Fundamental Report

Protocol: Element Finance
Version: 1
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Previous Report: [Link to previous report](#)

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Season/competition:

Scorecard

1. Value Proposition	Points
a) Novelty of the solution	12 / 15
b) Market fit/demand	14 / 15
c) Target Market Size	10 / 10
d) Competitiveness within market sector(s)	9 / 10
e) Integrations & Partnerships	12 / 15
Total Points - Value Proposition	**57 / 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? (No, Partly, Yes & Anon , Yes & Public)	15 / 15
b) Does the team have relevant experience?	10 / 10
c) Does the team participate and help shape the public debate?	5 / 5
d) Is the team able to effectively attract and coordinate resources?	9/ 10
Total Points - Team	**39 / 40**

4. Governance	Points
a) Admin Keys	14 / 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	**14 / 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	**135 / 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:

Element Finance is a decentralized finance protocol and interest-rate automated market maker that enables users to seek high fixed yield income on their yield generating positions in the Defi market. The protocol allows this by separating base asset positions into two distinct separate tokens, the Principal token, and the Yield token.

The principal token presents the value of the base principal which can be immediately sold on the interest-rate market at a discount. without. The purchase of a principal token (discounted asset) thus ensures a fixed yield rate because at the time of purchase the discount and yield are already known. The Yield token presents variable interest gained from the yield generating protocol with a selected term lockup period. This token is only redeemable for the differential in value of the underlying yield asset from the original principal, which means It does not transfer financial risk associated with the underlying asset. Splitting position on principal and yield also creates greater capital efficiency for users realized by speculating on variable rates (yield token compounding) or providing liquidity for Element AMM pools. The Element AMM is an implementation based on the YieldSpace and designed as integration with Balancer V2.

Element protocol can be used as a treasury diversification solution allowing Protocols, DAOs, and organizations to earn fixed-rate yield, increase capital efficiency and implement hedging strategies on treasury capital. The element finance team also developed a new simplified and participate-minimized governance model, as well as Grant and

Reward systems based on optimistic rollups. The protocol hasn't a tradeable native token, in March 2022 protocol launched the pure governance token ELIF which is currently non-transferable. Element protocol is deployed only on the Ethereum mainnet, but the team has announced integration on the Aztec L2 solution in Q1 2022. The reason for that choice is Aztec rollups mechanics which interact directly with existing smart contracts and liquidity on mainnet, in that way protocol avoids liquidity fragmentation.

Element is not the first protocol focused on a fixed interest-rate problem in Defi (Cherryswap on ETH Berlin 2019 and Yield protocol on September 2019) and also isn't the first interest rate market solution (APWine, August 2020). However, the Element protocol introduces organizational innovation in this area by developing a complete ecosystem around protocol (governance, integrations, market-first approach) and represents the first choice in that market.

The score will be lower by -3 because Element protocol isn't a first-mover in the fixed-rate income and interest rate market space.
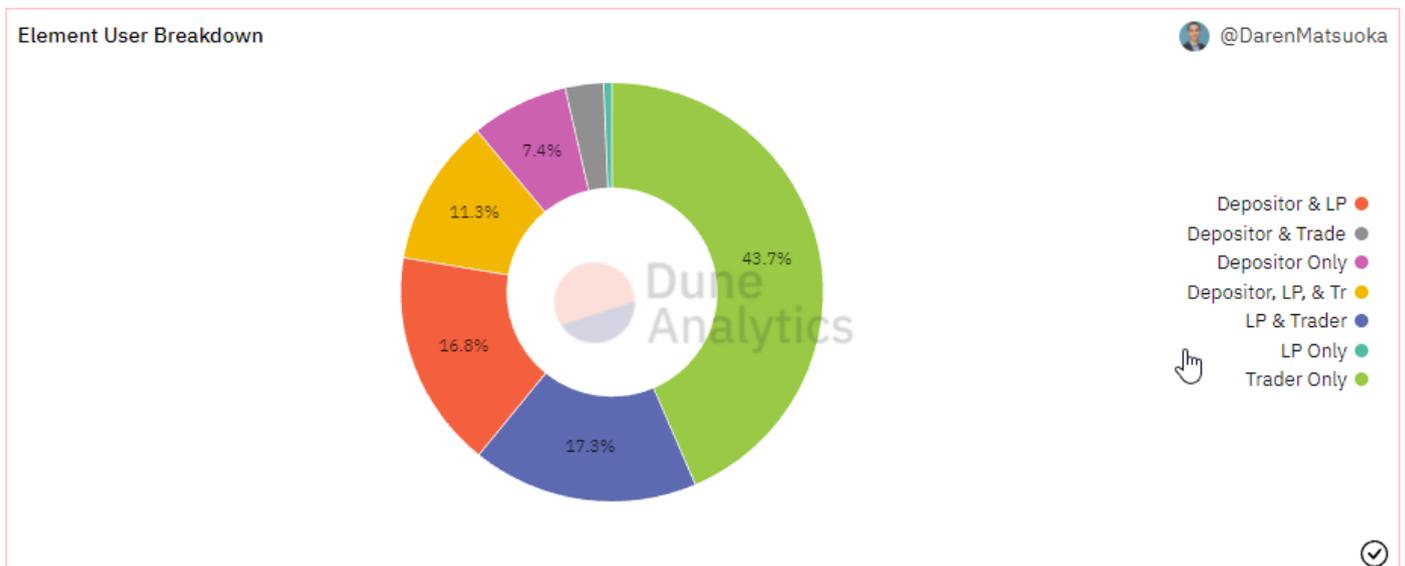
Score: 12

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:

Although only a few months old, Element Finance has $350.81m TVL of which $123m is the liquidity of AMM and 26,493 total users. The protocol currently offers deposits in 10 yEarn vaults and an option for providing liquidity in Element AMM. After deposit, the user can use the protocol in three ways: as a depositor, liquidity provider, or trader. Depositors have a passive approach, they only deposit assets in a vault and benefit from the boosted interest rate. Liquidity providers after depositing in vaults use newly minted Principal and Yield tokens for providing liquidity on Element AMM, while traders implement different strategies in the interest-rate market (users can use one, two, or all role functions). The figure below shows the structure of users using the Element protocol:

Element User Breakdown — @DarenMatsuoka

Legend: Depositor & LP, Depositor & Trade, Depositor Only, Depositor, LP, & Tr, LP & Trader, LP Only, Trader Only

(sources: [Dune analytics](#))

Although the entire Defi sector is currently in the early innovation phase and fixed-rate income protocols are still in the testing phase with a small number of supported vaults and tokens, there are several strong indications that the Element protocol has a product-market fit:

- Fixed-rate income model - Element is interest rate AMM with splitting token which is more accessible than structured derivatives and fixed-rate income lending protocols
- Supply-side market - protocol inputs are yield generating products (liquidity providers, lending protocols, yield aggregators and staking providers)
- Element protocol growth - all market performance has been achieved through "organic growth" without native token incentive rewards

The score is lower by -1 because the fixed interest rate income market is still at an early stage and a lot of protocols offer different types of solutions for capturing fixed rates which are also product-market fit.

Score: 14

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:

Element Finance target market size in the context of traditional finance at the global level can be observed through the size of the fixed income market ([$100 trillion](#)) and interest rate derivative market ([$465 trillions](#)), what makes Interest rates swaps one of the most commonly traded products in traditional finance. The growth of these markets is [sustainable](#) and a higher growth rate is expected for the Defi sector since it is much easier to develop financial products on Defi protocols and they are more accessible to a larger number of users.

The size of the fixed interest-rate market only for the Defi sector is difficult to estimate in numbers, but the market for these protocols can be extended to all yield-bearing assets (i.e. stETH, LP tokens, vaults, and lending markets) and it could very likely become the largest market in the sector.

From a target market based on multi-chain distribution, Element finance has space for growth because the protocol is [operational](#) only on the Ethereum mainnet.

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:

Defi protocols in various ways try to offer users a fixed yield income on their funds, and the most basic [categorization](#) can be reduced to:

- Fixed interest-rate lending protocols ([Notional](#), [Yield protocol](#), [UMA yUSD](#))
- Yield trading protocols (Element finance, [Pendle finance](#), [Sense protocol](#), [Swivel](#), [APWine](#))
- Securitization and tranches ([Barnbridge](#), [Saffron](#), [Ribbon finance](#))

Each protocol has slightly different ways to achieve fixed interest rates and therefore has its own advantages and disadvantages in terms of [capital and market efficiency](#). Fixed interest-rate lending is the easiest way to get a fixed yield, but drawbacks are high liquidity requirements, slippage, limited leveraging, and requiring more transactions for swap. Fixed yield through securitization and tranches (structured products) creates speculative demand for fixed interest rates as risk-takers try to satisfy the demand of the hedge side in the hope to earn excess returns. The advantage of "structured products" is that they do not use AMM but issue fixed interest NFTs and directly complete price discovery in the internal system. Element Finance is a yield trading (IRM) protocol and competitiveness derives from protocols in that category:

Protocol	TVL	mCap	Chains	Assets	Source	Token in.	LP
Element	~$348m	-	Eth	11	yearn	no	AMM
APWine	~$7m	~$10m	Eth, Polygon	7	Aave, Beefy, Stake DAO, (+4)	yes	AMM
Pendle	~$22.4m	~$22.3m	Eth, Ava	8	Compound, Aave	yes	AMM
Swivel	~$34m	-	Eth	1	Compound, Rari	yes	Orderbook
Sense	~$10m	-	Eth	1	Lido	no	AMM

(source: [DefiLlama](#) and other sources)

Element Finance is a clear leader in the interest rate market (IRM) category with by far the largest TVL, provided that this is achieved without incentive reward programs. [Swivel](#) stands out as the only protocol with IRM based on order-book exchange which represents an advantage over the Element protocol because of its more efficient price discovery mechanism. [Pendle finance](#) is the most similar to the Element, with only a difference in the operating mechanics of its yield token. In Element Finance, the yield token accumulates interest which results in a higher redemption price after settlement, while in Pendle finance generated interest is directly sent to the token holder. [Sense](#) protocol implements the invariant of YieldSpace, but it replaces the underlying assets with yield-bearing assets, allowing all assets in the liquidity pool to generate value over time and maximize capital efficiency (structure products feature). [APWine](#) is the first protocol for future yield tokenization however it failed to take advantage of the first "mover" advantage as it has the smallest TVL of the compared protocols. ApWine is more oriented toward token economics and tries to gain an advantage in the target market using the veToken model.

Compared IRM protocols still have a small number of products on offer, which shows that the IRM Defi niche is at an early stage of development. With regard to the TVL metric, Element Finance is the benchmark in the market segment. The score is lower by -1 because Element Finance due to AMM characteristics has an inefficient price discovery mechanism.

Score: 9

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:

Element Finance uses Balancer v2 [integration](#) for protocol AMM solution.
Element protocol has [integrated](#) [yEarn](#) vaults strategies for protocol underlying variable interest rate strategies.
Component finance [built](#) yield token compounding (YTC) tool on Element protocol.
Non-custodial options protocol - Pods finance, [integrated](#) with Element finance in order to use the Principal Token (PT) from Element's [ePyvUSDC](#) fixed yield product as collateral to write Put Options on Pods.
Antimatter will [integrate](#) perpetual underlying stablecoins and DAO treasury into Element protocols fixed yield vaults.
Element has some integrations on protocol and mainly uses integrations for expanding the protocol ecosystem. The score is lower than -3 because is expected more integrations since it is one of the Element's values propositions.

Score: 12

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:

Element protocol currently doesn't have a developed token-economics system, only distributed voting power.

Score:

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:

Score:

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:

Score:

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:

Score:

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:

Score:

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:

Score:

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:

Protocol team is public and credible with huge experience in building Defi products. According to LinkedIn, the team has 20 members, but without detailed data about all members, so three platforms were used to provide public profiles: LinkedIn, Crunchbase, and CryptoHunter:

Will Villanueva - co-founder and CEO, CypherHunter, LinkedIn

Jonny Rhea - co-founder and CTO, CypherHunter,

Charles St. Louis - COO, CypherHunter

Windra Thio - Growth and Strategy, CypherHunter

Nicolas Evans - Senior Solidity Engineer, CypherHunter

Matt Brown - Full Stack Engineer, CypherHunter

Paul Vienhage - Lead Solidity Engineer, CypherHunter

Danny Delott - Lead Front-End Engineer, CypherHunter

Luis Blanco - Product Designer, LinkedIn

Alim Khamisa - Product Development, LinkedIn

Sebastian Aldasoro - Community and Content Lead, [LinkedIn](#)

Score: 15

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:

For running Defi protocols like Element, it's necessary that team members have high-level skills in programming smart contracts, and knowledge in the field of financial engineering (computer science, statistics, economics, etc.). The members of the Element finance team are all experienced builders in the crypto space with [working experience](#) in blockchain companies such as Consensys (Will Villanueva, Jonny Rhea), The Tokenist (Windra Thio), and Authio (Paul Vienhage), and leading Defi protocols such as Maker (Charles St. Louis), 0x (Paul Vienhage) and yEarn (Danny Delott). The team is mainly composed of experienced developers and financial analysts with strong technical knowledge. Protocol founders, [Will Villaneuva](#) and [Jonny Rhea](#) have high-level software and data engineering skills, while Element CTO [Charles St.Louis](#) in addition to programming also has financial engineering and business analytics skills. Element's Lead Solidity Engineer [Paul Vienhage](#) is specialized in blockchain and smart contracts development, and [Matt Brown](#) in web and mobile development. Head of Growth and Strategy, [Windra Thio,](#) is the lead in the blockchain research house with high skills in public relations and management.

Element team members have relevant experience and knowledge, with an emphasis on technical skills.

Score: 10

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:

Team members are often present at Ethereum conferences where they give presentations and panels and are guests in many Defi-oriented podcasts. At the [ETH Denver](#) conference, several team members participated by holding panels and presentations. The element finance team also sponsored Gitcoin's Schelling Point conferences and gave talks on governance, the dynamics of fixed rates in Defi, and building community.

Charles St.Louis had public speak about governance systems, co-founder Will Villanueva hold a presentation:"How Fixed-Rate Primitives Work in a World of Degens and Rugpulls.",
Element CEO, Will Villanueva was one of the speakers on TOKEN2049 in London 2021, Rocket Opinion B2B fuel show,

Windra Thio - AMA on Justin Bram podcast, Ethereum Malaysia, also participated in panels during ETH Denver.

The Element team has attended many public debates, presentations, panels, and AMAs around Defi.

Score: 5

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:

Element protocol raises $4.4m in seed funding round led by a16z and Placeholderaccompanied by SV Angel, A.Capital, Scalar Capital, and Robot Ventures.

In October 2021, Element raises $32 million at a $320 million valuation, round was led by Polychain Capital and includes previous investors a16z, Placeholder, A_Capital, and Scalar Capital, and ew investors in the round include Advanced Blockchain, Republic, and others. In this round as individuals participated many builders from space like Stani Kulechov(Aave), Kain Warwick (Synthetix), Fernando Martinelli (Balancer), Hart Lambur(UMA), and many others. The Element team has included a quality group of advisors in the development of the protocol, which will certainly have a positive impact on strategy, partnerships, integrations, and the general use of the Element protocol.

Our Advisors

- Fernando Martinelli, Founder & CEO @ Balancer Labs
- Mariano Conti, Former Head of Smart Contracts @ Maker Foundation
- Evan Van Ness, Week in Ethereum News
- Eric Conner, Co-founder @ EthHub | Into the Ether Podcast
- Danny Ryan, Eth 2 R&D @ Ethereum Foundation
- Andy Chorlian, Co-Founder @ Fractional. Andy is an early contributor to Element but has recently moved to an advisory position as he has launched his own project, Fractional.

(source: Element finance Medium)

Element protocol's code and products are open source and enable third parties to integrate existing products or build a new one on top of the platform. The team is also pushing forward initiatives for treasury management solutions

using Defi. The Element Finance strategy is aimed at the development and expansion of the protocol ecosystem and complete decentralization in governance over protocol management.

The Element team is efficient in attracting resources, and the best indicator is the number of VCs and individual investors in protocol seed rounds. For now, the team is proving to be efficient in coordination over resources as well, but the score is lower by -1 because the team still needs to prove itself in DAO coordination, capturing value for protocol, and creating a token-economics design.

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 Element Finance team has a multi-signature wallet but, according to protocol [documentation](): "The Element core team does not have an admin key with substantial powers. The contracts are not upgradable. Element protocol interactions cannot be blocked, stopped, or undone by the team. The team does not have the ability to access any user funds and does not have the power to change term lengths or allow the early release of funds."

Multi-sig signers have three temporary administrative powers:
- ability to set a governance fee on trading (max. 30% of the LP fees)
- ability to collect fees from the trading
- ability to pause a contract that holds user allowances

Administrative powers will be transferred to the governance system/community upon launch.

There is no timelock for the time being because of the highly restricted admin controls and multisig described previously.

Despite the fact that multi-signature signers do not have substantial power the fact is that the protocol is still not under the control of DAO, what is the reason for -3 on the score. Additional -3 on score because the timelock was omitted. The protocol team, investors, and advisors are all well-known builders from Defi space which should be taken into account when assessing the reliability of the protocol.

Score: 14

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:

Element protocol currently doesn't have implemented governance system. The governance token was [launched](#) a few days before and at this moment is locked in the voting vault. Initial voting power (10%) distribution is allocated across [Element users](#) (7.5%), [Community members](#), and [Ethereum ecosystem contributors](#) (2.5%).

ELIF token has only governance utility. According to the Element Medium [blog](#): "*Element governance can vote on various categories primarily focused on socioeconomic topics such as treasury management and asset onboarding. The Element Protocol requires minimal input from voters so, where possible, parameter updates will be rare.*"

According to the Element team [via Mirror,](#) the goal is to DAO has a ful control in governing over protocol: "*We'd like to see the DAO involved in a number of initiatives. Onboarding new assets and terms, launching new yield sources, supporting research or product initiatives, and helping the development and growth of Element, such as grants, hackathons, meetups and more are some suggestions that could be implemented by the DAO.*"

Only when the entire protocol governance system is activated will be visible the effect of such a governance model, score is lower by -2 due to uncertainty of implementation and success.

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:

The active governance process is not yet fully active. The process of [delegating voting power](#) to Delegates is currently underway. On Commonwealth, DAO discussion app, are active [455](#) members of the Element community, and only 3 threads have been published so far:

Recent threads	
Introducing the Call for Delegates & Members of the Governance Steering Council	Apr 3 🔥
bajin's call	Mar 31
Application	Mar 29

(source: [Commonwealth Element finance](#))

Score is lower for -2 because that the protocol has not yet begun with the full governance process and at present one can only assume what the governance activity will be based on certain revealed governance mechanisms.

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:

Element team has developed a [Council protocol](#) - a new governance system that will be used in the Element Protocol. From FAQ on [governance interface](#): "*Council is an on-chain decentralized governance system through which a community can manage a DAO. It gives the community total flexibility over how to distribute Voting Power and allows it to adapt its governance system to the continuously evolving needs of the DAO.*"

According to the Element finance Medium [blog](#): "*The core governance system consists of on-chain vote counting, proposal thresholds, custom quorum requirements, and a timelock for executing security-critical votes.*"

Element community for governance discussion uses [Commonwealth](#) - governance and community management protocol, and [Discord](#). [Telegram](#) application is used for announcements about protocol.

Core governance infrastructure developed and tested by the protocol team and the use of the Commonwealth tool for community discussion indicates how important the governance process is understood by the founders. Score is lower for -2 because protocol governance infrastructure isn't used yet for all governance activities.

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:

Element protocol does not yet have a developed governance framework, from Element protocol [Mirror post](#): "*In order to encourage participation in voting and governance, we'll soon launch a Governance framework which outlines the path to take a proposal or idea to on-chain finality.*" The Mirror article also mentions the initial parameters (requirements) for accepting proposals: "*Proposals will require the support of at least 55k (0.45%) tokens to go to a vote and a simple majority voting to approve with a quorum of 1.1m tokens or 9.1% of initial circulating supply. In order to make it into the Governance Steering Council, you should receive at least 110k or 0.9% of the circulating supply delegated to you. These parameters can be updated by Governance.*"

The governance model was created as a simplified and participation minimized form of governance, achieved with a delegation mechanism, capital-efficient voting through [Voting Vaults](#), and [Governance Steering Council](#).

Although the governance process has not yet been launched, the protocol documentation shows that it will be a robust governance process. The score is lower by -2 because there is still no complete documentation and templates (only proposal success parameters) about the 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:

The Element Finance protocol is registered as [Element Finance](#), Inc., a USA-based company, with an address at 8528 Davis Blvd, 134-262, North Richland Hills, Texas.

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:

In the United States, there are no federal [regulations for cryptocurrencies](#), but state governments regulate crypto exchanges and each state has its own set of rules. Currently, most US regulatory actions are administered by:

- *Security and Exchange Commission (SEC)* classifies digital assets as securities
- *Commodity Futures Trading Commission (CFTC)* considers cryptocurrencies to be commodities
- Treasury treats crypto assets as currency

PrimeRating

The USA is top-tier jurisdiction with applicable law.

Score: 10

Name: Marin (dabar90)
Background:
Economist by profession, over 4 years in crypto/web3 space and most interested in token-economics, crypto-economics design, Defi and gaming

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