PrimeRating

Fundamental Report

Prime Rating Report V2.1

Protocol: ICHI
Version:
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Previous Report: Link to previous report

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Reviewed by: 🐸 Rating Pepe
Season/competition:

Scorecard

1. Value Proposition	Points
a) Novelty of the solution	9 / 15
b) Market fit/demand	7 / 15
c) Target Market Size	10 / 10
d) Competitiveness within market sector(s)	5 / 10
e) Integrations & Partnerships	7 / 15
Total Points - Value Proposition	**38 / 65**
2. Tokenomics	**Points**
a) Is the token sufficiently distributed?	8 / 15
b) What is the extent of the token's capabilities?	6/ 10
c) Is the issuance model able to improve the coordination of the protocol?	5 / 10
d) Is the value capture model able to accrue and distribute value?	6 / 10
e) Is the token sufficiently liquid to enable active use and trade?	3 / 5
f) Are there any extrinsic productivity use cases?	4 / 10
Total Points - Tokenomics	**32 / 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?	8 / 10
c) Does the team participate and help shape the public debate?	3 / 5
d) Is the team able to effectively attract and coordinate resources?	8 / 10
Total Points - Team	**33 / 40**
4. Governance	**Points**

a) Admin Keys	**18 / 20**
b) Extent of Governance capabilities	**4 / 15**
c) Active Governance contributors	**2 / 5**
d) Governance infrastructure	**2 /10**
e) Robustness of Governance process	**4 / 10**
Total Points - Governance	**30 / 60**
5. Regulatory	**Points**
a) Does the protocol have any legal accountability?	**n/a / 15**
b) What is the quality of the legal jurisdiction?	**n/a / 10**
Total Points - Regulatory	**na / 25**
Total	**133 / 225**

1. Value Proposition

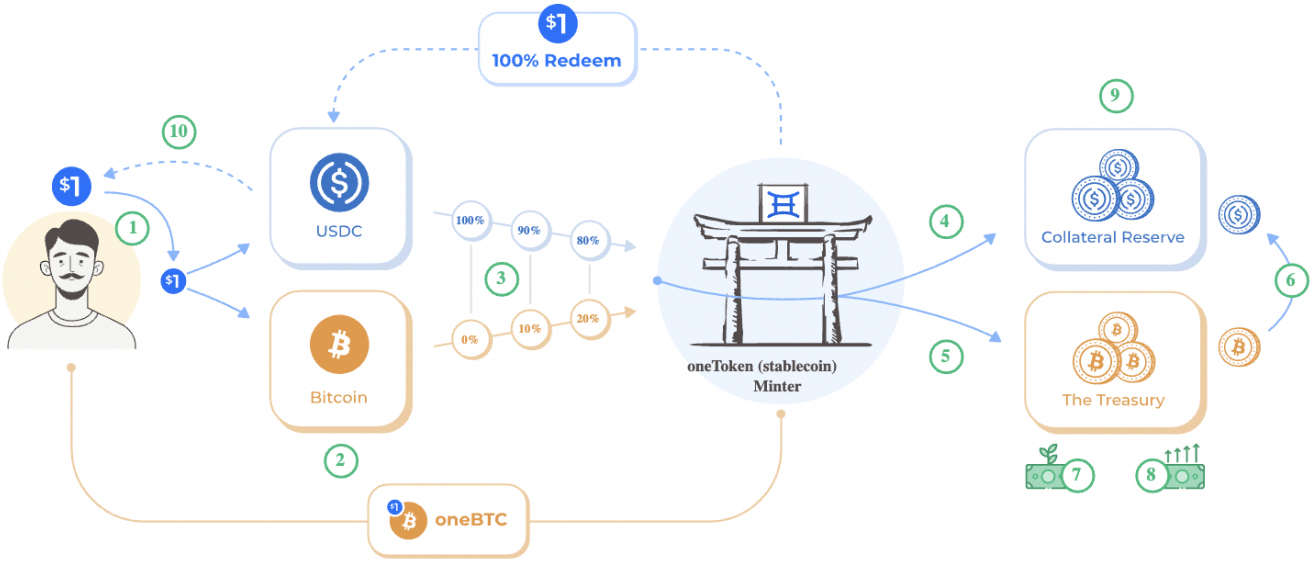
The Value Proposition section describes the value a protocol delivers to its users. Based on the proportion of the problem the protocol aims to solve and the potential of the protocol to effectively solve the problem - better than other industry solutions - a Value Proposition rating is created.

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:

ICHI is a white-label stablecoin solution for DeFi projects. The protocol offers two main services. One of the primary value propositions of ICHI is that it removes a project's reliance on strictly centralized stablecoin providers like USDC and Tether's USDT, with its branded dollar for any community. Meaning that every community is able to create their own branded "stablecoin" token worth $1. These are minted with each community's native token and are always redeemable 1-for-1 for USD Coin (USDC) on Ichi's website. ICHI enables any community to deploy a project **Decentralized Monetary Authority (DMA)** to manage their oneToken, see picture below.



1. You pay exactly $1 of value in two parts to mint any oneToken (an ICHI stablecoin).
2. oneBTC is used in this example. It is worth 1 USD. It is minted with USDC and wBTC
3. The wBTC share increases as the BTC treasury grows in size.
4. The USDC is deposited to the oneBTC Vault, controlled by the oneBTC smart contract.
5. The wBTC is also deposited to the oneBTC Vault, governed by oneBTC holders.
6. Exchange wBTC for more USDC. (Rebalance)
7. Invest wBTC in DeFi (Decentralized Finance).
8. Spend wBTC on discounts and yield to grow adoption.
9. Minting and Redemption Fees stay in Collateral.
10. You get exactly $1 of USDC when you redeem a oneBTC.

In addition, they offer a service called Angel Liquidity Vault, which is aimed at Crypto Communities and LPs.

By utilizing Angel Vaults, Crypto Communities are able to build treasuries of project-owned liquidity and offer LPs single-sided deposits to Uniswap v3 without having to manage the position. Their Angel vault has some advantages compared to a normal UNI liquidity pool, see table below.

Feature	Uniswap V2	Uniswap V3	Angel Vault	Angel Vault + Branded Dollar
Fungible Liquidity Token	✓	✗	✓	✓
Concentrated Liquidity	✗	✓	✓	✓
Buy Liquidity	✗	✗	✓	✓
Non-Inflationary Rewards	✗	✗	✗	✓
Protocol Owned Liquidity	✗	✗	✗	✓

Score: 9

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: Since ICHI's fair-launch in November 2020 the protocol has launched nine branded stablecoins and launched two protocols (stablecoin factory & Angel vault). The team attracted a good amount of TVL ~$54M (at the time of writing this report) within a short period of time. ICHI currently ranks around the top ~230 DeFi protocols in terms of TVL. The number of users of the protocol indicates it is still not widely used by the DeFI masses. As an example, the OneUNI branded stablecoin only has 52 holders and the OneFOX branded stablecoin has 20 holders, which shows that the market demand for a branded stablecoin is fairly low. However, even though the number of holders is small the TVL keeps growing, see TVL of oneTokens in the Fuse pool (current pool TVL ~$119M supplied across 7 assets).

In December 2021 the ICHI roadmap got updated to build a strategy to address current issues and move on with an outlined plan to increase TVL and meet the demands of possible partners. There seems to be a clear strategy in place to meet a promising market.

Score: 7

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: It is clear that stablecoins will continue to be a huge business opportunity for some time to come, especially in the face of lacking regulatory certainty and delays in CBDCs. Stablecoins in general are renowned for their success, and the growing TVL of the Stablecoin market speaks for itself. As ICHI's target market is Community stablecoins, all Governance Tokens can be considered to be potential clients. This market currently has a market cap of $18.9 Billion and a huge potential to grow even more. The main use cases outlined below can help to determine the market size that can be attracted.

The use-cases created with oneTokens are basically the following:

1) Makes a stable currency (oneToken) for any existing coin/token community
2) Applies market forces to set the level of reserves backing the stablecoin between 0-100%
3) Provides stability that is just as good as fiat-backed stablecoins as you can redeem them for exactly 1 USDC and additionally locks up existing native coins
4) OneTokens are fully on-chain and create more demand for the native token as they can also be seen as a type of locking.
5) Gives oneToken holders the ability to govern their OneToken Treasury ("being the Central Bank")

The communities itself, however, have to create the specific use cases for their OneToken. These branded stablecoins could for example be used for the following:

1) Pay expenses to contributors (salaries, grant applicants, refunds to contributors) this gives communities a way to hedge token volatility + generate demand for their native token (unlike using other stablecoins that require to give up on your token to acquire it)

2) Fixed / floating interest rate bonds that use oneTokens instead of other projects' stablecoins
3) Create USD exposure
4) Adding oneTokens as collateral to platforms
5) Use oneTokens for a token gated service
6) Treasury diversification - Governance token communities can hold part of it’s treasury in a stable medium of exchange while using their native token.
7) Distribute protocol rewards (instead of using ETH or the native token).

The utility for the OneTokens basically has to be created by the communities mining the token and not ICHI itself. The ideas of use cases are limited to the opportunities that the communities can come up with. Assuming that ICHI can attract only a small market size of all Governance tokens it still has huge opportunities and potential to grow in the future.

Score: 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: There is fierce competition within the stablecoin market. The number of stablecoins on the market is still growing, with the top 5 being USDT, USDC, BUSD, UST, and DAI. Even though the branded stablecoin is created for a specific community it has to be considered that it is competing with all stablecoins in general. However, there is no direct competition as ICHI is the first Decentralized Monetary Authority (DMA) protocol. With ICHI every project is able to have its own oneToken (ICHI stablecoin) that is minted with the community’s native crypto + a fiat-backed stablecoin. For example, members need to buy UNI to mint oneUNI. Each community can after create its own new use cases as outlined above in c.) These OneTokens provide the hard peg of centralized stablecoins without sacrificing decentralization or giving up on the underlying asset. Also, OneTokens keep their value at $1, are purely on-chain, and accrue a community treasury in each oneToken’s cryptocurrency.

With Angel Vaults Ichi has developed a solution that provides better price stability for protocols. Especially the Angel Vault in combination with a branded dollar provides benefits that outweigh traditional liquidity providing (see graphic in 1) a). With the help of Angel Vault, LPs also do not have to pay gas to manage their liquidity positions and it also mitigates impermanent loss because only dollar-denominated assets are deposited.

Score: 5

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: There are a number of horizontal integrations. ICHI already created 9 different branded stablecoins (OneTokens) for smaller and bigger communities/protocols, see website. Also, big projects such as UNI, DODO, and FOX have incorporated Angel Vaults with the ICHI protocol for price protection and improved tokenomics.

Score: 7

2. Tokenomics

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: $ICHI has a total of 791 token holders. The top five token holders are currently holding around 9% of the total supply. There isn't any public reading available about their tokenomics as the $ICHI token was launched via a fair-launch with a supply of $5M (10 $ICHI tokens farmed per 500,000 blocks), additional minting is impossible. These $5M ICHI were transferred to ICHI farming contract (main purpose of it is to distribute the assets among pools), without an initial team cut, development fund or pre-sale to investors. There is no way to transfer the ICHI from the contract other than through liquidity farming. See more details about the launch here. The emissions towards incentives for minting, deposits, angel vaults, etc. are apart from that 5M and get emitted according to the bi-weekly voting schedules published on Mondays on their Medium. A token sale is in preparation, See 3 d).

The token is distributed effectively in a decentralized way and improves the protocol efficiency in collaboration with token holders. ICHI token contract has no owner and no governance and there is no way to generate any new ICHI tokens apart from the $5M, also no new minters can be added.

Score: 8

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: ICHI can be used for Liquidity providing in exchange for ICHI rewards, as collateral in Raris Fuse pool (current pool TVL ~$119M supplied across 7 assets) for lending and borrowing, Olympus bonding (sold out, at the time of writing), and for staking and obtaining xICHI which is ICHIs Governance token. Staking ICHI tokens enables stakers to obtain ICHIpowah to propose and vote on ICHI governance proposals to determine future features and/or parameters of the ICHI platform. The voting power is weight calculated in proportion to the tokens staked. It also gives xICHI holders the rewards for participating in governance proposals. Only users who have participated in the submission of proposals, commenting, reviewing and/or voting will be entitled to receive ICHI token governance rewards. xICHI holders get paid a share of treasury yields (oneToken Treasuries 20% performance fee, and Angel Vault treasuries 10%

performance fee).
Note: Ichi used to have a management fee of 2% which is not applicable anymore and needs to be updated in their documentation. The xICHI token can also be used as collateral in Raris Fuse pool.

Score: 6

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: ICHI Enables oneToken and ICHI Liquidity Pool Providers an opportunity to farm their LP and earn ICHI rewards. Every ICHI token in circulation has been distributed through ICHI's liquidity farming contract. ICHI rewards are allocated between pools based on proportional non-ICHI liquidity and proportional minted oneTokens. These rewards are periodically cut in half (Halving) based on community votes. The liquidity rewards have yet to attract larger capital from either retail or institutional players. However, with one of the latest proposals, Ichi is working on a plan to increase the TVL and meet demand from other protocols. The plan includes creating an ICHI Foundation, a token update (increasing the current ICHI tokens in circulation from 5M to 10M) and a token sale. See detailed infos here.

The protocol did a fair launch and none of the tokens initially got allocated to the core team.

As stated in b) xICHI holders are eligible to participate in Governance and earn rewards for their effort. The generated performance fees from the oneToken treasuries and Angel Vaults get distributed to xICHI holders (staked ICHI).

Score: 5

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: Yes, staked ICHI (xICHI) holders get a share of the revenue collected for the performance fee generated by OneToken Treasuries and Angel Vault treasuries. These rewards are based on the amount of xICHI held relative to the weight of the staking.

Score: 6

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 $ICHI token is listed and liquid on DEXs, on the 21st March 2022 there was around $8,98M TVL in Bancor, $3,5M TVL in Sushi, $495K TVL in 1Inch and $1,11M + $836,83k in Uniswap.Their overall 24h trading volume is around ~$537k. The ICHI token is not available on any CEX yet, however, given the good amount of liquidity on all DEXs, the token has sufficient capabilities to be traded.

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:
Additionally to the use cases mentioned in 2. d) $ICHI can be used as collateral on FUSE (current pool TVL ~$119M supplied across 7 assets), for farming in several pools see here and ICHI bonds are available on Olympus here.

Score: 4

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: ICHI has a LinkedIn account, Twitter account, Discord & TG. From the core team Bryan Gross (CEO of DMA Labs), who previously served as principal product architect at IBM Blockchains is known by the public. On Linkedin some members of DMA labs mention working for ICHI (Grace, Ben , Daniel, Samuel). DMA labs members come from leading technology companies including Microsoft, IBM, and RedHat bringing advisory experience in multiple industries. The core team generally interacts publicly with the community. The community is mainly active on Telegram and core members & contributors seem to be @gtfann (Brian), @ETHan1Elohim, @thebluejayy, @dhtal, @donaldt and @TheKobayashi.

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 team appears to have strong and relevant skills in both the finance and the technology space. Since its protocol launch in November 2020, the team has proven to have significant crypto/DeFi experience. By analyzing some of Ichi's Twitter activities of core members it is also visible that their crypto activities lead back to 2017.

Score: 8

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 core team and contributors are active in the public discussion but are not necessarily strong leading figures in the space in general. Bryan is quoted in this CNBC article and is also an advisor in dapper Labs. There are no Notion, Trello, or any other tool besides Telegram being used to keep track and organize activities, processes, and information.

Score: 3

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: ICHI has launched two protocols (stablecoin factory and Angel vaults) since its fair-launch in November 2020, also it has released nine branded stablecoins. Recently, they announced that the formation of an ICHI Foundation is in the works, see here. Among other purposes, it should also enable a token sale to onboard institutional clients. The ICHI governance approved an initial token sale of 600-800k ICHI at $5 with a distribution schedule within 4 years. ICHIs Foundation has raised $3.5 million to continue. Several firms including Fundamental Labs, TRGC Limited, Lattice Capital, Lightshift Capital, and several others all participated in an ICHI token sale to raise funds. Given the fact that the ICHI team decided to do a fair launch without being capital hungry, it shows that the team can coordinate efficiently.

Score: 8

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: ICHI's documentation provides very little information on how admin keys are managed. It would be helpful if this information was included in public documentation. The only information available is this medium post. The initial supply of $5M ICHI was minted via a fair-launch and no additional minting is possible. The ICHI token contract has no owner and no governance and there is no way to generate new ICHI tokens. There is no minting functionality in the original ICHI token and there are no admin keys for it either. More about Admin keys can be found in the audit documentation.

Every created oneToken is designed to be governed by different communities. Each oneToken represents a vote on treasury allocations, specific stablecoins parameters (like minting and redeeming fees), and on adoption programs.

These keys are managed by a multisig and often get split between signers on the ICHI side and signers of the community who wants to create the branded Stablecoin. In ideal circumstances, ICHI signers can only propose and the other signers need to execute.

Score: 18

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: There is no on-chain Governance mechanism in place, meaning that decisions from the community solely signal their opinion about the proposed changes to the team. A snapshot vote process is used to check the community sentiment in order to execute proposals.

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 Team seems to help shape the governance discussions and help community members to formulate proposals and their execution. However, as everything is discussed on Telegram and all proposals are shared there via a Google form it is fairly difficult to keep an overview of ongoing proposals. There are no Notion, Trello, or any other tool being used besides Telegram to keep track and organize activities, processes, and information. Currently, the ICHI community has voted on 53 proposals. Voter participation is low with an average of 13 voters.

Key stats for ICHIs social media platforms as of report date:

Telegram: ~1400 members
Twitter: ~3000 followers

Discord: ~750 members

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 mentioned above the protocol uses Snapshot to govern the protocol. There is some documentation available for governors here. Could be more detailed and rigorous, also the governance process has room for improvement.

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 Governance process is very basic and got implemented only recently. See Snapshot vote **here**. The process is filling out **this google doc** and acts as a proposal that can be shared in ICHIs Telegram channel. It brings the “DAO” one step closer to being an official and not just termed "DAO", however, there is room for improvement.

Proposals on everything from halvings to partnerships are submitted to the community via Telegram and voting is done on Snapshot. More details on the Governance process can be found here. There is no on-chain Governance in place, meaning that the votes can be seen solely as signals to the team.

Score: 4

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: No legal accountability is held on the protocol or team, see details in the terms of services mentioned on the ICHI website **here.** The ICHI protocol is set up as a DAO without any legal entity. ICHI did a fair-launch, so no entity was formed for an initial seed round. Recently they announced that the formation of an ICHI Foundation is in the works, see here. The Snapshot to create the Foundation has been approved here. There is no information about the status of the creation of the legal structure at the time of writing this report.

Score: n/a

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 as no legal entity is set up yet.

Score: n/a

About the Author: My name is Salomé and my background is in corporate audit & finance and I have been involved in the DeFi & Web3 for the past 2 years. Twitter handle: SalomeBernhart