Protocol: Swerve ($SWRV)
Version: Initiating coverage
Previous Report: N/A,

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Reviewed by: A Rating Pepe
Season/competition: rate-athon #2

Instructions
Please go to files and make a copy of this template.
Fill in all questions with a written explainer, any relevant links, and score per variable. Insert the scores in the scorecard at the end of the report.
Please include your sources into the text (as a link), so others can follow your trail of thought.

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: Swerve is a fork of Curve Finance which is 100% community-owned and governed, it is an AMM-based decentralised exchange with extremely unique properties specializing in efficient stablecoin (DAI, USDC, USDT and TUSD) swaps which allows Swerve to cut gas costs dramatically for interactions. It is a user friendly exchange which lets users provide liquidity to Swerve and receive swUSD tokens which can be staked in the Swerve DAO to earn SWRV tokens, this DEFI even allows members to propose and vote on protocol changes such as adding new liquidity pools.

According to the claims provided by the developer behind Swerve by name John Deere to fix the problem users are facing with other defi exchanges, He claimed that there's no fake-out deployment, no questionable pre-mining, no founder controlling majority of the governance vote, no suspect team

proposals, no 30% allocation to 'shareholders', no team allocation, no decades-long distribution. It's a simple 33,000,000 supply owned entirely by holders, the community of liquidity providers and users. If holders provide liquidity to Swerve, they get ySWRV tokens which can be staked in the Swerve DAO to earn $SWRV

For these reasons, I award SWERVE 4/15 points on novelty of solution. While it is not the first AMM-based decentralised exchange out there, it has not really introduced any feasible new innovation to the DeFi ecosystem.

Score: 4/15
Sources: DEFI PULSE, The defiant, Medium and Marketbeat

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: Based on analysis from The Defiant, it shows that with liquidity mining rewards as high as 250%, Swerve quickly grew and sucked in hundreds of millions of dollars with TVL over $800M at one point. However, when the rewards were massively decreased on September 19th, Swerve's TVL dropped massively as well and sits around $44M at the time of writing. Without strong differentiation from its parent, it seems Swerve's LPs weren't as interested in sticking around as Sushi's.

Nevertheless, like SushiSwap, Swerve also has community-driven governance. Recently there have been proposals to add a new pool, as well as to direct admin fees to the treasure. If governance is able to adapt to a low-reward environment with sustainable improvements, this may not be the last we see of Swerve

I award 12 points on these considerations (full points would go to top market leading players).

Score: 12/15

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: Nearly $24 million is locked within the Swerve protocol, as opposed to US$8.85 billion currently locked within the Curve protocol.
After the first two weeks of liquidity incentives ended and Total value locked was at $941 million, it dropped dramatically by 98% in the following weeks and never recovered! The limited growth

potential in the sector is evidenced in Illustration A below, showing the limited growth in the DeFi space over the past 10 months . We limit the points to Swerve on target market size for this reason.

**Illustration A: TVL in USD in DeFi (Source: DeFi Pulse)**
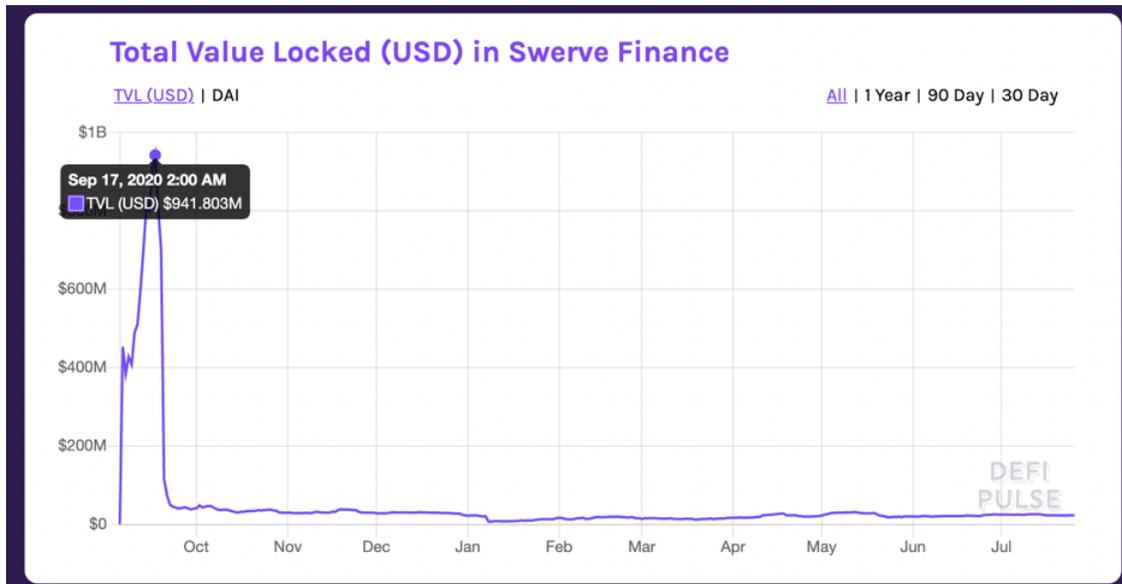
Score: 10/10

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: The analytics show a massive drop in transactions overtime, that could not be recovered as the team no longer had active developers as seen in (Illustration B below). Even in the overall strong development of DeFI, we can see the lowest transaction volume in history in July 2021 as seen in (Illustration A above).
It's recently found out that the protocol is implemented as a proxy and no capital is locked in Swerve itself, instead all swap transactions' liquidity deposits are going directly to curve.fi. You can verify this in (Illustration C. below) their code, by checking the address _ target , which is exactly the curve.fi contract. So, there is no real value even behind the protocol. Everyone could just simply use Curve.

Illustration B: Discord moderator making announcement
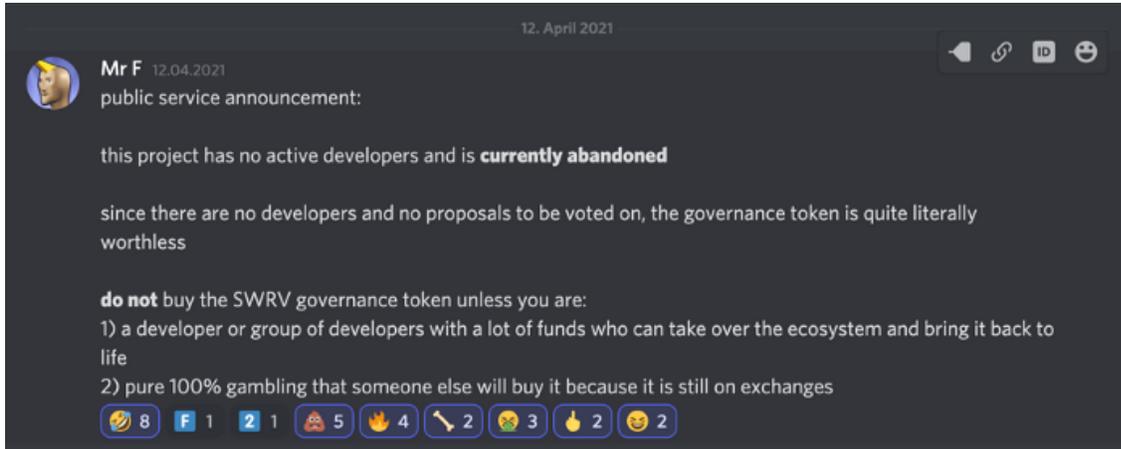
Illustration C: Checking the address _ target on Etherscan.io
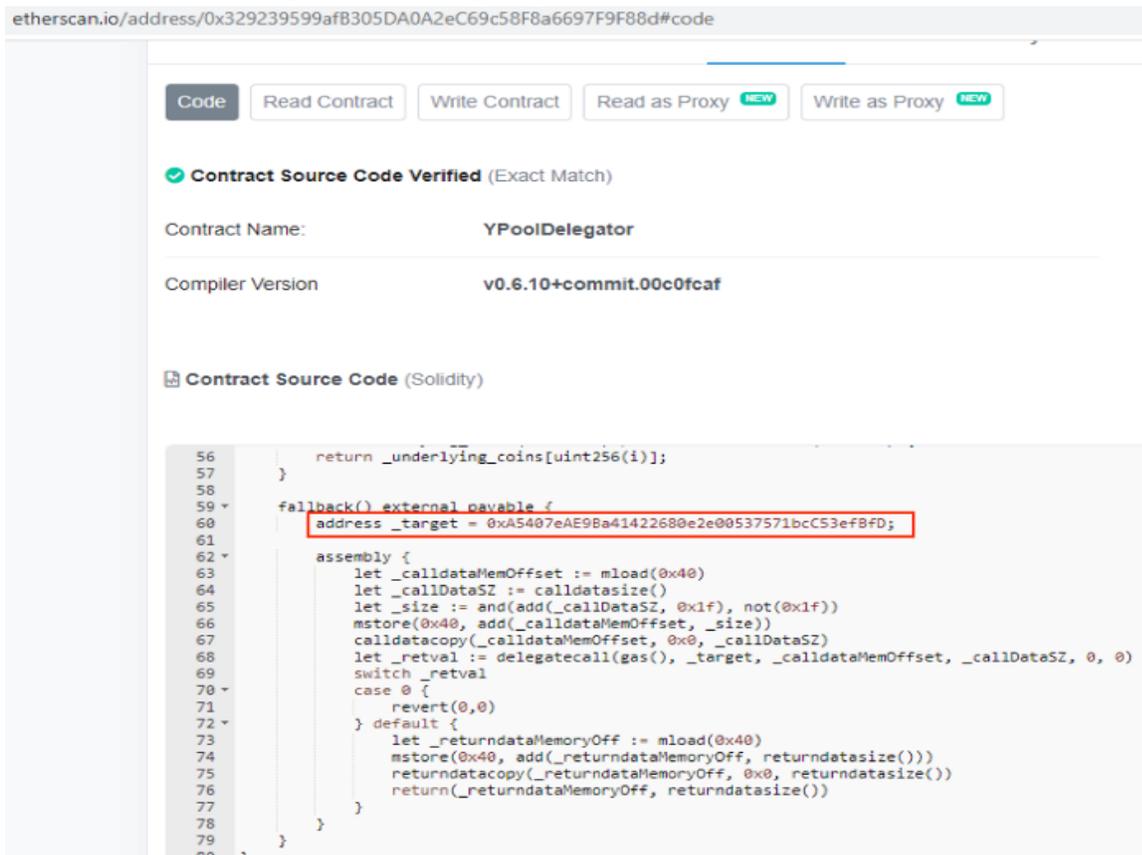
Due to the drastic drop of the swerve protocol by 98% the competitiveness within the market sector has been very poor which makes us give it a negative rating.

Score: 1/10

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: Swerve (SWRV) is now available on DeFi Swap.
Dovey Wan, a founding partner at Primitive Crypto and an advisor to Coindesk, noted a $1m Tether (USDT) transaction to Swerve Finance's contract from a participant on Swerve's Discord channel.

Score: 3/15
Source: DeFi Swap, Inside.com and medium

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: Swerve DAO Token (SWRV) Token Tracker on Etherscan shows the price of the Token $0.3127, total supply 17985721.720782458632013377, number of holders 6309 and transfers to be 149,651, Concentration of top 10 holders is shown in Illustration D. And according to Defipulse, 100% of SWRV tokens were distributed and "farmed" by the community.Swerve DAO members propose and vote on protocol changes such as adding new liquidity pools.

Illustration D: Top 10 holders of Swerve DAO (Source - Etherscan)

Rank	Address	Quantity	Percentage	Value	Analy
1	OKEx	5,864,633.949829187830755236	32.5633%	$1,605,511.49	~
2	Huobi 10	3,953,923.333563112	21.9541%	$1,082,432.32	~
3	0xe5e7ddadd563018b0e692c1524b60b754fbd7f02	2,193,446.820514711581473396	12.1791%	$600,481.48	~
4	Binance 7	1,264,118	7.0190%	$346,066.95	~
5	Binance 8	1,000,000.000000000024459734	5.5525%	$273,761.59	~
6	Gate.io	646,107.43749226971770011	3.5875%	$176,879.40	~
7	HECO Chain: Bridge	228,696	1.2698%	$62,608.18	~
8	0x30ce6f10a617fb8c66b93817adce1379853a7b13	159,711.7027282	0.8868%	$43,722.93	~
9	0xf9e11762d522ea29dd78178c9baf83b7b093aacc	106,418.373687351008912032	0.5909%	$29,133.26	~
10	Uniswap V2: SWRV 7	81,058.729189645934598194	0.4501%	$22,190.77	~

Seeing that the number of holders was positive as at the distribution period, I give them 8 points as the tokens were distributed over sufficient participants.

Score: 8/15
Source: Etherscan statistics **and** Defipulse

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 Swerve DAO token (SWRV) is a governance token with the ability to accrue Swerve exchange fees based on a time-based exchange system as shown in Illustration E.

Illustration E: Swerve exchange server

Swerve Finance were unique amongst their peers, filling the stablecoin swaps niche exclusively. Swerve aimed to recreate the Curve protocol ecosystem with a community-driven token dynamic. From past records, the strong market leader remains Curve over Swerve, based on the US$4.26 billion vs US$18.25 million total value locked on both platforms, respectively. Thus far, SWRV on-chain token stats show a sluggish start for the anonymously forked protocol. But in the long run they lost focus making the protocol loss value and for this reason we rate the 5/10

Score: 5/10

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 behavior? Are all relevant stakeholders benefiting from the issuance model?

Answer: Nine million SWRV was distributed during the first two weeks, and another 9 million SWRV were to be distributed over the first year. Starting at year two, 3 million SWRV were to be distributed per year until all 33 million tokens have been minted by the end of year six. Unlike other DeFi platforms, Swerve does not whitelist smart wallets allowing projects like Yearn.Finance and other DeFi-based smart contracts to participate in its votes with this said they had a very good distribution model which make us consider them to fall under 8/10.

Score: 8/10

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 SWRV token can be staked to get fees from the exchange and as a decentralized autonomous organization, Swerve uses an Ethereum-issued ERC-20 token, SWRV, for governance in addition to rewarding liquidity providers..

Score: 7/10

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:
According to information gotten from Coinmarketcap, the top cryptocurrency exchanges for trading in Swerve stock were OKEx, Huobi Global, HitBTC, Gate.io, and ZT and Swerve DAO members propose and vote on protocol changes such as adding new liquidity pools.

Score: 3/5

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:
Swerve cannot be used outside the protocol.

Score: 1/10

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:

Swerve was launched by a pseudonymous developer known as John Deere who claimed to have stripped away all the questionable pieces of the stablecoin-focused decentralized exchange.

Score: 2/15

Source: [Decrypt](#) and [The defiant](#)

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:

No records was found about the background of the anonymous team

Score: 1/10

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:

There was no track record of the teams partaking in public debate.

Score: 1/5

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: As there were no public debate by the the team so they were not able to attract and coordinate sufficient resources for the protocol.

Score: 1/10

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 PSA post on reddit, it said that "Curve.fi fork called Swerve has half a billion locked. Its anonymous founder admin key can pause the contract. Locking funds until a ransom is paid."

Score: 4/20
Source: Reddit

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: It was recorded that On-chain SWRV token stats revealed ranging transaction counts and steadily increase in transaction sizes. Transactions per day hit an all-time high of 4,482 as of September 11th, 2020, during the first two weeks of token distribution. Average transaction sizes hit an all-time high of US$13,850. Since late December, transaction counts have doubled and transaction sizes have increased by 6x. Therefore Governance had positive influence and effect on the operation.

Score: 11/15

Source: Bravenewcoin

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:
The most recent and last voting process took place in Jan 2021 in the protocol's twitter and discord server and only a few individuals actively participated in the voting.

Score: 1/5

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:
Well the protocol has channels in which they relied on for their governance debate and that was their twitter handle (@swervefinace) and discord server but there were no reliable and usable mechanism apart from their official website which later got expired and dumped, so they lacked sufficient documentation of projects that were carried out

Score: 4/10

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:

Based on all the information presented above, we award 4 points to swerve on their governance process. All evidence so far suggests an informal governance process that is borderline centralized with the core team. We would increase the score if there is improvement along any of the various points we have identified earlier.

Score: 4/10

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:

This protocol does not have any legal accountability as it is said to be a 100% community-owned and governed which means the protocol isn't entitled to anyone and users and partners cannot hold the protocol accountable in case of a breach of the agreement.

Score: 3/15

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: N/A

Score: 2/10

Scorecard

1. Value Proposition	Points
a) Novelty of the solution	4 / 15
b) Market fit/demand	12 / 15
c) Target Market Size	10 / 10
d) Competitiveness within market sector(s)	1 / 10
e) Integrations & Partnerships	3 / 15
Total Points - Value Proposition	**30 / 65**
2. Tokeneconomics	**Points**
a) Is the token sufficiently distributed?	8 / 15
b) What is the extent of the token's capabilities?	5 / 10
c) Is the issuance model able to improve the coordination of the protocol?	8 / 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?	1 / 10
Total Points - Tokenomics	**32 / 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?	1 / 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?	1 / 10
Total Points - Team	**5 / 40**
4. Governance	**Points**
a) Admin Keys	4 / 20
b) Extent of Governance capabilities	11 / 15

c) Active Governance contributors	1 / 5
d) Governance infrastructure	4 /10
e) Robustness of Governance process	4 / 10
Total Points - Governance	**25 / 60**
5. Regulatory	**Points**
a) Does the protocol have any legal accountability?	3 / 15
b) What is the quality of the legal jurisdiction?	2 / 10
Total Points - Regulatory	**5 / 25**
Total	**97 / 250**

About the Author: Joy Egwuenu is a goal oriented cryptocurrency trader and analyst with over three years experience in the industry. Her skill sets ranges from trading, market analysis to content creation, community management and speaking. You can connect with her on https://Twitter.com/adajoy142.