

# Fundamental

## Prime Rating Report

**Protocol:** The Graph (GRT)

**Version:** Beta

**Previous Report:** None

**Date:** 25-1-2021

**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 (10 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:** The Graph establishes a mechanism for querying blockchain data on a decentralized network, starting with Ethereum. With the Graph, dApp teams are no longer required to run and operate centralized servers for data queries and instead can use trustless public infrastructure to easily access and query blockchain-specific data. The Graph is the first project to go this route and gain traction.

**Score:** 10

### Market fit/demand (10 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:** The Graph is immensely popular, querying [220M+ per day - and 4B in August.](#)

**Score: 10**

## 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:** Decentralized API's are needed all throughout the blockchain space, and demand will only grow more due to the money lego infrastructure of crypto.

**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:** The Graph was the first (at least to gain traction) and there is no competitor on the horizon.

**Score: 10**

# 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:** The Graph token has multiple roles within the system, which all get a fair distribution of future rewards. Future rewards are distributed to these different roles, but all of these roles require staking GRT. So whoever has a large part of the initial distribution will probably get a large part of the total distribution as well. The [initial distribution](#) is heavily skewed towards the team, the foundation and its backers. Only 4% of the initial token distribution goes towards a public sale.

**Score: 5**

## **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:** GRT is used to allocate resources in the network. Active Indexers, Curators and Delegators can provide services and earn income from the network, proportional to the amount of work they perform and their GRT stake. The team [hints](#) towards decentralized governance in the future, but also points out they do not want it to be governed solely by token holders. Users will also pay with GRT to query subgraphs.

**Score: 8**

## **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:** The Graph has [3 different roles](#) which get paid when you stake and perform work. Their model is well put together and the only critique is that the initial distribution will heavily favor VCs and the team itself.

**Score: 8**

## **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:** A portion of protocol query fees [are burned](#), expected to start at ~1% of total protocol query fees and subject to future technical governance. The withdrawal tax that is incurred by Curators and Delegators withdrawing their GRT is also burned, as well as any unclaimed rebate rewards. Burnings make the supply scarcer and therefore theoretically increase value for token holders. There is a grant allocation which gets decided upon, [in the future by a more decentralized](#), Graph's Council. These grants come from the initial distribution, so there is no self funding mechanism within The Graph currently.

**Score: 3**

## 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 Graph has a [daily volume](#) of \$280,735,517 according to Coin Market Cap and is listed on many different exchanges, both DEXs and CEXs.

**Score:** 5

## 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 [public](#), has about 30 members and has Eva Beylin on board, who is a well known member of the Ethereum community for quite some time now. The nature of the project makes it possible for anyone to contribute to further growth of the network. It [claims](#) to have a community of over 5k developers who have built subgraphs.

**Score:** 12

## 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:** [Both](#) of the [co-founders](#) used to be software engineers working, among other things, with GraphQL.

**Score:** 9

## 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:** Eva Beylin has been a loud voice within the space for years. Other team members are less known.

**Score: 8**

## 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:** [Closed](#) (7-2020) a \$5M token sale from [MultiCoin](#), [Coinbase Ventures](#), [DTC Capital](#), and others. According to its [website](#) (2-10-2020) the above named funds and also: [Framework](#), [ParaFi Capital](#), [CoinFund](#), [Collider](#), [Lemniscap](#), [Reciprocal](#), [Compound](#), [DCG](#) and [122 West](#). Compared with other projects, 5 million is not a huge amount of money. The public sale added another [\\$12M](#). Which shows that not only a wide range of well known VC funds are interested, but so are retail investors. Add up the previously mentioned usage of the protocol so far, and the project should be fine, even when they need to ask for additional funding. The protocol has not published any budget reports so far, nor does it have a self funding mechanism.

**Score: 6**

## 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:** The Graph is not clear on this matter within its, quite limited, docs. The team has stated that it wants to decentralize in the future, [along the lines](#) of Compound and MakerDAO, but that this is not yet clear. Which seems to indicate that as of now, the project is not decentralized and will have some form of an admin key. There is no knowledge of a timelock.

**Score: 2**

### 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 of now, governance is not decentralized but is done by The Graph Council. Which will oversee [several core functions](#):

1. The Graph Foundation Operations
2. Grants and Ecosystem Funding
3. Protocol Upgrades
4. Protocol Parameterization
5. Emergency Protocol Operations

There is no governance forum or voting as of now. The Council members were not voted upon.

**Score: 0**

## 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 governance will be done by a [6-10 multisig](#). The people on the council are diverse and publicly known within the space. Although the project is not a DAO, this is a start.

**Score: 4**

## 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:** Governance is not clear beyond broad strokes. How Council members were chosen is not disclosed. How they will govern is not written down. The Graph does write, again and again that it wants to decentralize along the way.

**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:** There is no forum, no voting, no governance channel within Discord, no docs.

**Score: 0**

# 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:** “[We](#) control and operate this Website from Our headquarters in the United States of America and the entirety of this Website may not be appropriate or available for use in other locations. If You use this Website outside the United States of America, You are solely responsible for following applicable local laws.”

There have not been any previous public disputes so this is not very clear. Due to the centralized structure as of now, it is assumable that the Foundation has legal accountability to a certain extent. There is no further clear information on the legal framework available.

**Score: 5**

## 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:** This is depending on what you call a *top-tier jurisdiction* (review guide). The USA is a powerful state, which is able to regulate and administer the Foundation. The protocol is not a full blown DAO yet, which means by extension, the USA could regulate the protocol.

**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:** There is no mention of licenses or legal compliance on the project, its website or its forums. Due to The Graph mainly querying other blockchain projects, the question also arises if it needs to be compliant? It does however distribute tokens as reward for work, which could mean it needs to be compliant. There is no talk of acquiring any licence as of now.

**Score: 2**

## Scorecard

<u>Value Proposition</u>	Points
2. Target market size	10 / 10
3. Competitiveness within market sector(s)	10 / 10
4. Novelty of the solution	10 / 10
5. Market fit/demand	10 / 10
<u>Tokenomics</u>	Points
1. Is the token sufficiently distributed?	5 / 15
2. What is the extent of the token's capabilities?	8 / 10
3. Is the issuance model able to improve the coordination of the protocol?	8 / 10
4. Is the value capture model able to accrue and distribute value?	3 / 10
5. Is the token sufficiently liquid to enable active use and trade?	5 / 5
<u>Team</u>	Points
1. Is the team credible and public? (No, Partly, Yes & Anon , Yes & Public)	12 / 15
2. Does the team have relevant experience?	9 / 10
3. Does the team participate and help shape the public debate?	8 / 10
4. Is the team able to effectively attract and coordinate resources?	6 / 10
<u>Governance</u>	Points
1. Admin Keys (Yes, Multisig, Multi-sig and Timelock, None)	2 / 20
2. Extent of Governance capabilities	0 / 15
3. Active Governance contributors	4 / 5
4. Robustness of Governance process	4 / 10
5. Governance infrastructure (rituals, docs, UI)	0 / 10
<u>Regulatory</u>	Points
1. Does the protocol have any legal accountability?	5 / 15
2. What is the quality of the legal jurisdiction?	6 / 10
3. Is the protocol (able to become) legally compliant?	2 / 5
<b>Total</b>	<b>127 / 215</b>

**Author: Zeb**