on the [ShibaSwap gitbook](#).

However, the key holders are all anonymous, so they could be malicious actors or even all one person. There is also no mention of any time lock features. This lack of transparency undermines the perceived security of the multi-sig wallets.

Score: 5

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:
ShibaSwap plans to be governed by [DoggyDAO](#) using the BONE governance token. As of writing, DoggyDAO is in a private beta phase and does not have any governance capabilities.

Score: 0

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:

By design, DoggyDAO will not be fully decentralised and nine 'Guardian Wallets' will have the final say on new ShibaSwap listings. It is not yet known who the guardians will be. According to a blog post this is "to key in the factor of someone truly gaming the system".

The Shiba community is enormous with over 1 million token holders and a bustling discord server of 20,000 members. The community members are not afraid to make their voices heard. How much this community can influence the direction of ShibaSwap, remains to be seen.

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:
As of writing, DoggyDAO does not have any governance infrastructure. The release of this infrastructure is planned for Q1 2022 but it has not been demonstrated yet. The extent of any governance currently comes from comments from the Shiba Inu community, and interactions with team members in the Shiboshi Social Club.

Score: 2

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:
Currently there is no governance process for the DoggyDAO.

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:
ShibaSwap is a decentralised community led protocol and does not have a legal entity.

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:

ShibaSwap is a decentralised community led protocol and does not have a legal jurisdiction.

Score: 0

Scorecard

1. Value Proposition	Points
a) Novelty of the solution	3 / 15
b) Market fit/demand	5 / 15
c) Target Market Size	7 / 10
d) Competitiveness within market sector(s)	2 / 10
e) Integrations & Partnerships	2 / 15
Total Points - Value Proposition	**19 / 65**

2. Tokeneconomics	Points
a) Is the token sufficiently distributed?	10 / 15
b) What is the extent of the token's capabilities?	3 / 10
c) Is the issuance model able to improve the coordination of the protocol?	3 / 10
d) Is the value capture model able to accrue and distribute value?	4 / 10
e) Is the token sufficiently liquid to enable active use and trade?	3 / 5
f) Are there any extrinsic productivity use cases?	1 / 10
Total Points - Tokenomics	**24 / 60**

3. Team	Points
a) Is the team credible and public? (No, Partly, Yes & Anon , Yes & Public)	2 / 15
b) Does the team have relevant experience?	0 / 10
c) Does the team participate and help shape the public debate?	1 / 5
d) Is the team able to effectively attract and coordinate resources?	2 / 10
Total Points - Team	**5 / 40**

4. Governance	Points
a) Admin Keys	5 / 20
b) Extent of Governance capabilities	0 / 15
c) Active Governance contributors	2 / 5
d) Governance infrastructure	2 /10
e) Robustness of Governance process	0 / 10
Total Points - Governance	**9 / 60**

5. Regulatory	Points
a) Does the protocol have any legal accountability?	0 / 15
b) What is the quality of the legal jurisdiction?	0 / 10
Total Points - Regulatory	0 / 25
Total	**57 / 225**

About the Author: @SlamBadley Crypto detective with a dark academic past