# Fundamental
## Prime Rating Report V2.0

**Protocol: Idle.Finance**
**Version: 1**
**Previous Report: n/a**

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**Reviewed by:** 🐸 a Rating Pepe
**Season/competition:** Season 2 / 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.

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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:** Both in traditional and decentralized financial systems, people are continuously looking to optimize their returns. There are new opportunities every day, and investors try to follow the latest trends and get the best returns on the market. This activity requires knowledge, time, and money. To date, the major catalysts of the DeFi world have been lending protocols, with short-term spot interest rates that fluctuate in real-time based on supply and demand. Instead of manually hopping from a lending yield generator to another one, with the fear of losing the funds in hacks and spending a lot in Ethereum fees, Idle allows users to optimize interest rate profitability and seamlessly get the highest yields of the integrated lending protocols.

The Protocol was deployed in August 2019. Since its launch, Idle has introduced 3 main allocation strategies (i.e. Best Yield, Risk adjusted and Perpetual Yield Tranches) letting its LP either to optimize returns or hedge against risk.

**Score: 7 points**

# 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:** idle.finance has found its market fit and is satisfying its market demand. DeFi Pulse ranked Idle 47th in TVL at the time of writing, which indicates that a good number of DeFi users are confident about depositing their tokens into Idle. The Idle Protocol has witnessed signs of market fit for the B2B/integrators' market. This has been proven by large DeFi players adopting Idle as a yield source to generate yields for their users (Integrators like Yearn, Harvest , Enzyme, Finoa, Biconomy and many others, please see Idle's B2B Analytics Dashboard). The target market is now growing with the expansion of Polygon. Idle.Finance currently has a TVL of $119,158,945 and has so far successfully collected revenue of 913,847 USD.

**Score: 10**

# 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 current Idle targeted market is the DeFi Yield market, worth currently $80B. Decentralized finance and yield products have grown +380% YoY in 2021 and are poised to explode 10-fold in the next years. Idle Protocol is offering a YAAS (Yield as a Service) solution to other businesses, such as DeFi protocols, DAOs, wallets, neo banks and fintech companies.
We can expect DeFi growing to the current crypto assets market size (worth $2.7T), although this would entail higher risk and volatility with respect to the current underlying offering, limited to stable coins and ETH/WBTC. Last market of future interest is the one for Corporate Bonds ($40T). Given its fixed income kind of returns, Idle already shares some of the key characteristics of bond products.

**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:**

In terms of user adoption, Idle has a moderate amount of users with ~3.7k. Idle still has some catching up to do with Vesper, its closest competitor. However in terms of the safety score, idle overweights Vesper see here.

| Idle.Finance | | Vesper | |
|---|---|---|---|

| TVL | $109,941,985 | TVL | $328,583,970 |
|---|---|---|---|
| Trading volume | $129,253 | Trading volume | $1,604,901 |
| Number of users | 3,745 | Number of users | 6,418 |

Idle has been battle tested in 6 securities audits (while competitors such as Rari.Capital, Vesper and Indexed only have 2 maximum). These audits have proven reliable, as a matter of fact Idle has not been hacked since its 2019 inception. Another future that makes Idle stand out with respect to yield aggregator peers is its dynamic allocation characteristics. This let funds provided to Idle to be dynamically and unevenly moved between markets. On the contrary, the majority of competitors lack this feature and move all funds from one exchange to the other, risking falling into the ping-pong effect. More details see here.

In terms of performance, we can look at a comparison of Stablecoin pools between Idle.Finance & Vesper.

| Idle.Finance | | Vesper | |
|---|---|---|---|
| USDT APY | 8.87% | USDT APY | 5.20% +4.72% VSP |
| USDT TVL locked | 34.74 Mio | USDT TVL locked | 5.13 Mio |
| USDC APY | 6.24% | USDC APY | 4.41% +2.33% VSP |
| USDC TVL locked | 35.93 Mio | USDC TVL locked | 15.41 Mio |
| Performache fee | 10% | Performache fee + withdraw fee | 15% + 0.60% |

The APYs are competitive between the two protocols, however Idle outperforms Vesper in the TVL locked with a huge gap which indicates that DeFi users feel more comfortable depositing Stablecoins in Idle.Finance. Also Idle charges a 10% fee whereas Vesper charges a 15% performance fee + 0.6% withdraw fee.

**Score:8**

# 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:** Idle launched the B2B Affiliation program, rewarding integrators like Yearn, Harvest, WasabiX, Enzyme and many other smaller protocols. An analytics page of the fee sharing programme for Idle integrators can be found here.

**Score: 13 points**

# 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:** $IDLE token has more than 3,700 holders. The token seems distributed at a sufficient level, see here. The two biggest "token holders": 20% of the total supply is the LongLPFund 0x107A369bc066c77FF061c7d2420618a6ce31B925 & and the Ecosystem Fund 0xb0aA1f98523Ec15932dd5fAAC5d86e57115571C7 which represent 15% of the total supply. Both wallets are managed by governance. More about the initial token distribution can be found on Idle documentation here.
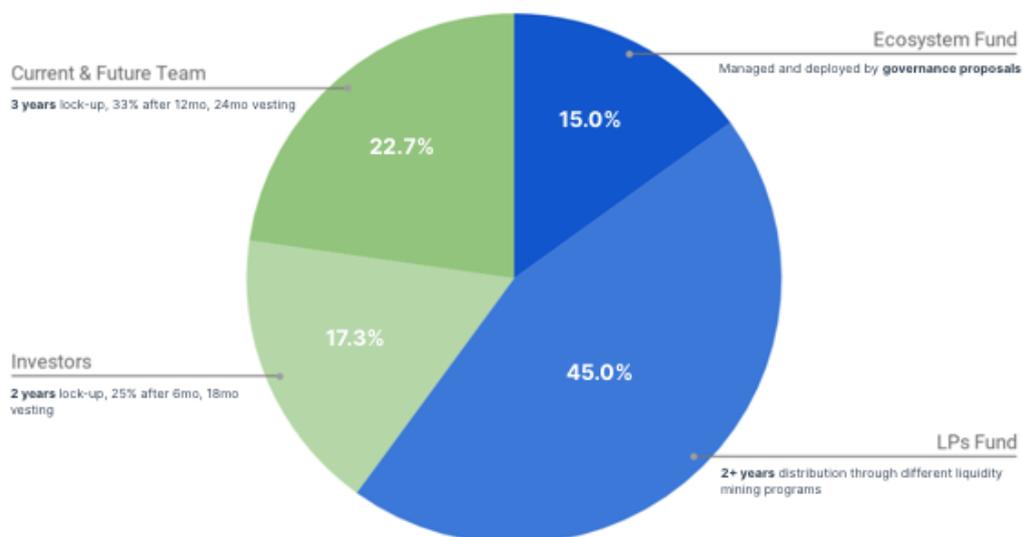
$IDLE Emission Schedule
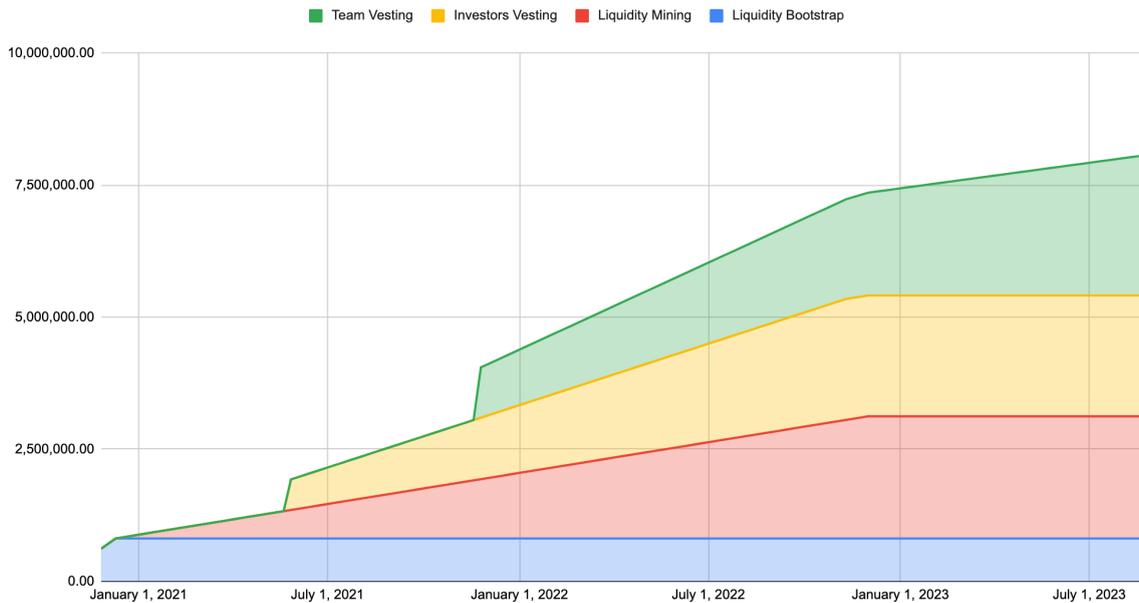
**Score: 5 points**

# 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 Idle token is a Governance token. The main characteristic of IDLE is the governance feature, which enables token holders to vote on-chain and off-chain on new proposals, shaping the protocol's future. Token holders can use IDLE to provide liquidity in DEX and join the LP staking & IDLE staking. Recently IDLE also got approved as collateral on the lending protocol Rari capital and is in the implementation phase. Additionally, IDLE voting power can be lent/borrowed out through Paladin. Idle Leagues are working on expanding these use-cases on a daily basis.

**Score:  4**

# 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 main issuance, through the Liquidity Mining program, is distributing $IDLE to liquidity providers of the protocol, effectively distributing ownership of the protocol to its users. Other forms of

issuances are focused on community rewards (via grants) and as reward to [League members](#) for adding value during their mandates.

**Score: 8**

# 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 protocol charges 10% on generated profits. This performance fee represents the main protocol revenue stream (accrued interest rate + farmed governance tokens) and is addressed to the Governance Treasury. Since Nov 2020, the protocol has generated ~[$1mio in revenue](#). Those fees get accrued on a FeeTreasury contract governed by the $IDLE governance. Idle also has a Smart Treasury since the [IIP-2](#), to redirect a portion of the fees into a buy-back mechanism, while also providing more on-chain liquidity. More infos about Idle Smart Treasury can be found [here](#). Users who stake $Idle get in return a claim on the protocol fees. The protocol fees are used to purchase $IDLE on the open market and are distributed to stakers on a weekly schedule.

**Score: 10 points**

# 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: $IDLE token is liquid on DEXs in Balancer, Sushi, and Uniswap. As of 8th November there is around 146k TVL in Bancor, 548k in Sushi and 61k in Uniswap.

**Score: 1**

# 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:** Token holders can use IDLE to provide liquidity in DEXs (Bancor, Uniswap & Sushi) and join the [LP staking](#) & [IDLE staking](#). Recently IDLE also got [approved](#) as collateral on the lending protocol Rari capital and is in the implementation phase. Additionally, IDLE voting power can be lent/borrowed out through Paladin. Idle Leagues are working on expanding these use-cases on a daily basis.

**Score: 6**

# 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:** All core contributors can be identified and are public: Linkedin shows an amount of 10 contributors, and new League contributors are elected by the Idle community and their profiles/applications can be found in the governance forum:

- Pilot-league-treasury-committee
- Idle-leagues-dev-treasury
- Treasury-league-v2
- Communications-marketing-pilot-league
- contributors-extensions-for-the-treasury-league-new-mandate
- leagues-labs-mandate-3

**Score: 14**

## 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 core team and current Leagues members can be found on Idle.Finance Linkedin and are all visible in the Leagues' application posts. The following are the genesis team members:

- Matteo Pandolfi, CEO: background in economics and finance, worked in the financial and IT risk management industry. Former Deloitte risk advisor and TEDx organizer, now also helping ConsenSys Tachyon accelerator as a DeFi mentor. Building and growing DeFi protocols since 2018.
- William Bergamo, CTO: Senior Solidity developer and smart contract architect, +10 years of experience in software development with various tech startups, participated in Facebook acceleration program, and serial entrepreneur since 2010.
- Samuele Cester, CPO: full stack developer with +10 years of experience in web development, co-owned an Italian web agency for developing private and corporate web applications, e-commerce and product configurators.

All information about new SubDAO league members can be found in the governance forum as already shown in a).

**Score: 9**

## 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 genesis team is committed to the growth of the protocol and its decentralization, with roles in the Leagues (subDAOs appointed to work on the protocol and make it succeed). More detail about the leagues see in a) and here or here. The team also gives publicly feedback on proposals in the government forum. Idle as a protocol participated also in a few hackathons and other happenings. There are several public AMAs/presentations with core members/contributors available on Youtube and recorded AMAs, few examples:

- https://www.youtube.com/watch?v=0nMpEHRafXk&t=600s
- https://www.youtube.com/watch?v=DlNdANlWjwM&t=1954s
- https://www.youtube.com/watch?v=HPePGnRWIlc
- https://www.youtube.com/watch?v=yDV5wH7m-HQ&t=1809s
- https://www.youtube.com/watch?v=Dv9zO0DeJmw&t=3s

**Score: 4**

## 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:** Idle DAO is now organized into Leagues and Labs to foster teamwork and efficient coordination across its contributors. Leagues are currently entering into their fourth mandate, with 15 active contributors. The funding team has closed a first seed round of $1.2m, while the Idle DAO is currently focused on a new strategic Treasury diversification round to ensure enough funds to the Idle ecosystem to scale up the protocol.

**Score: 5**

# 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:** $IDLE token holders control all admin privileges through governance; specifically, the owner of all IdleTokens deployed is the Timelock contact. There are a few administrative privileges like the rebalance & Pause guardian, more details about the Security Management Policy here. The community proposes all changes in the governance forum. The Community Governance Process is distributed across many steps and it takes place on different online platforms. More info on the role of governance in this article.

**Score: 19**

## 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 mentioned, $IDLE holders bear all the rights to modify and propose improvements to the protocol. The DAO decided to apply an approach, where IDLE token holders represent the topDAO, an entity that is able to allocate economic resources and elect the members of subDAOs.

Leagues are organizational units composed of ecosystem participants, elected by the Governance for the protocol growth. Each League pursues activities in a specific field and is responsible for its own budget, managed through a multi-signature wallet.

Members are elected through community snapshot polls and are in charge for the mandate duration (currently 3 months).

**Score: 15**

## 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:** As mentioned above to ensure proper maintenance and evolution of the protocol in the coming years, subDAOs (Leagues) take care of the daily maintenance of the related tasks and budget, more info also here. The Leagues help shape the governance discussions and help community members to formulate proposals and their execution. Vote participation however is low with an average of around 10-15 voters, see IDLE voting & stkIDLE voting. Proposals in the governance forum are from various participants and some initiatives are also coming from TG/Discord.

Key stats for Idle.Finance social media platforms as of 8th November:

Telegram: 1900 members
Twitter: 11500 followers
Discord: ~1100 members

**Score: 3**

## 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:** Idle.Finance is using a fully on-chain governance voting infrastructure (based on Compound Governor Alpha). Voting is available for $IDLE as well as staked IDLE (stkIDLE). Besides the official voting site, there is a forum, Telegram and Discord to discuss prior to votes going live.

**Score: 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:** The community proposes new changes in the governance forum. The Community Governance Process is distributed across many steps and it takes place on different online platforms. You can read more info on the role of governance in this article. Idle's governance architecture has been inspired by the COMP Governance modules 2, that govern the Compound protocol, and the Uniswap Governance Process.

**Score: 9**

# Scorecard

| 1. Value Proposition | Points |
|---|---|
| a) Novelty of the solution | 7 / 15 |
| b) Market fit/demand | 10 / 15 |
| c) Target Market Size | 9 / 10 |
| d) Competitiveness within market sector(s) | 8 / 10 |
| e) Integrations & Partnerships | 13 / 15 |
| **Total Points - Value Proposition** | **47 / 65** |
| 2. Tokeneconomics | Points |
| a) Is the token sufficiently distributed? | 5 / 15 |
| b) What is the extent of the token's capabilities? | 4 / 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? | 10 / 10 |
| e) Is the token sufficiently liquid to enable active use and trade? | 1 / 5 |
| f) Are there any extrinsic productivity use cases? | 6 / 10 |
| **Total Points - Tokenomics** | **34 / 60** |
| 3. Team | Points |
| a) Is the team credible and public? (No, Partly, Yes & Anon , Yes & Public) | 14 / 15 |
| b) Does the team have relevant experience? | 9 / 10 |
| c) Does the team participate and help shape the public debate? | 4 / 5 |
| d) Is the team able to effectively attract and coordinate resources? | 5 / 10 |
| **Total Points - Team** | **32 / 40** |
| 4. Governance | Points |
| a) Admin Keys | 19 / 20 |
| b) Extent of Governance capabilities | 15 / 15 |
| c) Active Governance contributors | 3 / 5 |
| d) Governance infrastructure | 10 /10 |
| e) Robustness of Governance process | 9 / 10 |

| Total Points - Governance | 56 / 60 |
|---|---|
| Total | 169 / 225 |

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