Fundamental Report

Prime Rating Report V2.1

Protocol: Opyn
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Previous Report: –

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Season/competition: Off-season

Scorecard

1. Value Proposition	Points
a) Novelty of the solution	12 / 15
b) Market fit/demand	3 / 15
c) Target Market Size	4 / 10
d) Competitiveness within market sector(s)	5 / 10
e) Integrations & Partnerships	11 / 15
Total Points - Value Proposition	**35 / 65**
2. Tokeneconomics	**Points**
a) Is the token sufficiently distributed?	N / A
b) What is the extent of the token's capabilities?	N / A
c) Is the issuance model able to improve the coordination of the protocol?	N / A
d) Is the value capture model able to accrue and distribute value?	N / A
e) Is the token sufficiently liquid to enable active use and trade?	N / A
f) Are there any extrinsic productivity use cases?	N / A
Total Points - Tokenomics	**N / A**
3. Team	**Points**
a) Is the team credible and public?	13 / 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?	**9 / 10**
Total Points - Team	**35 / 40**
4. Governance	**Points**
a) Admin Keys	**10 / 20**
b) Extent of Governance capabilities	**N / A**
c) Active Governance contributors	**N / A**
d) Governance infrastructure	**N /A**
e) Robustness of Governance process	**N / A**
Total Points - Governance	**10 / 20**
5. Regulatory	**Points**
a) Does the protocol have any legal accountability?	**15 / 15**
b) What is the quality of the legal jurisdiction?	**10 / 10**
Total Points - Regulatory	**25 / 25**
Total	**105 / 150**

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: Opyn is a capital efficient DeFi options protocol that allows users to buy, sell, and create options on ERC20s. The protocol is the inventor of SQUEETH (squared ETH) denoted ETH², a new financial derivative. SQUEETH is also the first power perpetual and gives traders perpetual exposure to ETH², sort of like everlasting options. Power perpetuals

basically work like this: If the price of ETH doubles, the ETH^2 power perp 4Xs, the ETH^3 power perp 8Xs, and the ETH^5 power perp 32Xs.

It can be used to hedge options and constant function market makers (CFMMs) like Uniswap by consolidating much of the options market liquidity into a single ERC20 token with no impermanent loss. It's significant that SQUEETH can hedge any ETH/USD option because it means these options can be more cheaply and transparently manufactured. Option markets suffer from bad liquidity and high bid/offer spreads because the market is fragmented across many strikes and expiries. SQUEETH changes this by providing a single clearing house for option risk.

It is important to note that SQUEETH in itself isn't a token but mechanism-wise, functions similar to a perpetual swap, tracking the index of ETH² rather than ETH. It provides global options-like exposure without the need for either strikes or expiries, effectively consolidating much of the options market liquidity into a single ERC20 token. To get a tradable portfolio SQUEETH is converted to oSQTH. 1ETH equals 4.03 oSQTH.

Compared to options SQUEETH has several advantages:

- No strikes, no expiries
- No liquidity fragmentation
- No need to "roll" positions, avoiding risks and costs such as gas and spreads paid to market makers
- Constant gamma

Compared to perpetual swaps, SQUEETH has these advantages:

- No liquidations on the long side
- Compared to a 2x leveraged position, Squeeth will make more when ETH goes up and lose less when ETH goes down (funding rates for Squeeth are expected to be higher due to exposure to pure convexity)
- The main difference between Squeeth and perpetual protocols is that Squeeth is a leveraged position (ETH² payoff) that is a fungible ERC20 token, enabling it to be traded

Opyn is also the creator of the first-ever on-chain margining system for partially collateralized options. This allows options to be collateralized with less than their max loss, increasing capital efficiency and leverage for DeFi options separately (in uniswap pools, for example, or as collateral for loans). This composability is a major advantage to Squeeth's design.

Opyn has also released a developer toolkit, a suite of resources to make it easier for developers to build options products in DeFi. Currently, existing projects building on Opyn include Ribbon Finance, Opeth Finance and Fontis.

In summary, though Opyn has competitors such as Lyra, Hegic, Ribbon Finance and Dopex they do not have any infrastructure on which other protocols can build on or integrate. This scores the protocol a high mark on the technical side because it has created the framework on which protocols like Gamma Portal and Stake DAO have built on.

Organisationally, unlike Opyn, the funds of users on its competitors' platforms are subject to expiration, strikes, liquidity fragmentation and liquidations on the long side. Opyn's users don't experience this. Also, Opyn makes options perpetual through its power perp and is a very effective hedge for Uniswap LPs, all ETH/USD options, and anything that has a curved payoff. Though perpetuals have been in existence for sometime, Opyn's power perpetual is quite innovative. The protocol scores highly on this side as well.

Score: 12

b) Market fit/demand (15 points)

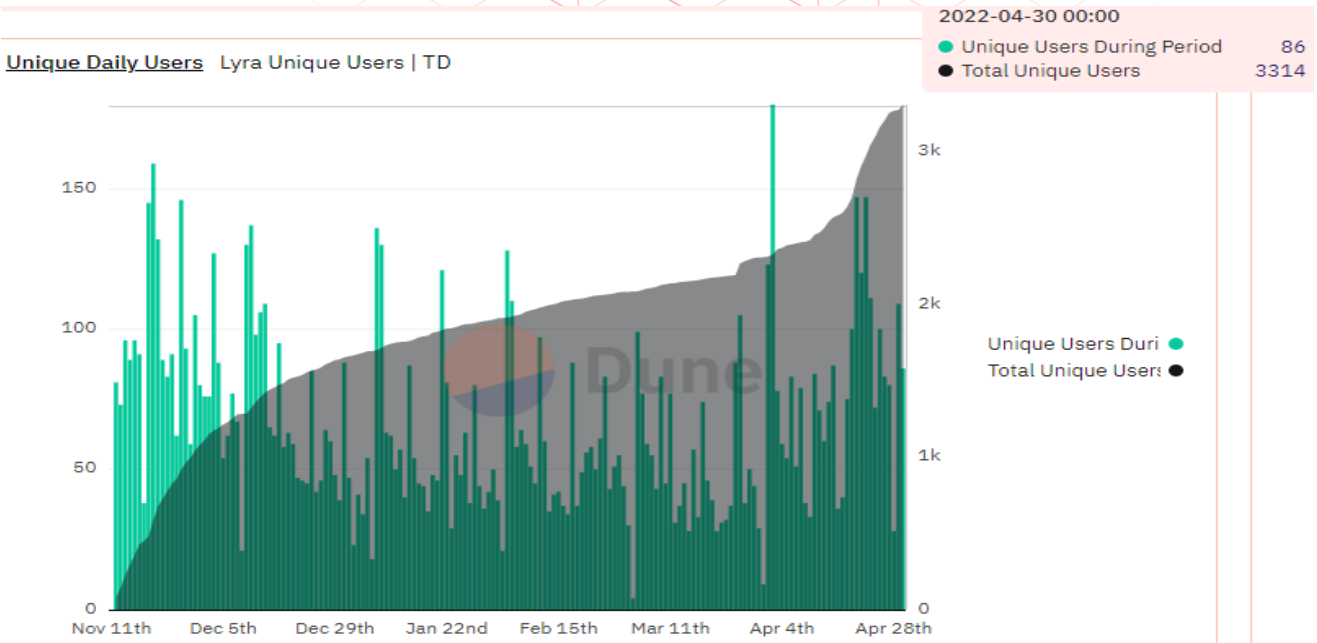
This score evaluates the degree to which the protocol satisfies a strong market demand. The market fit evaluates if the protocol is able to satisfy the needs of a specific market (can also be measured by user adoption/ #of users). To

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: SQUEETH currently has 6,600 users but averages less than 100 daily users. Its competitors like Dopex carry similar numbers but a little higher. Dopex has 10k users and averages about 1400 users per week. This roughly translates to some 200 users per day. This can be seen below:

Source: Nansen.ai

Another competitor Lyra protocol also has a little over 3k users and also averages less than 100 daily users as seen below:



Source: Dune

The metrics provided here suggest that the crypto options space is highly unexplored and much work needs to be done here by all the protocols. The number of daily users not exceeding 100 for Opyn is not indicative of meeting demand and finding a market fit. Being a pioneer in the space, the protocol looks to have targeted the right market (for which it gets a 3) but is yet to find a strategy for it.

Score: 3

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 options market being quite highly unexplored in the DeFi space doesn't have a huge market size yet. The technicalities of it make it difficult for the masses in crypto to quickly understand it and adapt to it. Because of this, the protocol's target market is not big but it has the potential to grow. Coingecko estimates the DeFi options market to be worth around $550M.

Score: 4

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: Opyn's SQUEETH has a trading volume of $1.25M which occasionally rises above $2M. This comes from less than 200 daily users. SQUEETH doesn't have any TVL as it isn't a token in itself. However, as mentioned in 1(a) SQUEETH is converted to oSQTH before getting a tradable portfolio. On Uniswap, the TVL for the ETH/oSQTH pair is $14.5M..

In comparison, the protocol's competitors have the following metrics:

Protocol	TVL ($)	Trading volume ($)	Users (daily)
Lyra	51.1M	308k	Less than 100
Dopex	232.8M	3.7M	Around 200
Ribbon finance	291.7M	1.6M	N/A

It can be seen that even though Opyn's oSQTH doesn't come close to any of the protocols in terms of TVL, its SQUEETH rivals them with regards to trading volume, signalling competitive capabilities.

To be more specific, Opyn has a better trading volume to TVL ratio than all the protocols listed, giving an indication that users don't just lock their funds on the platform but actually trade better on it compared to the rest.

The number of users for all the protocols are very low and hence much comparison can't be made from that section.

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:

Horizontal Integrations

The following are the existing projects that have integrated the protocol's services (horizontal integration)

• Ribbon Finance: The first structured products on Ethereum. Earn high yield on your cryptoassets with automated option strategies.

• Opeth Finance: Synthetic instrument that combines a put option and an underlying asset to create a lower bound that can be used as collateral to issue liquidation free, stablecoin loans.

• Ziku Finance: Simplest interface to buy DeFi options. Answer a series of questions to arrive at an options position and learn the basics of options along the way.

• Fontis Finance: Earn high yield with automated option strategies.

• Optional Finance: Deposit funds into managed vault-style tokens to earn high yield.

Vertical Integrations

The following are the projects that have built on the Opyn protocol:

• Gamma Portal: Advanced options chain, oToken Factory, and OTC trades

• Opyn trade bot: This is a twitter bot that tweets live trades and platform analytics from Opyn. It wasn't built by the protocol's team but by a user who only identifes as @Krugman25#6692 on discord.

• Stake DAO: Protocol for earning high yields on ethereum deposits with automated options strategies.

• Opyn Analytics Dashboard: This is Opyn's option analytics tool and was built by two anonymous developers who identify as @Anish#0234 and @harshg#4847 on discord. They aren't part of the Opyn team either.

Partnerships

Opyn has a $10 million coverage partnership with Sherlock Protocol. This partnership covers Squeeth smart contracts and incentivizes ethical reporting of potential security vulnerabilities or exploits. Sherlock is a risk management

platform built on Ethereum and designed to keep end users protected by providing affordable and scalable coverage to protocols.

The protocol could have scored a 13 here. It has a good number of integrations but defaults in partnerships with well-known entities and so scores a -2 for that.

Score: 11

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: There is currently no protocol token for Opyn

Score: N/A

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 protocol has no token

Score: N/A

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 protocol has no token

Score: N/A

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: There is currently no value capture model

Score: N/A

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: There is currently no protocol token for Opyn

Score: N/A

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: There's no token

Score: N/A

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: The exact identities of some of the team members aren't fully known as it seems some prefer to operate under pseudonyms, but the contributions and achievements on github and LinkedIn by some of the team members suggests a respectable level of credibility.

The identified team members are listed below:

- aparnakr: This person is identified on github as the founder and CTO of the Opyn protocol

- Zubin Singh: He is the CEO and co-founder of Opyn.

- Haythem Sellami: He is the smart contract engineer for the Opyn protocol.

- Alexis Gauba: She is the co-founder of Opyn protocol. Further search also shows all her social media profiles here.

- llllvvuu: His exact identity isn't known but he does have a twitter profile. His contributions on github suggests he/she is a developer and might be in charge of web/software development at Opyn.

- Aparna Krishnan: She is also a co-founder at Opyn

- Anil Kumar: He is the head of engineering at Opyn

- Andrew Leone: He is the head of research at Opyn. He only has a twitter profile and stays anonymous.

- Joseph Clark: He is in charge of mechanism design at Opyn.

- Oluwaseyi Ogundijo: She is the frontend engineer for Opyn

- Ej Liu: He is also a frontend engineer at Opyn

- Darya Kaviani: She is a smart contract engineer at Opyn

The medium account of Opyn protocol also suggests these people might be in charge of social media/marketing at Opyn:

- Wade Prospere

- Joseph Clark

- Amethyst C

Score: 13

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: Majority of the team members who are publicly identified have very relevant backgrounds and skill sets.

- Alexis Gauba: She worked as a researcher at Mechanism Labs (2018 -2019) where she conducted blockchain based research experiments in the domains of distributed consensus, scalability, and usability. She was also in charge of research and development at Blockchain at Berkeley (2017-2018) and has also interned at Thundercore (2018) as a research intern, interned at the Hive LLC (2015) working on Synapse, the Hive's large scale architecture for data processing applications and interned at eBay Inc (2013) working on their website's UI/UX design

She is currently the co-founder of she256 a nonprofit dedicated to increasing diversity and breaking down barriers to entry in the blockchain space.

She also worked on a Gnosis Privacy Token Prediction Market project where she won a $1500 prize at Calhacks in 2017. She is skilled at solidity and python and has contributed code to several repositories on github

- Zubin Singh: He is the co-founder of Mechanism Labs (2018-2019), was a research scientist for Thundercore (2018) and was the head of research and development at Blockchain at Berkeley (2017-2018), winning the Ethereal Berkeley Hackathon 2017 and finishing as a finalist at the World Cryptoeconomic Forum Hackathon 2017. He is skilled at JavaScript, Solidity, Hadoop, C++, data analysis and matlab.

- Haythem Sallemi: Apart from Opyn, he worked as a smart contract engineer for three different companies; Alkemi (2019-2020), Coinsence (2019) and the Trojan Foundation (2018-2019). He again worked as an ionic developer and fullstack developer for QUALIJOB in 2018. He also possesses a host of other skills including software development, mobile application development, JavaScript, solidity, API development, truffle, typescript and flutter.

- Darya Kaviani: She is currently the cofounder and CEO of Satchel, a decentralized application that banks underbanked school communities by facilitating locally-governed projects and bootstrapping capital through DeFi-powered donations and financial primitives. She is also the current president of Blockchain at Berkeley and previously worked with them as their technical project manager in 2020. Furthermore, she is a current human-computer interaction undergraduate researcher at the UC Berkeley School of Information where she has mentored many people in computer science.

- Anil Kumar: He was the director of engineering and quality engineering for Chainalysis Inc. (2019-2022) where he led the engineering teams developing the products KYT and Kryptos and helped win key customer pre-launch for Kryptos products. He was also the software developer in test for Digital Assets (2017-2019), the quality lead for Twitter (2016-2017) and a software engineer in test/director engineering for Huffpost (2012-2015). He is skilled at java, data mining, software design, web development and enterprise architecture.

- Aparna Krishnan: She was in charge of research and development at Thunder Token, Inc. (2018), worked as a developer and executive VP and head of education at Blockchain at Berkeley (2016-2018) and was an iOS developer for Mobile Developers at Berkeley (2015-2016). She is also skilled at python, java, sql and C++.

- Oluwaseyi Ogundijo: She is skilled at javascript, typescript, reactJS and CSS and has previously worked as a frontend developer for Kudy Financials (2020-2021) and Koloo (2020), as well as a software developer for Decagon (2019) and a technical liaison person and frontend developer for Babybliss (2019-2020).

- Joseph Clark: He previously worked as a researcher in stablecoins, AMMs and margining protocols for RMIT University (2020-2021) and a senior research analyst for Queensland Investment Corporation (2011-2020). He has skills in financial modelling, data analysis, business strategy and trading.

- aparnakr: Information on Github shows he's skilled at TypeScript, JavaScript, Python and Solidity. It also shows he might be the creator of Yakathon, a code for searching college ranks.He has also contributed code to several repositories in the 2020 Github Archive Program.

- Ej Liu: He worked as a software engineering intern and blockchain & frontend engineer at Aegis Custody (2020-2021)

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 team collectively participates in the public debate by speaking on options trading, blockchain and its impact on DeFi. The team also raises the collective intelligence by teaching people the basics of blockchain and organising conferences and seminars in this space, even prioritising women (speculatively because not many women are vested in DeFi and crypto in general). Some of their contributions are described below:

- The team also has videos and articles explaining how to participate in automated options trading and defi options strategies for different market environments.

- Darya actively participates in the public debate by organising workshops on blockchain fundamentals and developer skills, organising events, collaborating with women in tech from institutions like Blockchain and Launchpad to help people especially women navigate careers in blockchain, organising meetups to discuss blockchain ecosystems and going as far as helping to add blockchain courses to university curricula for students.

- Alexis occasionally hosts online events talking about crypto business development, organises mentorship programs for females new to crypto with professionals in the crypto space to learn from each other and also shares thoughts in articles too, talking about finality in blockchain consensus mechanisms.

- Anil also talks about how to get into blockchain, teaching people how to learn, use and invest in it. He is quite active on LinkedIn, sharing posts and articles on cross-chain and multi-chain uses.

- Aparna has occasionally contributed to the public debate by sharing her opinion in articles where she talks about cryptographic adversaries in blockchain consensus, envisioning a world where crypto ensured everyone was honest

- Zubin has an article where he talks about proof of stake blockchains and finality in blockchain consensus mechanisms

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: The team has attracted sufficient resources and there are mechanisms in place to attract resources when needed.

- Opyn raised $6.7M in a series A funding round in 2021 which has been used to grow the team focusing on key research and engineering hires.
- The protocol also raised $2.2M in 2020 in a seed round
- Again, the team was able to raise $250k in a pre-seed funding stage in 2019

In terms of human resources,

* The team regularly posts job ads with competitive salaries to hire quality team members.
* The protocol allows anyone to apply to become Opynauts where they can develop and deliver quality content to engage the community, start Opyn discussions on social media and host meetups
* The protocol has an "ideas channel' in their discord where members are allowed to share any idea they have with the team ready to support immediately to bring the idea to fruition
* The protocol also encourages anyone to build on their infrastructure
* The protocol also has grants for anyone working on a specific project related to Opyn. To get this, a proposal should be made by creating a pull request

Score: 9

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.

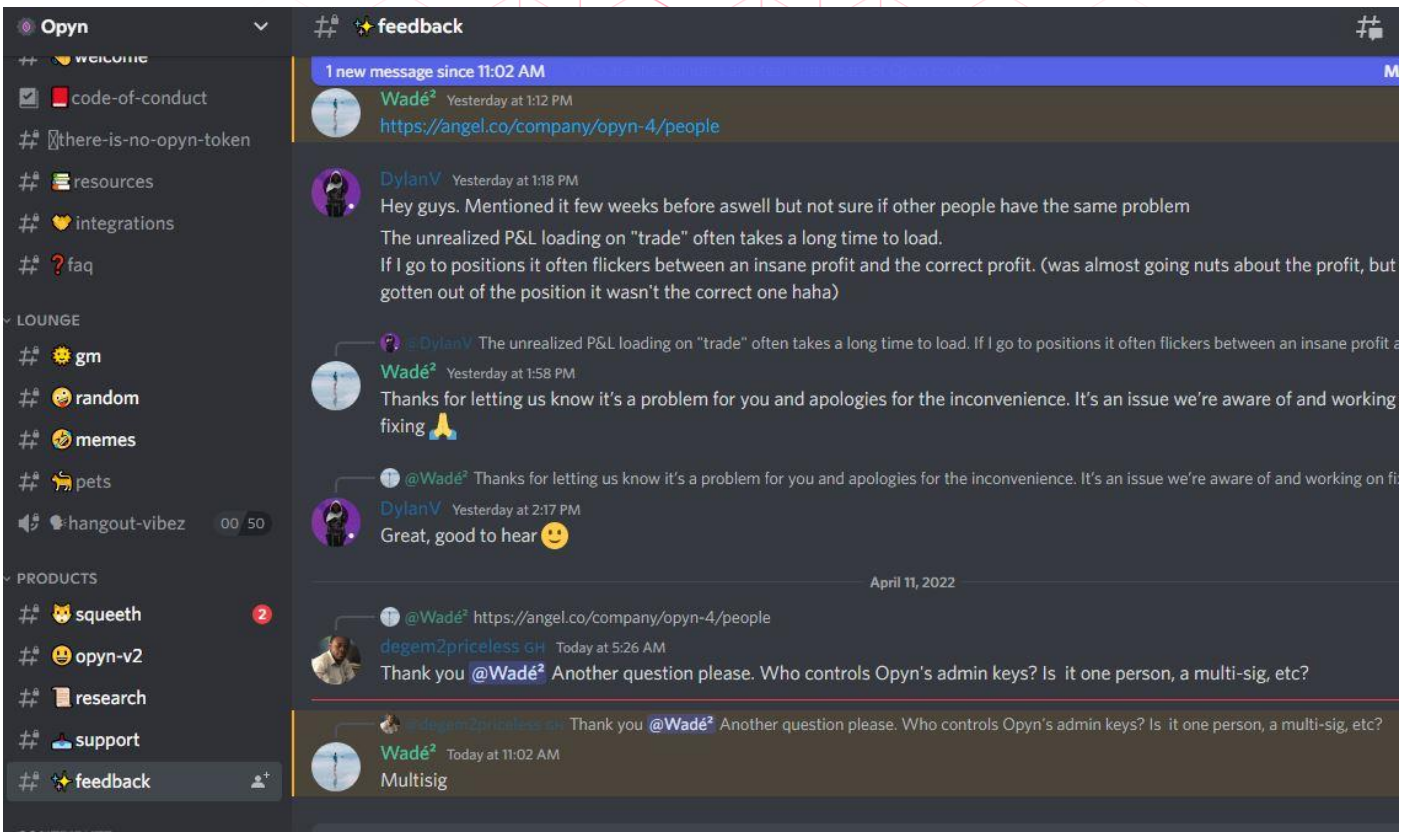
a) Admin Keys (20 points)

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 protocol doesn't have a token contract. It does have core contracts and external contracts.

The team doesn't mention who controls these. However, according to etherscan, all its core contracts were created by one address. Looking at the skill sets of the team members it is likely Haythem Sallemi is the creator. This is just speculation.Its external contracts were however created by different addresses.

It can be inferred from this that the admin keys are operated by a multi-sig with credible and staked individuals. The protocol's discord moderator confirms this but doesn't mention who the individuals are.



Score: 10

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 aren't any token holders.

Score: N/A

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: There aren't any voters as there isn't any token

Score: N/A

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: There isn't any voting mechanism. There is only a discord channel for sharing ideas and building discussions around them.

Score: N/A

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 protocol doesn't have a specified governance process

Score: N/A

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: A legal entity is connected to the protocol. The headquarters of Opyn can be found in San Francisco with the address as the San Francisco bay area, Western Coast of San Francisco, in the Californina jurisdiction, USA. In case of a breach, the protocol can be held accountable.

Score: 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: The USA is a top tier jurisdiction in the world and can facilitate the legal framework for the jurisdiction to expand.

Score: 10

About the Author: Degem2priceless. I am a crypto and web 3 researcher and enthusiast looking forward to gaining experience as a rater with DAOs and making a full time living off cryptocurrencies.