

Fundamental

Prime Rating Report

Protocol: SushiSwap

Version: [1.0.2](#)

Previous Report: None

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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 (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? In general, forks without any newly added functions are considered subordinate to the protocol they forked.

Answer: SushiSwap is a fork of Uniswap which added a [governance token](#) and was the first to come up with [Vampire Mining](#). Since then it has grown to be a project in its own right, with its [Onsen Menu](#) rotating liquidity mining scheme attracting praise. It has also become part of a [larger merger movement](#) with yEarn which also introduced new money legos options.

Score: 7

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. 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: Immediately after announcing itself, LPs [started moving liquidity](#) over from Uniswap towards SushiSwap, making it the [largest](#) in TVL at the time. After the initial launch and hype it

dropped back [into second position](#), where it is in a [strong position](#), leaving all smaller projects behind.

Score: 11

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: DEXs are [clearly able](#) to contend with CEXs. Innovation is still moving fast and there is plenty of room for growth. Token swaps will only become more requested in the future as tokenization of every asset in the world starts to happen.

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: Now that Uniswap has its UNI token it begs the question if SushiSwap will stay around. CEXs and DEXs have the [tendency](#) to come and go (IDEX and Poloniex for example). With its merger with the yEarn ecosystem it has a good chance of staying relevant.

Score: 7

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: SushiSwap had a founders reward which soon created issues when its founder [sold all of it](#). This cascaded into him [giving it back](#) and leaving his position within SushiSwap. The rest of the

tokens are distributed towards liquidity providers through inflation indefinitely. [From Nansen](#) (30-10-2020):

About 11.9% of the farmers have farmed 1,000-10,000 Sushi. Only a handful (2.9%) have farmed more than 10,000 SUSHI. Majority (68.5%) have farmed between 10-1,000 SUSHI.

In SushiSwap, 0.25% [go directly](#) to the active liquidity providers, while the remaining 0.05% get converted back to SUSHI (obviously through SushiSwap) and distributed to the SUSHI token holders. 10% of every SUSHI distribution is set aside for developers. Debate around liquidity mining as a 'fair launch' have not been concluded yet, with projects now opting for a combination of yield farming, gov participation and backers.

Score: 12

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: The token is used for on-chain governance. Holders also get a part of the fees of the protocol. Besides governance, there is no other utility for the token as of now.

Score: 9

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: As mentioned two answers back, inflation pays for providing liquidity and also rewards SUSHI holders. Besides this it also provides tokens towards the dev-fund. The large inflation could mean that LPs sell their tokens into more deflationary holdings. Sushi counters this slightly by giving holders a part of the fees as well, therefore creating some incentive to hold.

Score: 7

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: As established in the previous answers, there is a value accrual mechanism within the distribution of new SUSHI. And the dev-fund [supposedly](#) can be voted on.

Score: 10

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: Is [listed](#) on a lot of markets, both DEXs and CEXs with a daily volume of almost \$1B.

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 started out [anonymous](#) and had its founder [selling all his tokens](#) after claiming he wouldn't do that. After this debacle, 0xMaki [took over](#) and since then has had no further similar issues. New team members [have been funded](#) through on-chain governance, some of which are not anonymous. The project also is collaborating with the whole yEarn ecosystem, which has made them more known within the space and its inner circles.

Score: 7

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: [besides](#) 0xMaki, there is little easy accessible information on the team and its background. 0xMaki has quickly come to be known as a skillful dev.

Score: 3

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: **OxMaki** voices his opinion and **Sushi** is part of the **yEarn** ecosystem.

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: The project is [anonymous-backed](#) (31-8-2020) and has a 10% block reward for their dev fund which is being [voted upon](#). As mentioned before, this has already led to hiring more devs.

Score: 10

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 current MasterChef contract [doesn't permit changes](#) to the SushiToken contract, which in turn dictates other protocol functions for minting SUSHI tokens and for paying fee-staking rewards to SushiSwap holders. Each smart contract would have to be manually migrated to make the changes. The admin keys of the dev-fund have been [transferred](#) to publicly known and voted upon multi-sig holders. It has a time-lock of 48hrs.

Score: 16

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: Votes are [managed](#) on snapshot.page and are based on SushiPowah (8-2020). But after a community vote takes place, the multisig signers must sign the transaction to make it live.

Score: 3

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 is a multi-sig of [9 people](#) who [are known](#). The gov-forum of Sushi is used for signal voting, and [attracts](#) holders to vote. The discussion forum is [moderately](#) used. When yEarn's Andre Cronje announced a bunch of merger updates, the community voted against some of these, showing their own voice and will.

Score: 3

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: At this moment, SushiSwap is being governed through a multi-sig and there are no extensive docs on how this is being handled. There is a [page](#) on its discussion forum which states some basic rules within the forum.

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: As previously mentioned, there is a discussion forum, a governance snapshot website plus they have a discord. Real on-chain binding governance is not in place, not counting the multi-sig.

Score: 6

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: SushiSwap is not registered in any district and is only accountable in an informal way.

Score: 0

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: Has no jurisdiction.

Score: 0

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: As an exchange, SushiSwap has not made any steps to get any regulatory licences in any way.

Score: 0

Scorecard

<u>Value Proposition</u>	Points
1. Novelty of the solution	7 / 15
2. Market fit/demand	11 / 15
3. Competitiveness within market sector(s)	10 / 10
4. Novelty of the solution	7 / 10
<u>Tokenomics</u>	Points
1. Is the token sufficiently distributed?	12 / 15
2. What is the extent of the token's capabilities?	9 / 10
3. Is the issuance model able to improve the coordination of the protocol?	7 / 10
4. Is the value capture model able to accrue and distribute value?	10 / 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)	7 / 15
2. Does the team have relevant experience?	3 / 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?	10 / 10
<u>Governance</u>	Points
1. Admin Keys (Yes, Multisig, Multi-sig and Timelock, None)	16 / 20
2. Extent of Governance capabilities	3 / 15
3. Active Governance contributors	3 / 5
4. Robustness of Governance process	4 / 10
5. Governance infrastructure (rituals, docs, UI)	6 / 10
<u>Regulatory</u>	Points
1. Does the protocol have any legal accountability?	0 / 15
2. What is the quality of the legal jurisdiction?	0 / 10
3. Is the protocol (able to become) legally compliant?	0 / 5
Total	138/215

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