PrimeRating

Fundamental Report

Prime Rating Report V2.1

Protocol: SakeSwap
Version: 01
Date: 22/02/2022
Previous Report:

Author: Valp
Reviewed by: Lavi
Season/competition: Season 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. Please delete these instructions after filling out the template.

Scorecard

1. Value Proposition	Points
a) Novelty of the solution	3 / 15
b) Market fit/demand	0 / 15
c) Target Market Size	8 / 10
d) Competitiveness within market sector(s)	0 / 10
e) Integrations & Partnerships	2 / 15
Total Points - Value Proposition	**13 / 65**
2. Tokeneconomics	**Points**
a) Is the token sufficiently distributed?	4 / 15
b) What is the extent of the token's capabilities?	2 / 10
c) Is the issuance model able to improve the coordination of the protocol?	1 / 10
d) Is the value capture model able to accrue and distribute value?	2 / 10
e) Is the token sufficiently liquid to enable active use and trade?	0 / 5
f) Are there any extrinsic productivity use cases?	0 / 10
Total Points - Tokenomics	**9 / 60**
3. Team	**Points**
a) Is the team credible and public? (No, Partly, Yes & Anon , Yes & Public)	0 / 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?	**1 / 10**
Total Points - Team	**2 / 40**
4. Governance	**Points**
a) Admin Keys	**5 / 20**
b) Extent of Governance capabilities	**4 / 15**
c) Active Governance contributors	**0 / 5**
d) Governance infrastructure	**2 /10**
e) Robustness of Governance process	**0 / 10**
Total Points - Governance	**11 / 60**
5. Regulatory	**Points**
a) Does the protocol have any legal accountability?	**- / 15**
b) What is the quality of the legal jurisdiction?	**- / 10**
Total Points - Regulatory	**- / 25**
Total	**35 / 225**

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: SakeSwaps flagship product the DEX launched in September of 2020 as a fork of Uniswap aiming to improve upon the AMM that Uniswap pioneered by tackling the problem of exposure to impermanent loss liquidity providers face. With "virtual trading curves" SakeSwap wanted to capture part of arbitrageurs profits and award them to LPs. Along with burning part of the SAKE supply with every trade that is made on the plattform this should provide a better AMM with better tokenomics for LPs. There is no evidence that this model was successful at all, it is not even listed on DeFi pulse, and on the coingecko DEX list it is number 163 with a 24h volume of ~$700 and 325 visits.
The second Product offered by SakeSwap ILO (initial liquidity offering) is potentially a fork but for sure (SakeSwaps ILO launched after Balancers LBP smart pools)a copy of Balancers LBP smart pools with the exact functionality for projects to raise initial funds. There are no upcoming ILOs listed and the last successful ILO was completed in July of

21 and raised 5.85 ETH at the time. In total there were 7 ILOs on their platform, 6 on mainnet and 1 on BSC.
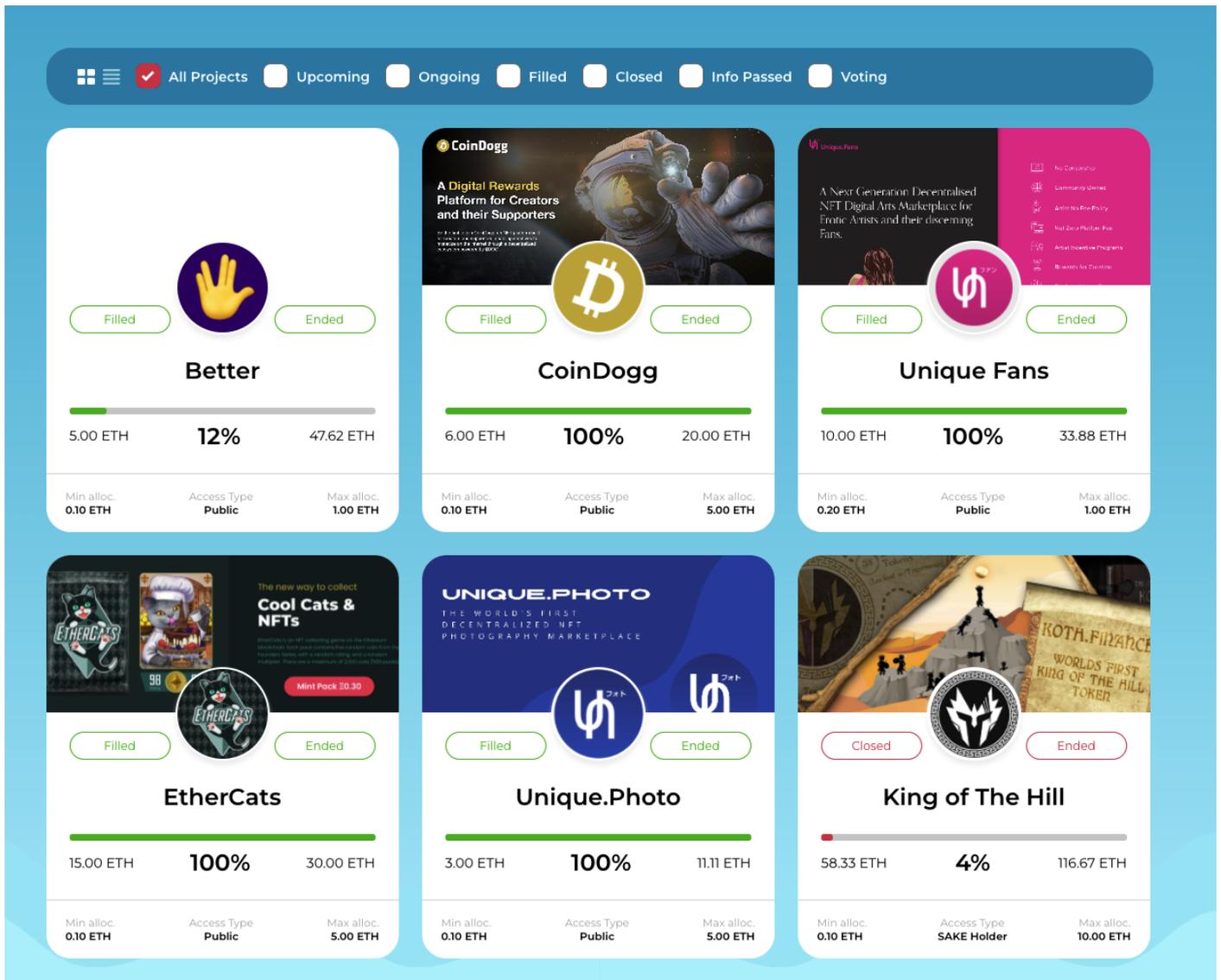
On BSC the team built a [perpetual market](#), also a copy of existing solutions, with very limited liquidity and trading volume:

Market ^		Max leverage	Entry price	Change	Trading volume	Liquidity volume	Sentiment		Actions	
	BNB/BUSD Binance Coin	15x	358.6546 BUSD	0.00%	0.00	2,064.74	0% — 100%		Manage liquidity	Trade
	BTC/BUSD Bitcoin	15x	47,569.7260 BUSD	-0.02%	1,500.00	24,293.25	95% — 5%		Manage liquidity	Trade
	DOGE/BUSD Dogecoin	20x	0.2259 BUSD	0.00%	0.00	963.62	100% — 0%		Manage liquidity	Trade
	DOT/BUSD Polkadot	15x	32.2304 BUSD	0.00%	0.00	276.56	60% — 40%		Manage liquidity	Trade
	ETH/BUSD Ethereum	15x	2,093.5680 BUSD	0.00%	0.00	2,347.17	0% — 100%		Manage liquidity	Trade

As both of their products are copies of existing products with no innovations, the author will award a minimal score.

In addition to the unoriginal products, the team seems to have abandoned the project, there is no activity on discord, or Snapshot from team members since September 21, and their [telegram channel](#) was deleted.

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: All of their products are copies of existing successful products, which have shown exceptional product market fit, but by failing to introduce innovation with their copy people did not switch to use their product.
The swap is almost inactive with a 24h volume of ~$700 and 325 visits. The ILO platform was used 7 times in total and has in total raised 104 ETH (currently $300.000) which if raised by a single project (just one example)on Balancers LBP is considered a really small raise. And the Perp platform has no trading volume. The products clearly fail to find a market.

The analytics page found on their website shows some activity and liquidity on their DEX with a max of about $24m in TVL and a peak volume of ~$1m but the liquidity has a sudden drop off after January 5th 2022 to almost zero, pointing to a "rug pull".

Score: 0

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 total DeFi market for DEXs is ~$18b according to DeFi Pulse and Derivatives are a ~$2b market, so SakeSwap definitely looked at a huge possible market but failed until now to build a competitive product.

Score: 8

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: Not at all competitive! The swap is almost inactive with a 24h volume of ~$700 and 325 visits. The ILO platform was used 7 times in total and has in total raised 104 ETH (currently $300.000) which if raised by a single project (just one example)on Balancers LBP is considered a really small raise. And the Perp platform has no trading volume. The products clearly fail to find a market.

Score: 0

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: On their medium blog there are a lot of partnership announcements (Frax, POOLZ Farming, Bitfrost, Boba) but it is unclear as those partnerships (the most recent is from Sep 21) have failed to help the protocol gain market share, liquidity or users. So it is unclear what the partnerships provide to the protocol.

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 behaviour 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: The token is held by ~4.000 people and was transferred 181.000 times. And the top 100 addresses are holding ~90% of the total supply, in comparison to a much more established DeFi protocol Aave governance token (Holders: 106,743, transfers: 1,356,516, top 100 addresses control
86.35 % of the total supply) the token is not well distributed, 4.000 are very few holder addresses and the concentration on the top 100 addresses is also not pointing at a very decentralized protocol. Although it is noted that ~50% of the supply are held by contracts such as SakeBar, SakeMasterV2, SakeSwapPair, Proxy (Author thinks the protocols own bridge to BSC) and SakeLock which means that the concentration is less extreme on a second look but still the total number of holding addresses is very low.

SakeToken Top 100 Token Holders
Source: Etherscan.io
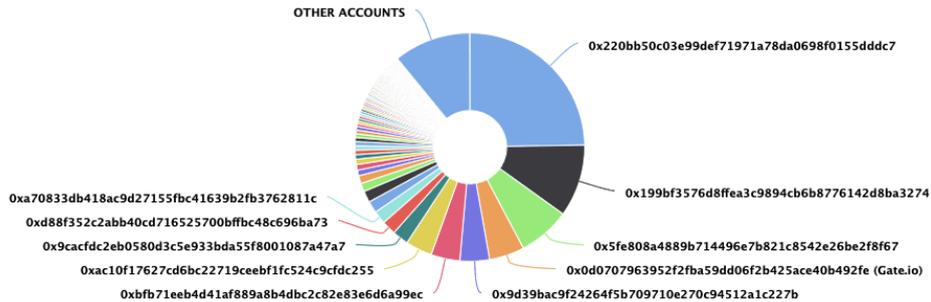
Score: 4

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 token can be staked at the SakeBar for xSAKE in order to participate in the protocol revenue and used for voting in the governance process.

Score: 2

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

Answer: There is no information on the initial distribution unfortunately or an unlock schedule, but there is more

information on the initial liquidity mining program and SAKE issuance

Phase I. Yield farming: for Liquidity Providers

- default **100** SAKE per block

- **0.5 x** in the first ~5 days (35,000 blocks)

- **10 x** in the next ~**15** days (100,000 blocks)

- **1 x** in the last ~15 days (100,000 blocks)

Phase 1 mining supply: 0.5*100*35,000 + 10*100*100,000 + 100*100,000 = 111,750,000

It is unclear how the rewards are structured now, but the lack of usage of the protocol shows the issuance model failed to help coordinate the protocol.

Score: 1

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 value capture model was clear, part of the fees =0.05%(of each trade)*0.1 would go to the protocol which would accrue to SAKE stakers or xSAKE holders, along with 0.05%(of each trade)*0.9 being converted into SAKE on SakeSwap and then burned, decreasing the total supply with usage of the protocol targeted at enabling issuance and SAKE price stability at the same time. The author is of the opinion that the value capture model was sound, or at least not clearly faulty but the lack of usage of the protocol would not permit to extensively judge the value capture model, still considering the protocols lack of success the score is low.

Score: 2

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 token has very limited liquidity, only some liquidity on their own exchange.

SakeToken Markets

Affiliate-Offenlegungen

☐ Nicht konvertierte Daten anzeigen

#	Börse	Paar	Kurs	Verbreitung	+2 % Tiefe	-2 % Tiefe	24-Stunden-Volumen	Volumen %	Zuletzt gehandelt	Vertrauenswert
*	eToroX Gesponsert									✕
*	Crypto.com Gesponsert									✕
1	Gate.io	SAKE/USDT	0,01161723 $	1.71%	138 $	230 $	4.197 $	68,50 %	Kürzlich	🟢
2	Gate.io	SAKE/ETH	0,01176361 $	5.19%	0 $	0 $	1.764 $	28,80 %	Kürzlich	🟡
3	SakeSwap	SAKE/WETH	0,01155569 $	0.61%	2.374 $	2.367 $	124 $	2,03 %	**vor 3 Stunden	🔴
4	SakeSwap	SAKE/USDC	0,01155569 $	0.66%	139 $	138 $	11,56 $	0,19 %	**vor 7 Stunden	🔴
5	Uniswap (v2)	SAKE/WETH Live Chart	0,01011730 $	1.09%	16 $	16 $	262 $	4,27 %	**vor 3 Stunden	🔴

Score: 0

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: Other than LPing there is no extrinsic use case for the token.

Score: 0

3. Team

The Team section describes the quality of the team behind the protocol. The current version of Prime Rating favours 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 team is totally anonymous. On Github there are no public members, on Discord there is one User who posted in the announcement channel which is Kanpai-SakePerp.fi (this was the last message on discord from 28.10.2021). This in addition to the lack of activity on discord, snapshot is pointing to an abandoned project.

Score: 0

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: With the team being totally anonymous, the author was unable to find any information on the team.

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: With the team being totally anonymous only the [protocol twitter](#) can be judged which is only shilling the protocol.

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: It is unclear how much resources the team was able to attract, but it is clear that the coordination was not successful as the protocols products were not successful at all.

Score: 1

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 contracts currently live from SakeSwap all have Admin functionalities which mostly cover settings of the

different contracts. The Admin is controlled by a [timelock contract](#) as [described in this post](#). There is mention of introducing a DAO governed multi-sig in the documents but not yet. There is no further information on the governance process or admin key capabilities in the documentation.

Governance

SakeSwap is ultimately governed by community voting on proposals held on the SakeSwap Snapshot. DAO governance with a multi-signature mechanism will be introduced which means no single entity can control the platform.

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: The total governance capabilities are unclear, without clear documentation. The [snapshot](#) of the protocol was last used in July of 2021 to approve an ILO application which had no participation. Other polls are related to trading pairs available on SakeSwap and [liquidity incentives](#). Without clear responsibilities and capabilities the score the author awards is low.

Score: 4

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 discord](#) is practically inactive as is the snapshot, so there is currently no debate and no governance taking place.

Score: 0

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: The governance that has taken place was through [snapshot polls](#) and a timelock is holding the admin keys a

planned transition to DAO governed multi-sig is not yet live.

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: The history (or lack thereof) of the governance polls, as well as the abandoned Discord server and the lack of a forum paired with the lack of documentation of a formal governance process does not demonstrate a robust governance process.

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: -

Score:

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: -

Score:

About the Author: Valp